

THE EFFECT OF GOVERNMENT ACCOUNTING STANDARDS, INTERNAL CONTROL SYSTEMS, AND AUDIT FINDINGS ON FINANCIAL REPORT QUALITY WITH HUMAN RESOURCES COMPETENCY AS A MODERATING VARIABLE

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Abstract:

This study aims to determine the effect of Government Accounting Standards, the application of Internal Control Systems and the Completion of audit findings on the Quality of Financial Statements with the Competence of Human Resources as a moderating variable. The research design method uses a survey and data collection methods using a questionnaire. The population in this study were employees of 32 financial administration employees in the Regional Work Unit (SKPD) of Lahat Regency, using a purposive sampling technique so that 90 employees were selected as the research sample. The analysis technique used is SmartPLS software version 4.0.8.5. The results of the analysis show that simultaneous and partial testing, the application of Government Accounting Standards, the application of the Internal Control System and the completion of audit findings significantly affect the quality of financial reports. Meanwhile, the competence of human resources cannot moderate the influence between the application of Government Accounting Standards, Internal Control Systems, and completion of audit findings on the Quality of Financial Statements. The coefficient of determination is 92.5 percent, while other variables explain the remaining 7.5 percent.

Keywords: Government Accounting Standards, Internal Control Systems, Completion of Audit Findings, Competence of Human Resources, Quality of Financial Reports.

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INTRODUCTION

To create transparency and increase accountability for government financial management, be it the central government or regional government, by delivering accountability in the form of financial information. Local governments, as well as the central government, publish data through financial information that is used as the Basis for gathering decisions. The Law of the Republic of Indonesia Number 17 of 2003 concerning State Finance, and the Law of the Republic of Indonesia Number 32 of 2004 concerning Regional Government as a means of accountability in government-regulated management.

BPK audit results on 542 Regional Government Financial Statements (LKPD) for 2016 revealed WTP opinions on 378 (70%) LKPDs, WDP opinions on 141 (26%) LKPDs, and TMP opinions on 23 (4%) LKPDs. 2017 revealed WTP opinion on 411 (76%) LKPD, WDP opinion on 113 (21%) LKPD, and TMP opinion on 18 (3%) LKPD. 2018 revealed WTP opinion on 443 (82%) LKPD, WDP opinion on 86 (16%) LKPD, and TMP opinion on 13 (2%) LKPD. BPK audit results on 541 Regional Government Financial Reports (LKPD) for 2019 revealed WTP opinions on 485 (90%) LKPD, WDP opinions on 50 (9%) LKPD, and TMP opinions on 6 (1%) LKPD. Meanwhile, in 2020 it revealed WTP opinions on 486

(90%) LKPD, WDP opinions on 45 (8%) LKPD, and TMP opinions on 10 (2%) LKPD. A summary of the audit results of the 2016-2020 Supreme Audit Agency can be seen in the following table.

Table 1. Regional Government Financial Statements (LKPD) for 2016-2020

| Opinion | 2016 | | 2017 | | 2018 | | 2019 | | 2020 | |
|---------|------|-----|------|-----|------|-----|------|-----|------|-----|
| WTP | 378 | 70% | 411 | 76% | 443 | 82% | 485 | 90% | 486 | 90% |
| WDP | 141 | 26% | 113 | 21% | 86 | 16% | 50 | 9% | 45 | 8% |
| TMP | 23 | 4% | 18 | 3% | 13 | 2% | 6 | 1% | 10 | 2% |

Source: BPK RI 2016-2020 IHPS, 2023

This condition illustrates that the quality of LKPD still needs to fully fulfill the qualitative character of adequate financial information. The quality of financial reports can be measured based on the qualitative nature of financial information, which is relevant, reliable, comparable, and understandable (Siregar, 2017).

The Supreme Audit Agency also found problems related to Government Accounting Standards (SAP). According to Djanegara (2017), Local Government Financial Reports that have not received a WTP view are caused by: (a) there are accounts in which the financial information presented does not match Government Accounting Standards (SAP) and (b) is not supported by sufficient evidence, especially in current assets (18%), fixed assets (27%), other assets (8%), long-term investments (3%), short-term liabilities (3%), income (5%), operating expenses (12%), capital expenditure (12%), LO-operating expenses (10%), and other accounts (2%). SAP has a positive and significant influence on the quality of regional financial information (Wati et al. 2014; Mahaputra, 2014; Philadelphia et al., 2020; Kiranayanti, 2016; Suwanda, 2015; Anisma, 2014; Djalil et al., 2017; Setiyawati, 2019). However, the results of research report that the application of Government Accounting Standards does not affect the quality of financial information (Inapty & Martiningsih, 2016; Julita, 2018; Sari, 2016).

