

The Effect of Accounting Information System Utilization, Human Resource Competence, and Internal Audit on the Quality of Financial Statements at OPD Surabaya City Office

Annisa Putri Arifin¹, Tituk Diah Widajantie²
Universitas Pembangunan Nasional "Veteran" Jawa Timur

Corresponding Author: Tituk Diah Widajantie tituk.widajantie.ak@upnjatim.ac.id

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ABSTRACT

This study aims to identify the influence of the use of accounting information systems, human resource dumber competence, and internal audit on the quality of financial statements of the City of Surabaya. The sample for this study was taken from the Regional Apparatus Organization (OPD) of Surabaya City, which was used in a quantitative method. The sampling technique was carried out by a simple random sampling method based on probability. The total number of participants in this study amounted to 100 participants including financial staff. Data analysis techniques using SmartPLS 4.0. The results show that the quality of financial reporting is not significantly affected by the use of accounting information systems. The quality of financial reporting is significantly influenced by the competence of human resources. The quality of financial reporting is significantly affected by internal audit. This study makes a valuable contribution to preserving the caliber of the financial reports of Surabaya's regional apparatus organizations as well as offering prospective assessments for upcoming upgrades.

INTRODUCTION

In the current era of globalization, the development of government performance technology is in the public spotlight, including how the government presents quality financial reports, the public increasingly needs good government performance. Financial statements are an accountability to the public for the government's financial performance. Financial statements are an interesting thing to study, because of the increasing demand for accountability from interested parties. The results of the audit of the Surabaya City government's financial statements in 2022 show non-compliance with laws and regulations in regional financial management and the lack of an internal control system in the preparation of financial statements (JatimBPK, 2023).

The absence of accounting information system deployment may be the reason for the low quality of financial statements, lack of competence of human resources owned and the role of internal audit that is still weak. Therefore, an improvement is needed in the application of accounting information systems and also an improvement in the performance of internal audit supervision. In order to demonstrate orderly state financial management, compliance with rules and regulations, economy, efficiency, effectiveness, transparency, and responsibility – while keeping in mind compliance and fairness – BPK performed the assessment. Based on the results of the AKIP evaluation by the Main Inspectorate, there are still delays in submitting performance reports and there is still a lack of presentation of evaluation and analysis of performance achievements. In accountability, the trustee (agent) is responsible for providing accountability and disclosing all activities and activities that are the responsibility of the principal, who has the right and authority to hold such accountability. So it can be said that the government has the right to be accountable to the public regarding the financial statements (Mardiasmo, 2018).

Financial statements are prepared with various considerations, this is done so that the financial statements presented are better and of higher quality. Due to the fact that many government financial statements present inaccurate information, which the CPC has periodically found. While financial statements that have low quality can be caused by accounting information systems that have not been used or a lack of accounting understanding from financial statement compilers. Therefore, regional financial management must increase the use of accounting information systems, human resource capabilities, and internal audits. The use of regional accounting information systems is needed in creating quality financial statements. Regional financial managers use regional financial accounting information systems through information technology programs to support it (Eo et al., 2021). The proficiency of human resources is a crucial element that bolsters the high caliber of financial statements. Because financial statements are the product of someone with competence in accounting science, competent human resources (HR) are required to produce excellent financial statements. Government Regulation No. 71 of 2010 stipulates that qualitative characteristics must be possessed by government financial reporting to meet the desired standards: relevant, credible, comparable, and easy to understand. Likewise, the finance section must be filled by human resources who have

competence in understanding accounting and other related financial sciences (Lestari & Dewi, 2020).

Research conducted by (Islamay & Trisnaningsih, 2022) and (Eo et al., 2021) has results that do not affect the quality of financial reports on the variable of the use of the regional financial accounting information system, meaning that the use of the regional financial accounting information system does not affect improving the quality of financial reports. In research (Yeni et al., 2020) has results that have a significant influence, so its application will improve the quality of financial reports. In the variable of human resource competence, research (Saputra, 2021) has the result that human resource competence has a significant effect on the quality of financial statements. In the internal audit variables conducted by (Lestari & Dewi, 2020), there are results that the internal control system affects the quality of financial statements. In assessing the quality of financial statements, it will be corrected first by internal audit, in order to find out if there are irregularities. So the role of internal audit is needed to produce quality financial statements. The conclusion of this explanation is that to obtain a quality financial statement does not only rely on accounting information systems but competent human resources are needed and internal audit personnel are also needed.

