



# The Effect of Human Resource Competence, Utilization of Information Technology, Internal Control Systems, and Application of Government Accounting Standards on The Quality of Financial Reporting (Study on South Aceh Government SKPK)

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## Abstract

This study aims to examine the effect of human resource competence, the use of information technology, internal control systems and the application of government accounting standards on the quality of financial reporting in the South Aceh Government SKPK. The population in this study were 55 SKPK in South Aceh Regency. The entire population is the sample in this study and is called the census sample. Primary data sources are obtained from questionnaires distributed to 110 respondents. Respondents in this study were the Expenditure Treasurer and Financial Administration Officer at SKPK. The analytical method used is multiple linear regression analysis. The results of this study indicate that the competence of human resources, utilization of information technology, internal control, and SAP implementation together affect the quality of financial reporting. Furthermore, the results of the partial study show that HR competence affects the quality of financial reporting, the use of information technology affects the quality of financial reporting, internal control affects the quality of financial reporting, and the application of SAP affects the quality of financial reporting in the South Aceh Government SKPK.

*Keywords:* Human Resources, Information Technology, Internal Control, Government Accounting Standards and Quality of Financial Reporting.

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## 1. Introduction

Government financial reports are a form of accountability for government administration to realize transparency and accountability in government financial management as regulated in Law No. 32 of 2004 concerning Regional Government. The law explains that regional autonomy is the right, authority and obligation of autonomous regions to regulate and manage their own government affairs and the interests of local communities in accordance with statutory regulations. With the implementation of regional autonomy, the government is also obliged to submit regional financial accountability reports to assess whether the regional government has succeeded in carrying out its duties properly or not (Novita et al., 2018). Accountability for regional financial management can be realized in the form of financial statements in the form of balance sheets, budget realization reports, cash flow reports and notes to financial statements that must be presented in accordance with Government Accounting Standards as stated in Government Regulation of the Republic of Indonesia No. 8 of 2006 concerning Financial Reporting and Performance of Government Agencies (Asih, 2021). Therefore, the presentation of financial statements must meet the qualitative characteristics as required in Government Regulation No. 71 of 2010. The qualitative characteristics of a financial report are a normative measure needed so that local government financial reports can meet the desired quality, namely relevant, reliable, comparable. and understandable (Sueng, 2020).

The quality of the financial reporting of ministries and institutions in the central government is largely determined by the quality of the financial reporting of work units, as is the quality of local government financial reporting which is highly dependent on the quality of the financial reporting of the Regency Apparatus Work Units. However, until now the availability of employees who understand accounting and reporting is considered insufficient and not evenly distributed, especially in local governments (Simanjuntak, 2021).

Muliyani & Kee (2021) Unqualified Opinion (WTP) reflects the quality of government financial reporting. This is in line with Prabhawa & Prasajo (2021) which state that the WTP opinion is a description of state financial management in accordance with Best Practices. The Supreme Audit Agency (BPK) as an external auditor who assesses the quality of LKPD, audits local government financial reports as the basis for expressing opinions (Lestari & Rahim, 2021). Article 4 point 1 of Law Number 15 of 2004 explains that the audit conducted by the BPK consists of a financial audit, a performance audit, and an audit with a specific purpose. In accordance with research from Ariawan et al. (2019) the results of the BPK examination consist of 4 kinds of opinions, namely: unqualified, qualified, unreasonable, and refusing to give an opinion. The level of fairness is assessed by considering whether or not the financial statements are in accordance with government accounting standards, adequacy of disclosure, and compliance with applicable regulations as well as effective internal control.

South Aceh District has received a WTP opinion from the results of the examination of regional financial statements by the BPK from 2015 to 2018 (BPK, 2019). However, there are still some shortcomings and obstacles faced in the preparation of financial statements, especially at the SKPK level. Phenomena related to the quality of financial reporting in South Aceh, among others, the understanding of SAP is not evenly distributed in all SKPKs. In addition, several PPK-SKPD have not been able to compile their own financial reports, still under the assistance of BPKD. This is because there is still a lack of personnel who understand accounting or have an accounting background (ranking data for South Aceh Regency 2019), the weak level of understanding of Human Resources (HR) in financial management in SKPK on regulations and administrative applications. Financial administration is still inadequate, especially in asset administration, inventory administration, goods administration and revenue administration (BPK, 2018). There are still claims for refunds and claims for compensation (TP/TGR) for several SKPKs whose numbers are still significant. Then, the internal control system is still weak, which can be seen from the existence of entities that are late in submitting financial reports. This phenomenon shows that the quality of the financial statements of the South Aceh District SKPK is currently indicated to be still low, this is caused by several factors, namely the lack of human resource competence, the use of information technology, internal control systems, and the weak application of Government Accounting Standards (SAP) in South Aceh District.