In addition to these problems, the phenomenon that is happening at the moment is that the BPK creates another case that is related to the weakness of the Internal Control System. The 2021 BPK Examination Report reveals findings on weaknesses in the Internal Regulatory System and non-compliance with laws and regulations. The Financial Interrogator Body uncovered 4,555 findings consisting of 6,011 cases totaling Rp. 31.34 trillion in audits by the Supreme Audit Agency in Semester II of 2021. The cases consisted of 3,173 cases related to inefficiency, inefficiency, and ineffectiveness (3E) of 1.64 trillion. One thousand seven hundred twenty cases were non-compliance with the provisions of laws and regulations, amounting to 29.70 trillion. Meanwhile, 1,118 cases were linked to weaknesses in the internal regulatory system. There were 95.9 percent or 3,043 cases of ineffectiveness or Rp. 218.56 billion, 127 cases of inefficiency or Rp. 1.42 trillion, and 3 cases of the inefficiency of Rp. 1.59 billion (Republika.co.id, May 2022).

The BPK Audit Report reveals findings on weaknesses in the Internal Control System as well as findings on non-compliance with laws and regulations. The discovery of the Internal Control System proves the case in the weakness of the accounting and reporting management system, the weakness of the regulatory system for applying income and spending calculations, and the weakness of internal regulatory forms. Findings on non-compliance with statutory determinations can be grouped as follows: (a) regional losses, (b) potential regional losses, (c) lack of revenue, and (d) administrative irregularities.

However, the results of research report that internal regulation has a positive effect on the quality of financial information (Mahaputra, 2014; Kiranayanti, I, 2016; Pradono, 2015; Miharja et al., 2020; Suwanda, 2015; Julita, 2018; Afiah, 2017; Kewo, 2017; Agung & Gayatri, 2018). Meanwhile,

research results prove that the application of the Internal Control System does not affect the quality of financial information (Philadelphia et al., 2020; Setiyawati, 2013; Budiawan; 2014; Nurlis & Yudiati, 2017).

The current phenomenon is that the completion of BPK audit findings still needs to be higher. Based on the results of follow-up actions taken by the BPK from 2005 to 2021, the BPK has submitted 633.648 suggestions for checking results of IDR 305.84 trillion to the entities under investigation. The results of the control over the follow-up of the suggestion proved that 490, 014, or 77% of the suggestion of Rp. 156.10 trillion was suitable, 105, 193, or 17% of the suggestion of Rp. 100.15 trillion was not suitable, 31,709 or 5% of the suggestion of Rp. 27.89 trillion have yet to be followed up, and 6,732 or 1% of IDR 21.70 trillion suggestions cannot be followed up (Republika.co.id, May 2022).

Completion of audit findings synonymous with terms of practice is the follow-up of examination results. The purpose of the follow-up activity on the checking results is to create corrections or improvements in the quality of the weaknesses encountered during the checking process – the research results (Sari, 2015). The result shows that the completion of audit findings affects the quality of financial information (Wulandari & Bandi, 2015; Tresnawati & Apandi, 2016; Imtinan & Hasibuan, 2021) . On the contrary, the different results shown by (Nurdiono et al., 2015) empirically prove that completing audit findings does not affect the quality of financial reports.

Human Resources (HR) are administrators employees, employees, laborers, or workers who work for the organization (Wirawan, 2018). Human resource competence is needed in categorizing quality financial information according to the group's standards and mission to public's part. Local government requires a base of competent people in their fields to produce quality financial information. The quality of financial reports will be maximized if potential human experts are pioneers in implementing government accounting standards.

Halim's opinion (2017) is that the quality and performance of an organization are primarily determined by aspects of the potential for human development because other factors cannot replace the presence of people in an organization. An organization can achieve success if it is appropriately managed. Therefore efficient management of the human energy base is needed. Research reports that human resource competency has a positive and meaningful effect on the quality of financial information (Wati et al., 2014; Mahaputra, 2014; Kiranayanti. I, 2016; Pradono, 2015; Miharja et al., 2020; Suwanda, 2015; Setiyawati, 2013; Julita, 2018; Irafah, Sari & Muhyarsyah, 2020). However, other research reports that people's resources do not affect the quality of financial information (Philadelphia et al., 2020; Rahayu, 2014; Inapty & Martiningsih, 2016).

