

Factor Analysis on the Quality of Financial Reports

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ABSTRACT

This study attempts to investigate, in part and simultaneously, the effects of information technology, organizational commitment, human resource quality, and internal control system on the caliber of financial reports at the Ministry of Religion Training Center in North Sumatra Regency. All of the participants in this study were workers at the Ministry of Religion's Work Unit in the North Sumatra Regency. This kind of study was conducted using cross-sectional data collection methods, organizational units of analysis, and causal research methodology. Primary data was used as the data source, and it was acquired by sending questionnaires to respondents who prepared financial reports and KPAs. In order to test the research hypothesis, the data analysis technique employs multiple linear regression analysis techniques, a statistical method for determining partial and simultaneous effects between two or more variables influences and descriptive statistical analysis with the help of the SPSS program.

INTRODUCTION

One form of government transparency in managing public finances is the process of preparing financial statements. In carrying out public financial accountability, it is regulated in Law Number 17 of 2003 concerning State Finances; Law Number 1 of 2004 concerning State Treasury; and Law Number 15 of 2005 concerning Examination of State Financial Management and Responsibility. These regulations require the government to make financial reports as a form of accountability for the implementation of the APBN/D. Financial reports from the government must comply with the principles of Government Accounting Standards (SAP) which have been regulated in PP Number 71 of 2010. This regulation contains the following characteristics of financial reports: 1) relevant, 2) reliable, 3) comparable, 4) acceptable understood. These regulations require that financial reports be presented free from misrepresentation and material errors, be objective and verifiable.

The Ministry of Religion is a government work unit that carries out duties in the religious sector and is required to complete accounting and accountability reports for the State Revenue and Expenditure Budget's implementation. (APBN). In its implementation, the Ministry of Religion has successively from 2016 to 2021 succeeded in maintaining an Unqualified Opinion on the results of the BPK's of the Republic of Indonesia examination of the Ministry of Religion's Financial Reports. However, in 2021 there are several problems in the financial reports of the ministry of religion written by the Indonesian BPK. Problems occurring within the Ministry of Religion based on the 2021 Audit Findings Sheet of the Inspectorate General of the Ministry of Religion, namely: 1) Management of Non-Tax State Revenue (PNBP) has not been orderly; 2) The implementation of spending on internet data quota assistance to support Distance Learning in five work units did not comply with the provisions and the overpayment amounted to IDR 40,643,864,905.00; 3) Procurement of Capital Expenditures has not fully complied with the provisions; 4) Management of the Smart Indonesia Program Social Assistance (PIP) does not comply with the provisions; and 5) Cash management at the Public Service Agency (BLU) in the form of cooperation in optimizing other banking services at six State Religious Universities (PTKN) with the Bank does not comply with the provisions.

Much research has been carried out relating to the standard of monetary reports. Problems such as inefficient use of the budget, human error, and low understanding and loyalty of financial managers towards government accounting can create risks to financial reports. This causes the financial reports produced to not meet the criteria of being relevant, reliable, consistent, accurate and precise. Therefore, it is suspected that there are several factors that are related to the quality of financial reports, including the internal control system (Rahmawati & Endang, 2020), information technology (Ridzal & Sujana, 2022), the quality of human resources (Yuniar, 2023), and organizational commitment (Aziyah & Yanto, 2022). The aim of this research is to examine the impact of organizational commitment, The impact of internal control systems, human

resource quality, and information technology on the standard of financial reports at the Medan City Ministry of Religion Working Unit.

LITERATURE REVIEW

Stewardship theory, goal setting theory, contingency theory, and resource based theory are the basic theories in this study. Stewardship theory describes the situation that management is not solely motivated by personal objectives, but the main goal is more directed towards the organization's objectives (Donaldson & Davis, 1991), the hope is that with efforts to improve public services in the implemented internal control system it will be able to optimize existing goals, namely being able to generate suitable financial statements. This theory is used to explain the internal control system. Furthermore, goal setting theory explains that a person's actions are regulated by a person's thoughts and intentions (Suarmika & Suputra, 2016). It can be said that if someone is able to understand the organization's goals, they will certainly be able to increase their understanding. This theory is used to explain organizational commitment. Contingency theory reveals several factors that influence organizational behavior and can produce different behavior (Luthans and Stewart, 1977). The implementation of contingency theory in accounting information systems is closely related to the impact of technology, the impact of the environment and the impact of organizational structure. An organization's technological capabilities refer to the technical practices within an organization including information technology. Information technology used by organizations and its implementation has an impact on organizational practices and operations such as: training and expertise of organizational human resources (Fernandez-Robin, Celemin-Pedroche, Santander-Astorga, & Alonso-Almedia, 2019). Resource based theory is a theory that functions as a framework for explaining and predicting aspects that underlie the competitive advantage and financial performance of an entity (Barney et al, 2011), with the presence of resources considered capable of improving performance, especially with adequate and competent capabilities. This theory is used as an explanation of the quality of human resources.