Abdullah & Rafid (2017) mention that financial statements are a product produced by the field or discipline of accounting. Therefore, competent human resources are needed in order to produce a quality financial report. Like wise for government entities, to be able to produce quality regional financial reports, competent human resources are needed and understand government accounting, regional finance and organizational governance (Ariyanto, 2020). Because the failure of HR in understanding and applying accounting logic will have an impact on errors in the financial statements made and the incompatibility of financial statements with the standards set by the government (Hainil & Silvera, 2021). The results of Pujanira & Taman (2017) research state that HR competence has a positive effect on the quality of financial reporting.

In addition, the use of information technology can also improve the quality of local government financial reports. In order to realize accountability and transparency in regional financial management, the use of information technology is a necessity that must be met to help manage data more quickly, effectively, efficiently and accurately (Lestari & Dewi, 2020). Currently, SKPDs have utilized information technology to produce an information system that can be accessed, managed and utilized by various parties and the community (Dewi et al., 2018). This information system is known as the Regional Financial Information System (SIKD). Therefore, the use of SIKD can speed up the work process in regional financial management and provide comprehensive regional financial information to the wider community.

Furthermore, the internal control system is also one of the factors that can affect the quality of financial reporting. The internal control system is a process that is influenced by management which was created to provide adequate confidence in achieving effectiveness, efficiency, compliance with applicable laws and regulations and the reliability of the presentation of financial statements. The internal control system is carried out comprehensively for each process of planning the implementation of the budget and the preparation of financial reports in order to provide adequate assurance of these actions and activities (Pratama, 2021). The internal control system is not the final result of the stages of activity for the government, but a process that is carried out continuously to be evaluated, tested and improved. Furthermore, the government control system is implemented in accordance with benchmarks to realize good governance to support success in improving the quality of financial reports in the future (Putri, 2013). Mulyati et al. (2020) state that the internal control system can improve the reliability of financial reports which is one of the normative prerequisites needed so that local government financial reports can meet the desired quality. Therefore, the internal control system becomes a very important thing to pay attention to, so that it can achieve efficiency, effectiveness, and prevent state financial losses for the benefit of the community and the region.

Next, the application of Government Accounting Standards (SAP) is also one of the factors that can affect the quality of financial reporting (Rahmansyah et al., 2021). SAP is a requirement that has legal force in an effort to improve the quality of government financial reports in Indonesia (Ariawan et al., 2019). Based on Government Regulation No. 71 of 2010, SAP is the accounting principles applied in preparing and presenting government

financial reports. Based on the results of Jati (2019) the application of SAP has a considerable influence on the quality of government financial reports.

## **2. Literature Review**

### **2.1. The Influence of Human Resource Competence on the Quality of Financial Reporting**

The competence of human resources affects the quality of financial reports. This means that the competence of human resources reflects the level of success of the quality of the financial statements produced, which means that the better the competence of human resources, the higher the level of quality of the financial statements produced. With the existence of competent human resources, the time for preparing financial statements will be shortened, this is because these human resources already have the knowledge and understanding of the things that must be done, so that the financial statements prepared can be completed and presented on time.

The results of Ariawan et al. (2019) found that the competence of human resources affects the quality of local government financial reports. Competent human resources such as sufficient numbers and having an accounting education background will produce quality financial reports. The results of research by Pujanira & Taman (2017) found that Human Resource Competence has a positive effect on the Quality of Local Government Financial Reports. Revealed that human resource competence has a significant effect on the quality of regional financial reports. This proves that competent Human Resources will produce quality financial reports. Human resource competence has a significant effect on report quality. Based on the theoretical framework, the research hypothesis is as follows:

H<sub>1</sub>: HR competence affects the quality of financial reports

### **2.2. The Effect of Information Technology Utilization on the Quality of Financial Reporting**

To follow up on the implementation of the development process that is in line with the principles of good governance, the Government and Local Governments are obliged to develop and utilize advances in information technology to improve the ability to manage regional finances, and distribute Regional Financial Information to public services (PP No. 56 /2005 on Explanation).