In the Audit Results Report conducted by the BPK for 2010 - 2021, the opinion given by BPK for the Lahat Regency Government Regional Government Financial Report (LKPD) for 2010 - 2013 received a Qualified Opinion (WDP), while for 2014 - 2021, the Regional Government Financial Report (LKPD)) Lahat District obtained a Qualified Opinion (WTP). Therefore the researcher, in this case, will confirm with the respondents the quality of the Lahat District Government's financial reports.

Based on the explanation of the framework presented earlier, the formulation of the problem in this study is as follows:1) Does implementing government accounting standards (SAP) affect the quality of financial statements? 2) is there an effect of implementing an internal control system on the quality of financial reports? 3) is there an effect of completing audit findings on the quality of financial statements? 4) what is competence? Human Resources (HR) Moderates the Effect of the Application of Government Accounting Standards (SAP) on the Quality of Financial Statements. 5) Does the Competence of Human Resources (HR) Moderate the Effect of the Implementation of Internal Control Systems on the Quality of Financial Statements? 6) What is the Competence of

Human Resources? (SDM) Moderating the Effect of Completion of Audit Findings on the Quality of Financial Statements?

Based on the formulation of the problem above, the purpose of this study is to examine and analyze a) The Effect of the Application of Government Accounting Standards (SAP) on the Quality of Financial Statements, b) The Effect of Implementing Internal Control Systems on the Quality of Financial Statements, c) The Effect of Completion of Audit Findings on the Quality of Financial Statements, d) Competence of Human Resources (HR) Moderates the Effect of Application of Government Accounting Standards (SAP) on the Quality of Financial Statements, e) Competence of Human Resources (HR) Moderates the Effect of Implementation of Internal Control Systems on the Quality of Financial Statements, f) Competence of Human Resources (HR) Moderates the Effect of Completion of Audit Findings on the Quality of Financial Statements.

Based on these descriptions and explanations, it is the background for the author to find out the factors that can develop the quality of the final financial results by conducting research entitled "The Effect Of Application Of Government Accounting Standards, Implementation Of Internal Control Systems And Completion Of Audit Findings On The Quality Of Financial Reports With Human Resources Competency As A Moderating Variable (Survey Of Regional Apparatus Work Units (SKPD) Of Lahat Regency).

METHODS

This research uses a quantitative approach based on positivism metaphysics, used to study populations and exceptional essays, collecting data using study instruments, and analyzing quantitative or statistical personality data to try out the assumptions set by Sugiyono (2014) in Nurlaela (2018, p. 8). This study's objective is causality. This study examines the effect of applying government accounting standards, implementing internal control systems, and completing audit findings on the quality of financial reports with human resource competence as a moderating variable. The population in this study is all Regional Apparatuses within the Lahat Regency Government, 32 Regional Apparatuses consisting of the Regional Secretariat, DPRD Secretariat, Inspectorate, 24 Regional Offices, and 5 Regional Agencies. The data collection technique used in this study is a survey technique through a questionnaire. The sampling method uses a saturated sampling technique. The number of questionnaires distributed was 96, according to the number of respondents. The number of questionnaires that were returned was 90 questionnaires or 93.75%. Information analysis uses descriptive statistical methods. The information collected from the questionnaire distributed is then tabulated for use as an information analysis tool. The tabulation results were processed using the SmartPLS 4.0.8.5 program.

RESULT AND DISCUSSION

Based on the combined questionnaire results, the profile of the respondents in terms of genitalia type, age, education, educational background, and length of service is presented in table 2. In general, it was explained that the gender of respondents in this study was primarily female employees, namely 54 respondents (60.00%). Judging from age, most respondents were 40-50 years old, namely 51 respondents (56.67%). Regarding education, the majority of respondents had a bachelor's degree, namely 63 respondents (70.00%). Meanwhile, regarding educational background, the majority had management backgrounds, namely 39 respondents (43.33%). In comparison, the length of work of most respondents is 1-5 years, and as many as 58 respondents (64.44%).