Quality of Financial Report

The quality of financial reports is financial reports that provide an accurate picture of the company's financial position and performance. This information is useful for assessing the past and future of the company/organization. The sharper and clearer the picture conveyed by financial data, and the more reliable the financial reports can provide an accurate picture of the company's financial position and performance. The information should be useful for assessing the past and the future. The sharper and clearer the picture of financial data, the closer it is to the truth.

The qualitative characteristics of financial reports are normative measures that accounting data must include to achieve its objectives. It's said that financial reports are of high quality. according to Government Regulation Number 71 of 2010, the characteristics of which meet the desired capacity,

including Relevant, Reliable, Comparable, and Understandable (Government Regulation, 2010).

H1: Organizational commitment, information technology, internal control systems, and human resource quality all affect the quality of financial reports.

Internal Control System

Government Regulation 60 of 2008 defines the internal control system as an integral process of actions and activities carried out continuously by the management and all employees to provide reasonable certainty regarding the achievement of the company's objectives of providing assets owned by the state and adherence to legal requirements. In the meantime, the central and regional governments use the Government Internal Control System (SPIP) as a widespread internal control system. (Nilam Sari, 2016).

H2: The Internal Control System has an impact on the financial report's quality. Following the hypothesis section, if your study is quantitative, please provide a contextual framework here, or your mind map, if qualitative.

Information Technology

According to Sutabri (2014), information technology is a technology that is useful for processing data, both manipulating, storing, compiling, obtaining, and processing data using various methods to generate precise, pertinent, and accurate information – that is, information of high quality. time that is strategic information and can be used for government, business, or personal reasons to be used in making decisions.

H3: Information technology affects financial report quality

Quality of Human Resources

Competence is a person's ability to produce at a satisfactory level in the organization, including a person's ability to transfer and apply these skills and knowledge in new situations and increase agreed benefits. Determining To determine the performance level required for the good or average category, one must know the level of competency. Naturally, establishing the necessary competency threshold will serve as the foundation for the planning, performance assessment, selection, and human resource development processes. processes.

According to Spencer & Spencer quoted by Sudarmanto (2015), skills and knowledge can be seen and are easily developed in HR training and development programs, while self-image, character and motives are invisible and more difficult to develop through HR development and training programs. H4: The caliber of financial reports is influenced by the caliber of human resources.

Organizational Commitment

Badu et al (2019) commitment is the level of someone in an organization who wants to actively participate in that organization. Employees with good commitment will determine how much their performance will be achieved in

the organization because of the growing sense of love for their work (Ola et al, 2019). The existence of organizational commitment will have a good influence, especially in producing financial reports.

In line with goal-setting theory, which clarifies why a person is dedicated to a goal (Suarmika & Suputra, 2016). Employees whose commitment is good in the process of achieving organizational goals will of course influence their performance system.

H5: The quality of financial reports is influenced by organizational commitment.

METHODOLOGY

The researcher chose the work group within the Ministry of Religion of Medan City as the research object because the

work group within the Ministry of Religion of Medan City is a vertical agency, or a central government agency whose funding source comes from the APBN and has the most work units in the North Sumatra region, so it requires more intensive supervision of implementation. finance and easy to collect data and distribute questionnaires. Working units within the Ministry of Religion of Medan City are also often the target of inspections by BPKP, BPK, and the Inspectorate General of the Indonesian Ministry of Religion in carrying out financial audits.

Testing hypotheses is the goal of this study. The kind of study that was conducted was a causality study, using cross-sectional data collection time and an organizational unit of analysis. The 42 work units that make up the Ministry of Religion in Medan City were the study's population, and primary data was the data source employed. Since this study is a census, significance testing was not done.

Multiple linear regression analysis, a statistical method for determining partial and simultaneous effects between two or more variables influences, is the data analysis technique used in testing this research hypothesis. The following is the multiple linear regression equation applied in this study:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \quad (1)$$

Information :

- Y = Quality of Financial Reports
- α = Constant
- $\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients X1, X2, X3 and X4
- X1 = Internal Control System
- X2 = Information Technology
- X3 = Quality of Human Resources
- X4 = Organizational Commitment
- ε = Other variables that influence Y