Chodijah & Hidayah (2018) reveal that the use of information technology has a significant partial effect on the quality of local government financial reports. The results of his research show that the use of information technology in fact determines the quality of local government financial reporting. To support the presentation of financial reports that meet qualitative characteristics, it is necessary to optimize the use of advances in information technology to build a network of management information systems and work processes that enable the government to work in an integrated manner by simplifying access between work units.

### **2.3. The Effect of Internal Control System on the Quality of Financial Reporting**

The government's internal control system is one of the key determinants for the success of regional government development, good internal control will ensure the achievement of specific development goals (Mulia, 2019). Based on Government Regulation No. 60 of 2008, the internal control system is an integral process for actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security state assets and compliance with laws and regulations. The internal control system aims to provide adequate assurance for the effective and efficient achievement of organizational goals. Therefore, a good internal control system is used in a reporting entity and is a factor that determines the reliability of the financial statements produced by the entity (Afiah & Azwari, 2015).

### **2.4. The Influence of the Implementation of Government Accounting Standards on the Quality of Financial Reporting**

Financial statements are structured reports of financial position and all transactions carried out by a reporting entity, the purpose of which is to present information about the financial position that is useful for users in making decisions about the allocation of economic resources. According to PP No.71 of 2010, a financial report is good if it is produced from the application of SAP, it can provide benefits to stakeholders, both users and examiners of government financial reports, compared to the costs incurred. This is in line with one of the accounting principles, namely that the costs incurred are proportional to the benefits to be obtained. Therefore, to produce quality financial reports, it is necessary to apply government accounting standards.

The results of research by Abdullah & Rafid (2017) show that the application of SAP has a positive and significant effect on the quality of regional financial reports. This means that the better the implementation of SAP, there will be an increase in the quality of financial reports. The research which states that the application of SAP affects the quality of local government financial reporting. Based on the theoretical framework, the research hypothesis is as follows:

H<sub>4</sub>: the application of government accounting standards affects the quality of financial reports

### 3. Materials and Methods

#### 3.1. Materials

The type of investigation in this study is a causal relationship, namely the type of relationship where one variable (the dependent variable) is explained or influenced by another variable (the independent variable). In this study, the level of researcher involvement is minimal, while the situation in this study is not regulated, because the researcher only wants to test the hypothesis that has been formulated without the intervention of the researcher on the field data. The unit of analysis in this study is the entire work unit of the district apparatus in South Aceh Regency. The time horizon used in this research is a cross sectional study, where data is collected at a time limit in order to answer the research questions presented in the form of a questionnaire. The population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. The population in this study were all SKPKs in South Aceh Regency with a total of 55 SKPKs. The sampling technique of this research is the saturated sampling technique which is often called the census method. There are 2 questionnaires distributed for each SKPK in South Aceh Regency, so the number of questionnaires that will be distributed is 110 respondents.

Based on the variables used in this study, the framework of thought is as follows

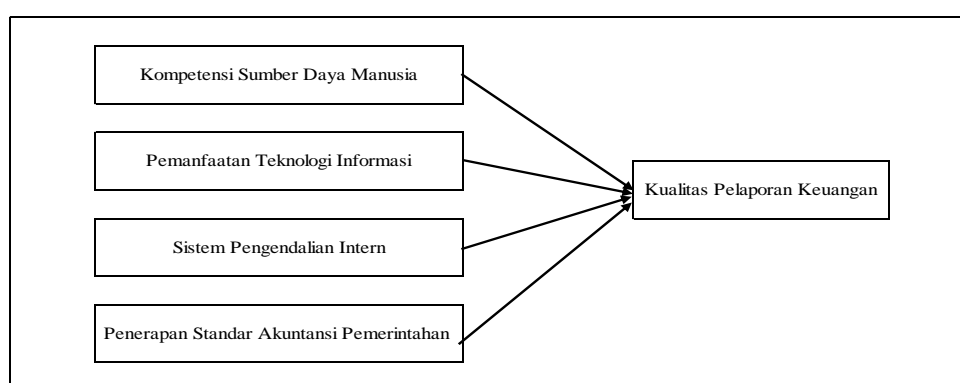


Figure 1: Framework

#### 3.2. Methods

This research uses multiple linear regression analysis method. Linear regression analysis is one of the tools in statistics used to determine whether or not there is a relationship between the independent variable (predictor) and the dependent variable (response), with the aim of knowing the significance of the effect of the independent variable on the dependent variable. The multiple linear regression equation used in this study can be written as follows:

$$Y = a + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon \tag{1}$$

Information:

- Y = Financial Report Quality
- $x_1$  = HR Competence
- $x_2$  = Utilization of Information Technology
- $x_3$  = Internal Control System
- $x_4$  = Application of government accounting standards
- $\beta_i$  = Regression coefficient value
- $e$  = Epsilon (Error term)
- $a$  = Constant

### 4. Results and Discussion

#### 4.1. Results

##### 4.1.1. Respondents Overview

Respondents in this study were 55 SKPKs in South Aceh Regency who were involved in the process of budget preparation and budget execution consisting of the Expenditure Treasurer and Financial Administration Officer (PPK-SKPK). The data collection stage was carried out from January 20, 2022 to February 5, 2022. The distribution of the questionnaires was carried out by sending the questionnaires directly to the respondents. The researcher set an appointment to take the questionnaire for two weeks from the time the questionnaire was delivered

to the respondent or in accordance with the agreement that had been determined between the respondent and the researcher. The sampling technique in this study was the census method, totaling 110 respondents. Questionnaires distributed to respondents can be collected again with a return rate of 100%, so that the number of questionnaires collected is 110 (N=110).

#### 4.1.2. Validity Test Results

Validity testing aims to see whether or not a questionnaire item used in the research variable is valid, with the basis for making the decision, namely if the  $R_{count}$  value is greater than the  $R_{table}$  value, then the variable questionnaire item is declared valid, and vice versa. The statistical results of validity testing can be seen in the summary of Table 1.

**Table 1: HR Competency Validity Test Result**

Variable	Item Questions	$R_{count}$	$R_{Table}$	Information
Human Resources Competence	B.1	0.715	0.186	Valid
	B.2	0.645		Valid
	B.3	0.755		Valid
	B.4	0.455		Valid
	B.5	0.716		Valid
	B.6	0.821		Valid
	B.7	0.429		Valid

Source: Primary Data, 2022 (Processed Data)

Based on Table 1, the results of the instrument testing of the HR competency variable have a value greater than 0.186. Thus, it can be stated that all research instruments from the HR competency variables used are valid and can be used in research. Furthermore, the results of testing the validity of the use of information technology can be seen in Table 2.

**Table 2: Test Results of the Validity of the Use of Information Technology**

Variable	Item Questions	$R_{count}$	$R_{Table}$	Information
Application of Information Technology	C.1	0.818	0.186	Valid
	C.2	0.599		Valid
	C.3	0.588		Valid
	C.4	0.675		Valid
	C.5	0.783		Valid
	C.6	0.736		Valid
	C.7	0.831		Valid
	C.8	0.535		Valid

Source: Primary Data, 2022 (Processed Data)

Based on Table 2, it can be seen that the value of  $R_{count}$  on the information technology application variable is greater than the value of  $R_{table}$  that is greater than 0,186. Thus, it can be stated that the variable of the use of information technology used is valid and can be used in research. Then the results of testing the validity of the internal control system variables are shown in Table 3.

**Table 3: Internal Control System Validity Test Results**

Variable	Item Questions	$R_{count}$	$R_{Table}$	Information
Internal Control System	D.1	0.639	0.186	Valid
	D.2	0.624		Valid
	D.3	0.69		Valid
	D.4	0.586		Valid
	D.5	0.484		Valid
	D.6	0.619		Valid
	D.7	0.584		Valid
	D.8	0.724		Valid
	D.9	0.659		Valid
	D.10	0.547		Valid
	D.11	0.474		Valid
	D.12	0.717		Valid

D.13	0.586	Valid
D.14	0.307	Valid
D.15	0.391	Valid
D.16	0.503	Valid
D.17	0.521	Valid
D.18	0.651	Valid
D.19	0.438	Valid
D.20	0.490	Valid
D.21	0.544	Valid
D.22	0.377	Valid
D.23	0.643	Valid
D.24	0.523	Valid
D.25	0.530	Valid
D.26	0.629	Valid

Source: Primary Data, 2022 (Processed Data)

Based on Table 3, it can be seen that the value of  $R_{count}$  on the internal control system is greater than the value of  $R_{Table}$ . Thus, it can be stated that the internal control system variables used are valid and can be used in research. Furthermore, the results of testing the validity of the SAP implementation can be seen in Table 4.