Table 2. Profile of Respondents

| Information | Frequency | Percentage (%) |
|-------------|-----------|----------------|
|-------------|-----------|----------------|

| | | | |
|------------------------|-----------------------|------|--------|
| Gender | Man | 36 | 40% |
| | Woman | 54 | 60% |
| | Total | 90 | 100% |
| Age | 25-30 Years | 2 | 2,22% |
| | 30-40 Years | 30 | 33,33% |
| | 40-50 Years | 51 | 56,67% |
| | Over 50 Years | 7 | 7,78% |
| | Total | 90 | 100% |
| Education | high school | 7 | 7,78% |
| | Diploma | 1 | 1,11% |
| | S1 | 63 | 70,00% |
| | Postgraduate | 19 | 21,11% |
| | Total | 90 | 100% |
| Educational Background | Accountancy | 20 | 22,22% |
| | Management | 39 | 43,33% |
| | Education | 8 | 8,89% |
| | Public Administration | 5 | 5,56% |
| | Technique | 1 | 1,11% |
| | Law | 1 | 1,11% |
| | Other | 16 | 17,78% |
| | Total | 90 | 100% |
| Length of work | Less than 1 Year | 5 | 5,56% |
| | 15 years | 58 | 64,44% |
| | 6 -10 Years | 16 | 17,78% |
| | 11- 15 Years | 5 | 5,56% |
| | Over 15 Years | 6 | 6,67% |
| Total | 90 | 100% | |

Source: Primary data processed 2022

Description of Variable Application of Government Accounting Standards. Government Accounting Standards are accounting principles applied to compiling and presenting government financial information. This elasticity is measured in 8 formats, namely Basis of accounting, historical figures, realization, Roots Exceeding Official Forms, Periodicity, Stability, Complete Disclosure, and fair presentation, which are presented in table 3.

Table 3. Descriptive Statistics of Variable Application of Government Accounting Standards

| Dimensions | Indicator | Mean |
|----------------------|---|------|
| Accounting Base | Accrual Base | 4,09 |
| Historical Value | Valuation of assets and liabilities | 4,10 |
| Realization | Comparison between the budget and its realization in the LRA | 4,31 |
| Overriding Substance | Conformity of transaction recording with substance and economic reality | 4,21 |
| Formal Form | Accurate reporting period | 4,17 |
| Periodicity | The reporting period is by the applicable policy | 4,22 |
| Consistency | Application of accounting methods. | 3,90 |
| | Changes in accounting methods are disclosed in the Notes to the Financial Statements. | 4,02 |
| Full Disclosure | Completeness of financial report information the information in the financial report is presented in full | 4,04 |
| | The fairness of the presentation of financial statement information | 4,13 |
| Fair Presentation | Considering the factor of prudence in presenting financial statements fairly | 4,21 |
| | | 4,30 |

Mean

4,14

Source: Primary data processed, 2022

The average score on the Government Accounting Standards variable questionnaire is 4.14. The interval is in the agreed criteria, meaning that the average ASN perception has implemented Government Accounting Standards well by applying the eight accounting principles in preparing and presenting government financial reports, namely accounting Basis, value historical, realizable, substance over proper form, periodicity, consistency, full disclosure, and fair presentation.

Description of the Variable Implementation of the Internal Control System. An internal Control System consists of policies and procedures designed by management to ensure organizational goals can be achieved, namely effective and efficient operating processes, reliable financial reporting, and compliance with laws and regulations. This variable is measured by the five dimensions described in table 4.

Table 4. Descriptive Statistics of Variable Implementation of Internal Control System

| Dimensions | Indicator | Mean |
|-------------------------------|--|-------------|
| Control Environment | Upholding integrity and ethical values | 4,11 |
| | Commitment to competence | 4,08 |
| | Conducive leadership | 4,03 |
| | Organizational structure that suits your needs | 4,29 |
| | Proper delegation of authority and responsibility | 4,34 |
| Risk Assessment | Risk identification | 3,94 |
| Control Activities | Review the performance of the government agency concerned | 4,22 |
| | Human resource development | 4,13 |
| | Determination and review of performance indicators and measures | 3,96 |
| | Separation of functions | 3,93 |
| | Accurate and timely recording of transactions and events | 4,10 |
| Information and Communication | Providing and utilizing various forms and means of communication | 3,96 |
| | Manage, develop and update the information system continuously | 3,93 |
| Internal control monitoring | Continuous monitoring | 3,90 |
| | Separate evaluation | 3,81 |
| Mean | | 4,05 |

Source: Primary data processed, 2022

Table 4 above shows that the amount of data analyzed was 90 respondents. The average value of the Internal Control System variable questionnaire is 4.05. The interval is in the agreed criteria, meaning that the average ASN perception has effectively implemented the Internal Control System by involving its five elements: the control environment, risk assessment, control activities, information and communication, and internal control monitoring.

Description of Completion of Audit Findings Variables. This variable is measured by the two dimensions presented in table 5. Audit findings are completed by the direction of the entity being monitored and/or other professional parties to make suggestions on the results of the BPK audit.