LITERATURE REVIEW

Stewardship Theory

Stewardship theory, according to Donaldson & Davis (1991), depicts a condition in which management is not driven by personal objectives but rather aims at their primary end goals for the benefit of the firm (Dzahabiyah & Ardini, 2023). Stewardship theory is associated with higher quality information that is concerning the caliber of financial statements from local governments. Stewardship theory and local government financial statement quality are positively correlated, according to this theory. Governments that fulfill their stewardship responsibilities must give users of government information relevant information. It is concluded that stewardship theory is a suitable theory in this study where government both in the regions and at the center has the aim of presenting quality financial statements.

Utilization of Accounting Information Systems

In order to generate financial accounting information and management accounting information, the usage of accounting information systems is an accounting data management system, which is the harmonic coordination of individuals, instruments, and techniques within a structured organizational container. Using information systems for regional financial accounting is an accounting data processing system from human coordination and also a system to be able to manage regional finances that are presented transparently to the community (Rosmalita & Nadirsyah, 2020).

Human Resources Competence

A person needs competence as the foundation to finish his performance at a high level. Competency can be determined by an individual's educational background, training completed, and abilities demonstrated in the performance of their job (Utama, 2017). This argument leads one to the conclusion that an organization's ability to successfully accomplish a goal is primarily dependent on the quality of its human resources. Therefore, the competence of human resources at every level of management becomes an urgency for both government leaders and staff.

Internal Audit

In order to determine the degree of compliance between statements and predetermined criteria, internal audit is a methodical procedure that gathers and impartially assesses information pertaining to statements of economic activities and events. It is also helpful for informing interested parties of the findings (Mulyadi, 2014).

Quality of Financial Statements

Financial statements are organized reports about the statement of financial position and transactions completed by a reporting agency, in conformity with 2010 Government Regulation Number 71. The execution of the regional budget revenue is the duty of the regional financial statements. A financial statement has the value of high-quality information and is helpful in making decisions since it can benefit the people who utilize it. The quality of financial statements can be reflected in its qualitative character (Lestari & Dewi, 2020). Based on this description, the quality of financial statements will be achieved well when supported by the use of accounting information systems as well as the competence of human resources and the role of internal audit. So the researcher describes in a framework of thought that is structured as follows:

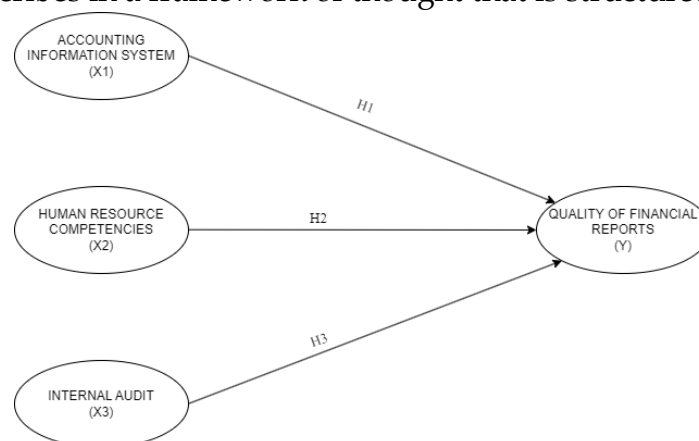


Figure 1. Conceptual Framework

Hypothesis

H₁: The quality of financial statements is positively impacted by the usage of accounting information systems.

H₂: Financial statement quality is positively impacted by

human resource competency.
 H₃: Financial statement quality is positively impacted by internal audit.

METHODOLOGY

This type of research is quantitative research. The research data needed is primary data in the form of perceptions of research respondents. Data collection in this study was aimed at employees of the financial sector within OPD Surabaya City. This is because of the background that has been described by researchers with the variables used, namely X1 (Utilization of Accounting Information Systems), X2 (Human Resource Competence), X3 (Internal Audit), to variable Y (Quality of Financial Statements). With a total population in OPD Surabaya City Office as many as 28,761 employees, so researchers use the Slovin formula to determine the sample size used:

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{28.761}{1 + 28.761 (0,1)^2} = 99,86 \text{ rounded to } 100$$

Information:

n : Sample Size

N : Sample Size

e : Teleransi Error Rate (10%)

The methodology employed in this study combines a basic random sampling strategy with probability sampling to take 100 employee samples at random. Using SmartPLS software, the smallest partial square (PLS) was used in this study.