**Table 4:** SAP Implementation Validity Test Results

Variable	Item Questions	$R_{count}$	$R_{Table}$	Information
SAP Deployment	E.1	0.546	0.186	Valid
	E.2	0.519		Valid
	E.3	0.581		Valid
	E.4	0.312		Valid
	E.5	0.581		Valid
	E.6	0.460		Valid
	E.7	0.466		Valid
	E.8	0.463		Valid
	E.9	0.442		Valid
	E.10	0.651		Valid
	E.11	0.401		Valid
	E.12	0.528		Valid
	E.13	0.360		Valid
	E.14	0.493		Valid

Source: Primary Data, 2022 (Processed Data)

Regarding the results of testing the validity of the SAP implementation variable as shown in Table 4 where the results of the instrument testing are greater than 0.186. Thus, it can be stated that all research instruments of the SAP application variables used are valid and can be used in research. Then the last one, namely the results of the validity of the quality of financial reporting can be seen in Table 5.

**Table 5:** Financial Reporting Quality Validity Test Results

Variable	Item Questions	$R_{count}$	$R_{Table}$	Information
Application of Information Technology	A.1	0.611	0.186	Valid
	A.2	0.612		Valid
	A.3	0.593		Valid
	A.4	0.647		Valid
	A.5	0.582		Valid
	A.6	0.699		Valid
	A.7	0.523		Valid
	A.8	0.311		Valid
	A.9	0.209		Valid
	A.10	0.355		Valid

Source: Primary Data, 2022 (Processed Data)

Regarding the results of testing the validity of the financial reporting quality variable as shown in Table 5 where the results of the instrument testing are greater than 0.186. Thus, it can be stated that all research instruments of the financial reporting quality variable used are valid and can be used in research.

### 4.1.3. Reliability Test Results

Reliability testing aims to test the reliability (reliable) of the variables used, with the basis for making decisions, namely if the Cronbach alpha value is greater than the Cronbach alpha value  $R_{Table}$ , then the variable is declared reliable, and vice versa. The statistical results of reliability testing can be seen in Table 6.

**Table 6:** Reliability Test

No	Variable	Minimum Koefisien	Value of Alpha	Information
1	Quality of Financial Reporting	0.6	0.698	Reliable
2	HR Competence	0.6	0.773	Reliable
3	Application of Information Technology	0.6	0.849	Reliable
4	Internal Control System	0.6	0.806	Reliable
5	SAP Deployment	0.6	0.678	Reliable

Source: Primary Data, 2022 (Processed Data)

Based on Table 6, it can be seen that the value of  $R_{Table}$  of 0.600. Then the cronbach alpha value of the financial reporting quality variable obtained an alpha value of 0.698, the HR competency variable obtained an alpha value of 0.773, the information technology application variable obtained an alpha value of 0.849, the internal control system variable obtained an alpha value of 0.806, and the SAP implementation variable obtained an alpha value of 0.678. This reliability measurement shows that the variables of financial reporting quality, HR competence, application of information technology, internal control systems and SAP implementation are greater than the value  $R_{Table}$ . Thus, it can be stated that all the variables used are reliable (reliable).

### 4.1.4. Multiple Linear Regression Test

Multiple linear regression testing was conducted to test the effect of the independent variable on the dependent variable. The statistical results of multiple linear regression testing can be seen in in Table 7.