Table 5. Descriptive Statistics of Variable Completion of Audit Findings

| Dimensions | Indicator | Mean |
|--|--|-------------|
| Results Follow Up Examination of the Internal Control System | Weaknesses of Accounting Control and Reporting Systems | 4,10 |
| | Control System Weaknesses | 4,01 |
| | Budget implementation | |
| | Weaknesses of the Internal Control Structure | |
| Results Follow Up Examination of Compliance with Regulations Legislation | Regional loss | 4,09 |
| | Regional loss potential | 4,10 |
| | Lack of acceptance | 3,93 |
| | Administrative irregularities | 4,01 |
| Mean | | 4,05 |

Source: Primary data processed, 2022

Based on table 5 above shows that the amount of data analyzed was 90 respondents. The average value of the questionnaire variable for completion of audit findings is 4.04. The interval is in the agreed criterion, meaning that the perception of ASN or officials examined on average has completed BPK audit findings which consist of follow-up on the results of checking on the Internal Regulatory System and follow-up actions on the results of checking on discipline to statutory regulations.

Description of Financial Report Quality Variables. The quality of financial information can be observed from the qualitative character of financial information, which consists of relevant, reliable, comparable, and understandable. The quality of financial statements conforming to standards is measured by the degree of non-conformity and achieved through checking. This variable is measured by the four dimensions described in table 6.

Table 6. Descriptive Statistics of Financial Report Quality Variable

| Dimensions | Indicator | Mean |
|----------------|--|-------------|
| Relevant | Has the benefit of feedback | 3,89 |
| | Has productive benefits | 3,99 |
| | On-time | 4,18 |
| | Complete | 4,21 |
| Reliable | Honest presentation | 4,16 |
| | Verifiable | 4,12 |
| | Neutrality | 4,11 |
| Comparable | The information contained can be compared with the financial statements of the previous period | 3,80 |
| Understandable | The information presented can be understood by users | 4,10 |
| Mean | | 4,06 |

Source: Primary data processed, 2022

Table 6 above shows that the amount of data analyzed was 90 respondents. The average score on the questionnaire for the variable quality of financial reports is 4.06. The interval is in the agreed criterion, meaning that the average ASN perception has implemented the four qualitative characteristics of financial information, namely relevant, reliable, comparable, and understandable, so that the data presented in the financial information government can meet its goals.

Description of Human Resources Competency Variables. Competence in human resources (HR) is the strength and character possessed by a Civil Servant in the form of insight, ability, and

attitude required in carrying out his/her position obligations so that the Civil State Employee can carry out their duties reliably, efficiently, and efficiently. This variable is measured by the three dimensions described in table 7.

Table 7. Descriptive Statistics of Human Resources Competency Variables

| Dimensions | Indicator | Mean |
|-------------|--|-------------|
| Knowledge | Have a good understanding of the main tasks and functions of accounting. | 4,06 |
| | Good understanding of accounting procedures and processes | 4,01 |
| | Good understanding of financial reporting regulations | 4,08 |
| | Good understanding of accounting policies and systems | 4,08 |
| Skill | Participate in training related to financial management | 4,12 |
| Behavior | Work according to generally accepted practices | 4,09 |
| | Refuse any intervention from superiors that can lead to violations | 4,09 |
| Mean | | 4,06 |

Source: Primary data processed, 2022

Table 7 above informs if the amount of data analyzed is 90 respondents. The average score on the human resource competency variable questionnaire is 4.07. The interval is in the agreed criterion, meaning that the average ASN perception has implemented the three characteristics of human resource competencies, namely in the form of insight, ability, and attitude actions so that the Civil Servants can carry out their duties in a reliable, efficient, and efficient manner.

Results Convergent Validity. The individual reflection size is significant if it correlates more than 0.7 to the construct measured. However, in the first study, loading values above 0.5 to 0.6 can be valid (Nurlaela, 2018). Based on the results loading factor, it can be concluded that it meets convergent validity, namely, all indicator values have reached above 0.5. All loading factors are significant at the 5% level, so all these indicators have been declared valid, as described in table 8.