RESEARCH RESULT

Outer Model Analysis (Measurement Model)

Convergent Validity

Convergent validity measurement with reference indicator between the indicator and construct chord. The loading scale of ≥ 0.070 is said to be ideal, nonetheless the 0.50 to 0.60 loading scale is still appropriate (Ghozali et al., 2015).

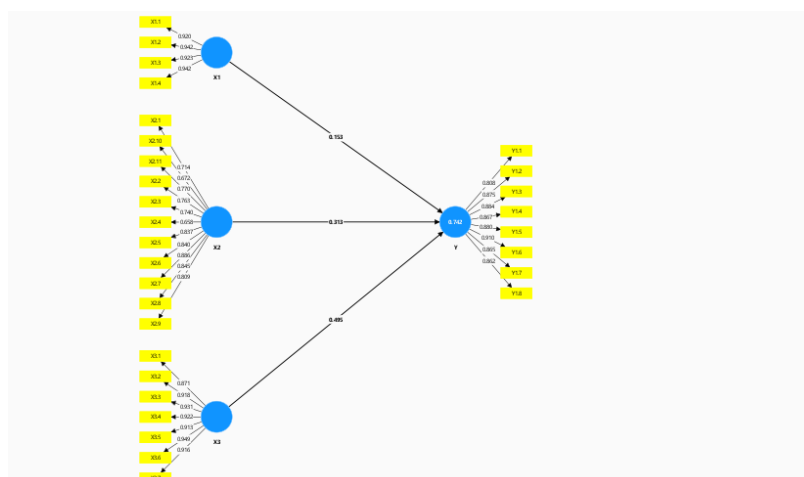


Figure 2. Convergent Validity Results

Source: Processed Researcher from SmartPLS 4.0, 2024

The loading factor's value between the construct and the latent variable is said to be valid because all indicators value the loading factor ≥ 0.70 but the value of the loading factor ≥ 0.50 is still acceptable.

Discriminant Validity

Discriminant validity of value measurement based on cross loading measurement with construct by ensuring that the correlation of indicator with construct is higher than other constructs. Another measure of discriminant validity can be seen from the value of Average Variance Extracted (AVE), it can be said to be good if the AVE value ≥ 0.50 (Ghozali et al., 2015).

Tabel 1. Average Variance Extracted (AVE) Results

	Average Variance Extracted (AVE)	Keterangan
Accounting Information System	0,869	Valid
Human Resource Competencies	0,607	Valid
Internal Audit	0,842	Valid
Quality of Financial Reports	0,756	Valid

Source: Researcher, 2024

Composite Reliability

Composite reliability indicates accuracy, consistency, and precision, constructs are said to be high reliability if composite reliability and Cronbach's alpha ≥ 0.70 (Ghozali et al., 2015).

Table 2. Composite Reliability & Cronbach's Alpha Results

	Cronbach's Alpha	Composite Reliability
Accounting Information System	0,950	0,964
Human Resource Competencies	0,934	0,944
Internal Audit	0,969	0,974
Quality of Financial Reports	0,954	0,964

Source: Researcher, 2024

Inner Model Analysis (Structural Model)

Coefficient of Determinance (R2)

The value of the R-Square ranges from 0 to 1, and the greater the value, the higher the model's generated prediction accuracy value. The R value is expressed strong when ≥ 0.75 , moderate when $\geq 0.50-0.75$, and weak when $\geq 0.250-0.50$ (Ghozali et al., 2015).

Table 3. R Square Results

	R Square
Quality of Financial Reports	0,742

Source: Researcher, 2024

Predictive Relevance (Q2)

Predictive relevance (Q2) is used to validity the endogenous construct model. The Q-Square value is considered good if it has a value of ≥ 0.02 (Ghozali et al., 2015).