**Table 7:** Multiple Linear Regression Test

Information	Unstandardized		Partial		Simultan	
	B	St. Error	T	Sig.	F	Sig
Constanta	-0.540	0.483	-1.118	0.266	26.164	0.000
HR competency	0.263	0.073	3.597	0.000		
IT application	0.231	0.061	3.767	0.000		
SPI	0.318	0.113	2.802	0.006		
SAP application	0.324	0.113	2.860	0.005		
Corelation of Coefisien	= 0.707		$T_{table} = 1.982$		$F_{table} = 2.450$	
Determination Coefisien	= 0.480					

Source: Primary Data, 2022 (Processed Data)

Based on Table 7, the linear regression equation is obtained, namely:

$$Y = -0.540a + 0.263 X_1 + 0.231 X_2 + 0.318 X_3 + 0.324 X_4 + \varepsilon$$

Based on the linear regression equation above, it can be explained that:

- The constant value ( $\alpha$ ) from the regression equation above is -0.540, which means that if there are no HR competence variables, application of information technology, internal control systems and SAP implementation, then the quality of financial reporting on SKPK in South Aceh Regency is -54%.
- The regression coefficient of HR competence is 0.263, which means that if the percentage of HR competence increases, the quality of financial reporting on the SKPK in South Aceh Regency will increase by 26.3%.
- The regression coefficient for the application of information technology is 0.231, which means that if the percentage of information technology application increases, the quality of financial reporting on the SKPK in South Aceh Regency will increase by 23.1%.
- The regression coefficient of the internal control system is 0.318, which means that if the percentage of the internal control system increases, the quality of financial reporting on the SKPK in South Aceh Regency will increase by 31.8%.

The regression coefficient for SAP application is 0.324, which means that if the percentage of SAP application increases, the quality of financial reporting on SKPK in South Aceh Regency will increase by 32.4%.

## 4.2. Discussion

### 4.2.1. The Effect of HR Competency on the Quality of Financial Reporting on SKPK in South Aceh District

The results showed that HR competence had a positive effect on the quality of financial reporting at SKPK in South Aceh Regency. This positive influence means that the higher the competence of human resources, the higher the quality of financial reporting on the SKPK in South Aceh Regency.

Competent human resources can be seen from their educational background, trainings, skills and professional attitudes/behaviors in carrying out their duties (Irafah et al., 2020). In the process of preparing and compiling financial reports, local governments need competent human resources and master government accounting (Setiawan et al., 2021). Wati et al. (2014) explained that the competence of human resources is needed by government agencies, so that the financial reports produced can meet the qualitative characteristics of financial reports, so that the resulting financial reports can be of good quality and useful in terms of decision making. Then, Astrini (2018) states that if the local government does not have competent human resources in carrying out financial management, it will create obstacles in the implementation of the accounting function so that financial reports become worse. Furthermore, Santoso et al. (2020) states that the failure of human resources in an agency in understanding and applying accounting logic will have an impact on errors in financial statements made and inconsistency of financial statements with standards set by the agency. Therefore, the preparation of financial reporting requires competent human resources and understands the rules for preparing financial statements with government accounting standards so that the financial reports produced are relevant and reliable.

One form of HR competency at the SKPK in South Aceh Regency can be seen from the timeliness in submitting financial reports, this shows that HR at the South Aceh Regency SKPK is capable of managing a financial report. This is in accordance with the results of research by Astrini (2018) and Wati (2014) which state that with the competence of HR, the financial statements prepared can be completed and presented on time. Thus, the competence of HR in the SKPK in South Aceh Regency is very influential on the quality of financial reporting. This is in line with the results of research by Wati et al., (2014), Sari & Arza (2016), Muda et al., (2017), Isviandari et al., (2019), Irafah et al. (2020), and Setiawan et al. (2021) which states that HR competence has a positive effect on the quality of financial reporting. However, this study is inconsistent with the results of research by Suyono (2016), Siwambudi (2017), Ningrum (2018), Dewi & Hoesada (2020), and Kusuma et al., (2021) which state that HR competence has no effect on quality finance report.

### 4.2.2. The Effect of Information Technology Utilization on the Quality of Financial Reporting on SKPK in South Aceh District

The results showed that the use of information technology had a positive effect on the quality of financial reporting on SKPK in South Aceh District. This positive influence means that the higher the use of information technology, the higher the quality of financial reporting. This can be seen with the installation of software application programs for regional financial management information systems in the entire financial subsection of the South Aceh District SKPK. On the part of local governments who have to manage the APBD where transactions from year to year show an increasingly complex increase.