Table 8. Results Convergent Validity

| Variable | Dimensions | Indicator | Loading Factor | Information |
|------------------------|---------------------------------|-----------|----------------|-------------|
| | Accounting Base | X1.1.1 | 1,000 | Valid |
| | Historical Value | X1.2.1 | 1,000 | Valid |
| | Realization | X1.3.1 | 1,000 | Valid |
| Application Standard | Substance Overrides Formal Form | X1.4.1 | 1,000 | Valid |
| Accountancy Government | Periodicity | X1.5.1 | 0,965 | Valid |
| | | X1.5.2 | 0,969 | Valid |
| | | X1.6.1 | 0,917 | Valid |
| | Consistency | X1.6.2 | 0,910 | Valid |
| | | X1.7.1 | 0,936 | Valid |
| Full Disclosure | X1.7.2 | 0,937 | Valid | |

| | | | | |
|--------------------------------------|---|--------|--------|-------|
| Control System Implementation Intern | Fair Presentation | X1.8.1 | 0,962 | Valid |
| | | X1.8.2 | 0,960 | Valid |
| | | X2.1.1 | 0,900 | Valid |
| | Control Environment | X2.1.2 | 0,895 | Valid |
| | | X2.1.3 | 0,902 | Valid |
| | | X2.1.4 | 0,916 | Valid |
| | Risk Assessment | X2.1.5 | 0,913 | Valid |
| | | X2.2.1 | 1,000 | Valid |
| | | X2.3.1 | 0,888 | Valid |
| | Control Activities | X2.3.2 | 0,868 | Valid |
| | | X2.3.3 | 0,863 | Valid |
| | | X2.3.4 | 0,879 | Valid |
| | Information and Communication | X2.3.5 | 0,899 | Valid |
| | | X2.4.1 | 0,959 | Valid |
| | | X2.4.2 | 0,954 | Valid |
| Internal control monitoring | X2.5.1 | 0,947 | Valid | |
| | X2.5.2 | 0,935 | Valid | |
| | X3.1.1 | 0,968 | Valid | |
| Solution Audit Findings | Examination of the Internal Control System | X3.1.2 | 0,968 | Valid |
| | | X3.1.3 | 0,961 | Valid |
| | | X3.2.1 | 0,953 | Valid |
| Quality of Financial Statements | Results Follow Up Examination of Compliance with Laws and Regulations | X3.2.2 | 0,930 | Valid |
| | | X3.2.3 | 0,837 | Valid |
| | | X3.2.4 | 0,911 | Valid |
| Competence Resource Man | Relevant | Y1.1.1 | 0,885 | Valid |
| | reliable | Y1.1.2 | 0,925 | Valid |
| | Comparable | Y1.1.3 | 0,926 | Valid |
| Behavior | Understandable | Y1.1.4 | 0,924 | Valid |
| | Knowledge | Z1.1.1 | 0,940 | Valid |
| | | | Z1.1.2 | 0,931 |
| | | Z1.1.3 | 0,954 | Valid |
| Skill | | Z1.1.4 | 0,941 | Valid |
| | | Z1.2.1 | 1,000 | Valid |
| | | Z1.3.1 | 0,940 | Valid |
| | | Z1.3.2 | 0,936 | Valid |

Source: SmartPLS data processing results, 2022

Reliability Test Results. Reliability testing is a form of testing the quality of essential information to measure the stability of all problems in research (Nurlaela, 2018). The reliability test in this study uses Composite Reliability, Cronbach's alpha. Following are the results of composite reliability and the Cronbach alpha test table from smart PLS on each research variable.

Table 9. Reliability Test Results

| Variable | Composite reliability (rho_c) | Cronbach's alpha | Average variance extracted (AVE) | Information |
|---|-------------------------------|------------------|----------------------------------|-------------|
| Application of Government Accounting Standards (X1) | 0,976 | 0,972 | 0,769 | Reliable |
| Implementation of Internal Control System (X2) | 0,972 | 0,969 | 0,698 | Reliable |
| Completion of Audit Findings | 0,971 | 0,964 | 0,827 | Reliable |

| | | | | |
|-------------------------------------|-------|-------|-------|----------|
| (X3) | | | | |
| Quality of Financial Statements (Y) | 0,968 | 0,962 | 0,772 | Reliable |
| Human Resources Competency (Z) | 0,956 | 0,946 | 0,758 | Reliable |

Source: SmartPLS data processing results, 2022

Based on the reliability results above, the variable implementation of Government Accounting Standards, application of the Internal Control System, completion of audit findings, quality of financial information, and human resource competence has composite reliability above 0.6 and Cronbach's alpha above 0.6, so it can be concluded that the indicators markers used in each elastic have good reliability or can make measure the construct. The Average Variance Extracted (AVE) value for the variable application of Government Accounting Standards, application of the Internal Control System, completion of audit findings, quality of financial information, and competence of human resources has a score above 0.5, so it can be concluded that all elasticities have great discriminant validity.