Table 3. Q Square Results

	Q Square
Quality of Financial Reports	0,708

Source: Researcher, 2024

Hypothesis Test

Table 4. Hypothesis Test Results

	Original Sample (O)	P Value
Accounting Information System (X1) → Quality of Financial Reports (Y)	0,153	0,181
Humen Resource Competenciens (X2) → Quality of Financial Reports (Y)	0,313	0,001
Internal Audit (X3) → Quality of Financial Reports (Y)	0,495	0,000

Source: Researcher, 2024

Table 4 explains the results of the first hypothesis test, based on a p-value of 0.181 does not meet the decision-making decade where the p-value can be said to be significant if it is smaller or equal to 0.05. So that these results show that H1 is rejected because the variable utilization of accounting information systems does not affect the quality of financial statements. The second hypothesis based

on a p-value of 0.003 can be said to be significant if it is smaller or equal to 0.05. So that these results show that H2 is accepted because the variable competence of human resources has a significant positive effect on the quality of financial statements. The third hypothesis of a p-value of 0.000 is that it has fulfilled the basis for decision making where the p-value is said to be significant if it is smaller or equal to 0.05. So that these results show that H3 is accepted because internal audit variables have a significant positive effect on the quality of financial statements.

DISCUSSION

The Effect of Accounting Information System Utilization on the Quality of Surabaya City Financial Statements

The results of the study show that the accounting information system does not have a real impact on the quality of the financial statements of the City of Surabaya, and is not able to significantly improve the financial statements of the Regional Apparatus Organization (OPD) of the City of Surabaya. The results of this study are directly proportional to the research conducted by (Islamay & Trisnaningsih, 2022) and (Eo et al., 2021). This means that accounting information systems have not been able to assist in the presentation and also improve the quality of financial reporting. When viewed from frequency distribution data on the variable use of accounting information systems, where the average respondent achievement level value for the variable utilization of accounting information systems is classified as good. However the government has not fully heightened the value of effectiveness and efficiency and provided more accurate information. Although in perception it has been held as well as possible.

The Influence of Human Resource Competence on the Quality of Surabaya City Financial Statements

The results showed that the competence of human resources affects the quality of the financial statements of the City of Surabaya. This is evidenced by the human resources owned by the City of Surabaya being adequate in quality in certain fields, where the level of education that has been pursued by employees of Regional Equipment Organizations (OPD) in the City of Surabaya is on average undergraduate so that it can be said to have knowledge that can be practiced in their work. The results of this study are directly proportional to research conducted by (Saputra, 2021) which states that human resource competency variables have a significant effect on the quality of financial statements, this proves that the competence possessed by Surabaya City government employees is the key to the success of improving the quality of financial reporting.

The Effect of Internal Audit on the Quality of Surabaya City Financial Statements

The results showed that internal audit influenced the quality of the Surabaya City government's financial statements. It can be defined from this study that there is a relationship between internal audit and the quality of

financial statements at the Surabaya City government. This indicates that the quality of financial statements is supported by an internal audit, meaning that with internal audit, there is an improvement in the quality of financial reporting. The study's findings include directly proportional to research conducted by (Eo et al., 2021) and (Saputra, 2021) which states that internal audit has a significant influence on financial statements. So the role of internal audit is needed in order to produce quality financial statements.

CONCLUSIONS AND RECOMMENDATIONS

Based on the findings of the study that has been discussed in the previous section, the conclusion of this study is that the use of accounting information systems does not affect the quality of financial statements of the City of Surabaya, if viewed based on the achievements of respondents on average classified as good but in fact, the government has not fully heightened the value of effectiveness and efficiency in providing accurate information. The quality of the financial statements of the City of Surabaya is impacted by the competency of human resources, this is corroborated by the knowledge, skills, and work habits of employees. Internal audit affects the quality of Surabaya City's financial statements, this is supported by the environment and control, monitoring, and communication activities, as well as a complete and comprehensive risk assessment of possible accounting system violations.

Suggestion

Considering the previously disclosed findings of the study and debate, some things that need to be conveyed as suggestions in future research are as follows:

- 1) Further research is recommended to add research variables, so that other variables that affect it is possible to determine the caliber of local government financial statements.
- 2) Further research is recommended to consider using a wider research object with a provincial scope, not only in the city of Surabaya.
- 3) Further research is recommended to use several data collection methods to obtain accurate results.

ADVANCED RESEARCH

Further research on the topic of "The Effect of Accounting Information System Utilization, Human Resource Competence, and Internal Audit on the Quality of Financial Statements at OPD Surabaya City Office" is required to address the limitations of this study and provide readers with additional insights.

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