Information technology including computer technology, internet and communication technology in regional financial management will improve the processing of transactions and other data, accuracy in calculations, and the preparation of reports and other outputs in a more time manner (Aswandi, 2018). Likewise, the SKPK in South Aceh Regency has implemented an information system, it aims to facilitate the accounting department in compiling financial reports on a more time basis, supported by internet access that makes it easier for each SKPK to input financial reports. Therefore, the use of technology is one of the factors that can improve the quality of financial reporting on SKPK in South Aceh Regency. This is in line with the results of research by Chodijah & Hidayah (2018), Mene et al. (2018), and Ridwan (2021) who state that the use of information technology has a positive effect on the quality of financial reporting. However, this study is inconsistent with the results of research by Nurlis & Yadiati (2017), Ningrum (2018), Aswandi (2018), Ernawati & Budiyo (2019), and Kusuma et al., (2021) which state that the use of information technology does not affect the quality of financial reporting.

### 4.2.3. The Effect of the Internal Control System on the Quality of Financial Reporting at SKPK in South Aceh District

The results showed that the internal control system had a positive effect on the quality of financial management at the SKPK in South Aceh Regency. This positive influence means that the higher the internal control system, the higher the quality of financial reporting.

The internal control system is an integral process for actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets and compliance with laws



and regulations invitation (Rahmawati et al., 2018). The implementation of the internal control system aims to provide adequate assurance for the effective and efficient achievement of organizational goals within the local government environment. The internal control system is very important in improving the quality of financial reporting (Mulia, 2019). Therefore, every leader is obliged to carry out internal control over government activities in preparing quality financial reports and accountability for regional financial reports. Niliani (2019) states that with the establishment of internal control in the accounting system, the government accounting system will produce higher quality accounting information, so that adequate internal control will create the achievement of good quality regional financial reports. Thus, it can be concluded that internal control can affect the quality of financial reporting. This is in line with the results of research by Afiah & Azwari (2015), Rahmawati et al. (2018), Niliani (2019), Lestari et al. (2020), Kusuma et al., (2021) and Mulyati et al. (2021) which states that the internal control system affects the quality of financial reporting. However, this study is inconsistent with the results of Ernawati & Budiyo (2019) research which states that the internal control system has no effect on the quality of financial reporting.

#### **4.2.4. The Influence of the Implementation of Government Accounting Standards on the Quality of Financial Reporting at SKPK in South Aceh District**

The results showed that the application of SAP had a positive effect on the quality of financial reporting on SKPK in South Aceh Regency. This positive influence means that the higher the application of SAP, the higher the quality of financial reporting. This shows that the higher the level of SAP implementation, the quality of financial reports that describe all local government financial information from budget planning to budget realization information will be presented in the financial statements of SKPK in South Aceh Regency. The quality of the financial reports produced must be relevant, reliable and trustworthy, and local governments must have a reliable accounting system (Launtu, 2021). Weak SAP implementation can cause the resulting financial reports to be less reliable and less relevant for decision making (Stirilita & Andayani, 2021). Therefore, it is necessary to produce quality financial reports in accordance with the application of good regional financial accounting standards. Thus, it can be concluded that the application of SAP can affect the quality of financial reporting. This is in line with the results of research by Nkundabanyanga (2013), Rahmawati et al. (2018), Mahardini & Miranti (2018), Sako & Lantowa (2018), Ramadhan (2019), Jati (2019), and Mulyati et al. (2021) which states that the application of SAP has a positive effect on the quality of financial reporting. However, this study is inconsistent with the results of research by Gamayuni (2018), and Dewi & Hoesada (2020) which state that the application of financial accounting standards has no effect on the quality of financial reporting.

## **5. Conclusion**

Based on the results of research and discussion that have been described in the previous chapter, it can be concluded several conclusions, namely Competence of HR, utilization of information technology, internal control system, and application of SAP together affect the quality of SKPK financial reporting in South Aceh Regency. HR competence has a positive effect on the quality of SKPK financial reporting in South Aceh District. The use of information technology has a positive effect on the quality of SKPK's financial reporting in South Aceh Regency. The internal control system has a positive effect on the quality of SKPK's financial reporting in South Aceh Regency, and the application of SAP has a positive effect on the quality of SKPK financial reporting in South Aceh District.

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