R-Square results. The process of testing the structural model uses the value of R-square (R^2), which is a goodness of fit model test. The R-square value is presented in the following table.

Table 10. R-Square results

| Variable | R Square |
|--------------------------------|----------|
| Financial Report Quality (Y) | 0,925 |
| Predictive-Relevance (Q^2) | 0,925 |

Source: SmartPLS data processing results, 2022

Based on the coefficient of certainty in the table above, we get the number R^2 for the financial report quality variable of 0.925, meaning that this figure indicates that the elasticity of Financial Information Quality can be explained by the variable application of Regime Accounting Standards, Internal Control System applications, handling of audit findings and competence of the human resource base of 92.5% otherwise the excess is 7.5 % influenced by other variables that do not exist in the form of research.

Testing the hypothesis in this study is based on the statistical t value resulting from the Smart PLS output and then compared to the t-table value. The criteria for testing the hypothesis in this study is a significance level (α) of 5% and is determined by the following criteria: (1) The hypothesis is accepted if $t \text{ count} > t \text{ table}$ (1.660); (2) The hypothesis is rejected if $t \text{ count} < t \text{ table}$ (1.660).

To recognize the significance of the impact of applying Government Accounting Standards, Application of Internal Regulatory Systems, and Handling of Audit Findings on the Quality of Financial Information, with HR Competence as a moderating elastic by looking at the benchmark coefficient figures and statistical significance figures. Benchmark coefficient figures and t statistical significance figures can be observed in the table below.

Table 10. Benchmark Coefficient Figures and T Statistical Significance Figures

| Relationship Between Variables | Coefficient Parameter | T Statistics | P Value | Information |
|--|-----------------------|--------------|---------|-----------------------|
| Application of Government Accounting Standards -> Quality of Financial Reports | 0,431 | 3,059 | 0,002 | Significant Influence |
| Implementation of Internal Control System -> Quality of Financial Reports | 0,326 | 2,525 | 0,012 | Significant Influence |
| Completion of Audit Findings -> Quality of Financial Reports | 0,281 | 3,268 | 0,001 | Significant Influence |

| | | | | |
|--|--------|-------|-------|----------------|
| Competence in Human Resources x Application of Government Accounting Standards -> Quality of Financial Reports | 0,062 | 0,319 | 0,750 | No Influential |
| Competence in Human Resources x Implementation of Internal Control Systems -> Quality of Financial Reports | 0,165 | 1,101 | 0,271 | No Influential |
| Human Resources Competency x Completion of Audit Findings -> Quality of Financial Reports | -0,198 | 1,360 | 0,174 | No Influential |

Source: Results of SmartPLS data processing, 2022

Effect of Implementation of Government Accounting Standards on the Quality of Financial Statements. The results of this study support the first hypothesis (H1) that the application of Government Accounting Standards affects the quality of financial reports. The path parameter coefficient obtained from the influence of the Government Accounting Standards variable on the quality of financial statements is 0.431 with a Tstatistics value of 3.059 > 1.660 at a significance level of $\alpha = 0.05$ (5%), which states that there is an influence of Government Accounting Standards on the quality of financial reports. The value of 0.431 in the parameter coefficient means that the more optimal the application of Government Accounting Standards, the better the quality of financial reports.

The Influence of the Implementation of the Internal Control System on the Quality of Financial Statements. The results of hypothesis testing show that the Tstatistics value is 2.525 > 1.660 at a significance level of $\alpha = 0.05$ (5%), which states that the Internal Control System has an effect on the quality of financial reports. The value of 0.326 in the parameter coefficient means that the more influential the application of the Internal Control System is, the better the quality of financial reports will be. The results of this study support the second hypothesis (H2) that the implementation of the Internal Control System affects the quality of financial reports.

Effect of Completion of Audit Findings on the Quality of Financial Statements. The results of this research support the third hypothesis (H3) that there is an influence on the completion of audit findings on the quality of financial reports. The path parameter coefficient obtained from the effect of the audit findings completion variable on the quality of financial statements is 0.281 with a T statistics value of 3.268 > 1.660 at a significance level of $\alpha = 0.05$ (5%), which states that there is an effect of the completion of audit findings on the quality of financial reports.