RESEARCH RESULT

Table 1. Hypothesis Testing Results

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.280	0.641		-1.997	0.049
	Internal Control System	0.160	0.043	0.280	3.691	0.000
	Information Technology	0.087	0.089	0.076	0.976	0.332
	Quality of Human Resources	0.516	0.075	0.492	6.842	0.000
	Organizational Commitment	0.165	0.072	0.154	2.311	0.023
a. Dependent Variable: KUALITAS LAPORAN KEUANGAN Koefisien Korelasi =0,981 Koefisien Determinasi (R ²) =0.963 Adjusted R Square =0.961 Sig. F = 0,000 ^b						

Source: Primary data processed, 2023

DISCUSSION

The following multiple linear regression equation can be derived from the above table:

$$Y = -1,280 + 0,160 + 0,087 + 0,516 + 0,165 + \epsilon \dots\dots\dots(2)$$

Based on the hypothesis testing table and multiple regression equation, the research results can be seen, namely:

1. The The degree of relationship (correlation) between the independent and dependent variables is indicated by the correlation coefficient (R) of 0.981 is 75.6%, this shows the relationship between the internal control system (X1), information technology (X2), the quality of human resources (X3) and organizational commitment (X4) with the quality of financial reports (Y) is a strong positive linear relationship.
2. According to the coefficient of determination (R²) of 0.963, the financial report quality (Y) is impacted by the information technology (X2) and internal control system (X1). Organizational commitment (X4) and human resource quality (X3) combined accounted for 96.3% of the total, with the remaining 3.7% being influenced by factors not covered in this study.

The Impact of Information Technology, Organizational Commitment, Human Resource Quality, and Internal Control Systems on Financial Report Quality

Simultaneous test results show that the Information technology, organizational commitment, human resource quality, and internal control system all have an impact on the Work Unit financial reports' quality. within the Ministry of Religion of Medan City. This means that the quality of financial reports is determined jointly by the internal control system, information technology, quality of human resources, and organizational commitment. The A correlation coefficient (R) of 0.981 indicates how closely the independent and dependent variables are related. is 98.1% (greater than 50%), meaning that the information technology, internal control system, human resource quality, and organizational commitment have a positive relationship. and strong with the quality of the Work Unit's financial reports. The internal control system, information technology, the caliber of human resources, and organizational commitment influence the Work Unit's financial reports by 96.3%, according to the coefficient of determination (R²) of 0.963. Other variables that are not included influence the remaining 3.7% of the financial reports. in this research, this means that only a small percentage of other variables determine the standard of the Ministry of Religion's Work Units' financial reports of Medan City.

Simultaneous test results show that the The Environmental Work Unit of the Ministry of Environment's internal control system, information technology, human resource quality, and organizational commitment all positively impact the quality of financial reports. Religion, Medan City. This means that the quality of financial reports can be achieved if the Work Unit has an internal control system, good quality human resources, and organizational commitment and makes good use of information technology in preparing financial reports. The hope is that government financial reports will become more prospective and predictive with access to high-quality data. The amount of resources generated and required for sustainable operations, the degree of risk, and the associated uncertainties can all be predicted with the help of predictive methods. In the meantime, the prospective is meant to offer data in line with the provisions and budget, as well as adhering to the budget usage caps established in the APBN/APBD. Consequently, the attributes of financial reports must provide information that is relevant, reliable, and understandable and can also be compared (PP Number 71 of 2010).

By building a good internal control system, utilizing information technology will provide convenience, speed, and practicality in preparing financial reports. Having competent, high-quality, and highly committed human resources also plays an important role for the government in the efficient preparation of financial reports to generate high-quality data. This study confirms the findings of Mutiana's (2017) study, which showed that the internal control system, use of information technology, quality of human resources, and organizational commitment play an important role in producing quality financial reports.

The Influence of the Internal Control System on the Quality of Financial Report

The partial research results show that the alternative hypothesis (Ha) is not rejected and the null hypothesis (H0) is rejected based on the regression coefficient value $\beta_1 \neq 0$. This indicates that the Work Unit financial reports' quality is positively impacted by the internal control system. A coefficient of 0.160 indicates that for every unit increase in the internal control system, the quality of financial reports in the Work Unit will see a 0.160 unit increase. Thus, the greater and more potent the internal control system in preparing financial reports, the more the quality of financial reports will improve. The results of this research show that the internal control system implemented in the Work Unit within the Ministry of Religion of Medan City is sufficient to support the quality of financial reports.

Elements of the internal control system can be used to improve the quality of state financial management. These include stepping up supervision, clearly separating important tasks and functions, assigning responsibility, recording entire and legitimate transactions, accurately and quickly recording, as well as testing the control system. These internal components need to function properly in order to produce financial reports of high quality. The results of this research support the research results of Surastiani and Handayani (2015) which concluded that the internal control system has a positive effect on the quality of financial report information.