The impact of applying government accounting standards on the caliber of financial reports is moderated by competence in human resources. The path parameter coefficient obtained from the effect of the Human Resources Competency variable Moderates the Effects of the Application of Government Accounting Standards on the Quality of Financial Information is 0.062 with a T statistics value of 0.319 < 1.660 at a significance level of $\alpha = 0.05$ (5%) which reports that Human Resource Competence Not Moderating Effects of Application of Government Accounting Standards on the Quality of Financial Information. This research does not support the fourth assumption (H4), which reported that the Competence of Human Resources Strengthens the Effects of the Application of Government Accounting Standards on the Quality of Financial Information.

Competence in Human Resources Moderates the Effect of Implementing an Internal Control System on the Quality of Financial Reports. The path parameter coefficient obtained from the effect of the Human Resources Competency variable Moderates the Effects of Internal Regulatory System Application on the Quality of Financial Information is 0.165 with a T statistics value of 1.101 < 1.660 at a significance level of $\alpha = 0.05$ (5%) which reports that Human Resource Competence not Moderating Effects of Internal Regulatory System Application on the Quality of Financial Information. This research does not support the fifth assumption (H5), which reported that

Human Resource Competence Strengthens the Effects of the Internal Regulatory System Application on the Quality of Financial Information.

The Impact of the Completion of Audit Findings on the Quality of Financial Statements is Moderated by Competence in Human Resources. The path parameter coefficient obtained from the influence of the Human Resources Competency variable Moderates the Effect of Completion of Audit Findings on the Quality of Financial Statements is -0.198 with a T statistics value of 1.360 < 1.660 at a significance level of $\alpha = 0.05$ (5%) which states that Human Resources Competence does not Moderate the Effect of Completion of Audit Findings on the Quality of Financial Statements. The research results on the sixth hypothesis (H6) cannot be supported because it states that Human Resource Competence Strengthens the Effect of Completion of Audit Findings on the Quality of Financial Statements.

CONCLUSION

Based on the background, problem formulation, objectives, literature review, hypothesis testing, and discussion, it can be concluded that: (1) Application of Government Accounting Standards has a positive and significant effect on the quality of financial reports. Government Accounting Standards are quality financial reports to ensure that the information presented is fair and accountable so that its application must be carried out optimally; (2) The application of the Internal Control System has a positive and significant effect on the quality of financial reports. The effectiveness of the implementation of the Internal Control System can improve the quality of financial reports. The Internal Control System implemented thoroughly in actions and activities will provide adequate assurance to achieve the reliability of financial reports; (3) Handling audit findings has a positive and significant influence on the quality of financial information. It is because the handling of audit findings helps create accountability and clarity in the management and accountability of state finances, which increases the quality of financial information; (4) The competence of human resources does not moderate the effect of the application of regime accounting standards on the quality of financial information. It is due to the limited human resources who master and understand accounting in regional financial management.

An appropriate description of the Intent Management System will be realized from resources with the knowledge and competence to support it. Regarding this, the respondents concerned with preparing the financial information in each SKPD of the Lahat Regency were mostly not HR with an accounting education background; (5) Competence of human resources does not moderate the effect of the application of regime accounting standards on the quality of financial information. An appropriate description allows the Internal Control System to be implemented consistently and according to regulations; (6) Competence of human resources does not moderate the effect of completion of audit findings on the quality of financial reports. It is due to a need for more commitment to follow up on suggestions resulting from BPK checking by the entity's directives and administrators being looked at. Handling audit findings is an activity or decision carried out by the entity's supervisors and other professional parties to make suggestions on the inspection results. The mission of implementing the activity of handling audit findings is to create corrections or improve the quality of the weaknesses found in the checking method, which results in a view of LKPD that continues to increase as well.

Suggestion. Regional Financial Management Officers in the Lahat Regency Government must prepare and provide for the issuance of regulations related to regional financial management accompanied by efforts to synchronize various regulations both at the central government and at regional governments as well as provide technical discussions related to the application of accrual-based Government Accounting Standards (help desk). All Regional Apparatus leaders in the Lahat

Regency Government must implement a reliable and adequate Internal Control System for creating accountable state financial management by conducting regular evaluations of the implementation of the Government's Internal Control System. All Regional Apparatus leaders in the Lahat Regency Government must be highly committed to following up on the BPK Audit Report by providing quick and precise answers or explanations for each BPK recommendation, conducting a review of the leading causes of the problem, establishing intensive communication with the Inspectorate and BPK, and ensuring that BPK recommendations have followed up all audit findings. Placement of human resources aligned with the educational background, and sorting out professional human resources in the accounting aspect as a result, minimize mistakes in how the Lahat Regency LKPD is prepared. For further research, include other variables that can moderate and ensure the quality of regional financial information, such as organizational commitment and use of technology.

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