The Influence of Information Technology on the Quality of Financial Report

The partial research results show that the alternative hypothesis (Ha) is not rejected and the null hypothesis (H0) is disregarded in light of the regression coefficient value $\beta_2 \neq 0$. The study's findings indicate that information technology improves the caliber of financial reports produced by Work Units. With a coefficient of 0.087, the quality of the Work Unit financial reports will rise by 0.087 units for every unit increase in information technology. This implies that the quality of financial reports will continue to rise as more information technology is used in their preparation. The outcomes of this research show that the use of information technology applied to Working Units within the Ministry of Religion of Medan City is sufficient to contribute to the implementation of the quality of the financial reports produced. The use of information technology has provided opportunities for various parties to utilize, manage, and access financial information effectively, efficiently, accurately, reliably, and on time. The results of this research are consistent with research by Hertati (2015), which concluded that the use of information technology has a positive effect on the quality of financial report information.

The Influence of the Quality of Human Resources on the Quality of Financial Report

The partial research results show that the alternative hypothesis (Ha) is not rejected and the null hypothesis (H0) is disregarded in light of the regression coefficient value $\beta_3 \neq 0$. This implies that the quality of human resources has a positive effect on the quality of the Work Unit financial reports. A coefficient of 0.516 means that if the quality of human resources increases by

1 unit, the quality of the Working Unit's financial reports will increase by 0.516 units. This means that increasing the quality of human resources in the preparation of financial reports will raise the caliber of financial reports produced by the Medan City Ministry of Religion's Working Units..

The results of this research indicate that the quality of human resources in the Working Unit within the Ministry of Religion of Medan City, which is supported by job descriptions, educational background, training skills, and work experience, is quite capable of producing quality financial reports. Although most of the human resources available at the Working Unit within the Ministry of Religion of Medan City do not have accounting education, but They are knowledgeable about every step of creating quality financial reports thanks to their training and experience. Thus, financial managers of Work Units within the Ministry of Religion must continue to be able to further improve their performance to implement quality and consistent financial reports through enhanced knowledge and skills of the roles and responsibilities they perform, as well as through increased education, training, and socialization. The results of this research support the research results of Mutiana et al (2017) who concluded that the quality of human resources influences the quality of financial reports. Good or bad quality of human resources will affect the achievement of the quality of financial reports. The results of this research are also in line with research by Sari & Witono (2014) which revealed that human resources are determining in producing quality financial reports.

The Influence of Organizational Commitment on the Quality of Financial Report

The partial research results demonstrate that the regression coefficient value $\beta_4 \neq 0$ in order to draw the conclusion that the alternative hypothesis (H_a) is not rejected and the null hypothesis (H_0) is. This indicates that the caliber of the Work Unit financial reports is positively impacted by organizational commitment. An coefficient of 0.165 means that if human organizational commitment increases by 1 unit, the quality of the Working Unit's financial reports will increase by 0.165 units. This means that increasing organizational commitment to preparing financial reports will further improve the quality of financial reports.

The results of this research indicate that the involvement, support, and organizational commitment of each Work Unit financial manager within the Ministry of Religion of Medan City is sufficient to contribute to the preparation of the Work Unit financial reports. Work Unit financial managers within the Medan City Ministry of Religion are consistent and obedient to their organization because they are aware that committing to the organization is something that must be done so that it will support the implementation of quality financial reports. The results of this research support the research results of Idrus et al (2014) who concluded that organizational commitment influences the quality of financial reports. This research is also in line with research conducted by Syaifullah (2014) that high organizational commitment will maintain compliance in presenting quality government financial reports in accordance with government accounting standards.

CONCLUSIONS AND RECOMMENDATIONS

Drawing from data analysis, hypothesis testing, and discourse, the ensuing deductions are possible: 1) the internal control system, information technology, quality of human resources, and organizational commitment simultaneously influence the quality of working unit financial reports within the Medan City Ministry; 2) The Ministry of Religion's internal control system affects the caliber of Work Unit financial reports. Medan City; 3) information technology influences the quality of Work Unit financial reports within the Ministry of Religion of Medan City; 4) the quality of human resources influences the quality of Work Unit financial reports within the Ministry of Religion of Medan City and 5) organizational commitment influences the quality of Work Unit financial reports within the Ministry of Religion of Medan City.

ADVANCED RESEARCH

The recommendations made in light of the research findings are as follows:

1. In order to compare whether the findings of this study apply to districts or cities outside of Sumatra Province North, future researchers are advised to include additional independent variables that affect the quality of financial reports. They should also broaden the scope of their study by using samples from other regional districts or cities.
2. Regional governments must be more careful in building a good internal control system, utilizing information technology that will provide convenience, speed, and practicality in preparing financial reports. Having competent, high-quality, and highly committed human resources also plays an important role for the government in the smooth preparation of financial reports to produce quality information.

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