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Effect Technology Information on Quality Financial Statement With Internal Control As Moderating Variable

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Abstract.

The problem with the low quality of financial reports in local governments is the reason this research was conducted. This research was conducted with the aim of analyzing the use of information technology on the quality of financial reports by considering the internal control system (SPI) factor. The location of this research is in the Karisidenan Surakarta area which includes 6 districts and 1 city. The population of this research is all state civil servants (ASN) in local governments who work in accounting. The sampling technique was using purposive sampling method. The results showed that the use of information technology had positive effect on the quality of financial reporting in local governments, while the internal control system moderated the effect of the use of information technology on the quality of financial reporting in local governments.

Keywords: Quality of financial reports, ASN, Internal Control, Local Government

1. INTRODUCTION

Law Number 22 of 1999 regulates local governments to submit financial report reports. Government Regulation [1] aims to improve the quality of financial reports by increasing transparency in the government environment. The application of information systems in the government sector supports the information needs needed at all levels of government. In realizing transparency, the manager of state finances is obliged to submit a financial management accountability report with a broader and timely coverage. The problem that arises for the application of information systems is the ease with which local governments prepare local government financial reports (LKPD) by developing information systems with system development consultants, however the central government has provided local government information systems, the result is the low utilization of financial information systems that provided by the central government.

Research on the quality of financial reporting has been carried out by the public sector by several researchers [2];[3];[4];[5]. The results of these studies explain that the quality of financial reporting can be viewed from the users of financial reports. It is further explained that financial reporting conducted by the central government and local governments can provide information for users. The results of research examining the effect of the use of information technology and the quality of financial reports in

local government have been carried out by several researchers [6];[7];[8];[9]. The results of this study indicate that the use of information technology has an impact on the quality of financial report [6];[7];[8]), but research conducted [9] states that information technology has no impact on the quality of government financial reports. The results of several different studies are interesting to be studied further by considering aspects of internal control in local government.

Government Regulation [10] concerning the government internal control system (SPIP) aims to improve quality financial reports. SPIP is designed to provide adequate assurance regarding the achievement of government objectives as reflected in the reliability of financial reports, efficiency and effectiveness of program and activity implementation and compliance with laws and regulations. SPIP is a government control system. SPIP is implemented by the Financial and Development Supervisory Agency (BPKP) and the Inspectorate through the Government Internal Supervisory Apparatus, while the government's External Control System is implemented by the Supreme Audit Agency (BPK), DPR / DPRD, Police, Attorney General's Office, Corruption Eradication Commission and other judicial institutions.

II. METHODS

This research is a survey research conducted at the Regional Financial Board (BKD) in six districts / cities in Central Java. The data source uses primary data. The population of this research is all State Civil Servants (ASN) who work in local governments in six districts / cities in Central Java. The sampling technique used purposive sampling technique, namely by using criteria that work in BKD, especially in the accounting section.

Measurement of instruments for the variable of financial reporting quality consists of the aspects of providing and delivering financial information, information in financial reports that is free from misleading understanding and material errors, presenting every fact honestly and can be verified. The indicators used to measure the quality of local government financial reports include honest, verifiability and neutrality. Information technology variables use indicators of computer use and internet network usage. The SPIP variable in this study is measured using indicators of control environment, risk assessment, control activities, information and communication and monitoring. The data analysis method used in this study includes validity and reliability testing, classic assumption tests (normality test and multicollinearity test), regression test and regression analysis testing using moderating variables to analyze SPIP moderating variables.

III. RESULT AND DISCUSSION

Instrument Test and Classical Assumption Test

Based on the results of the validity and reliability tests that have been carried out, it shows that all instruments of the variable quality of financial statements,

information technology and SPIP are valid and reliable, while testing the classical assumptions which include the normality test and the multicollinearity test shows that there is no violation of the classical assumptions, so the use of analysis Simple regression and regression with moderating variables can be continued.

Simple Regression Analysis

Regression analysis is used to determine the effect of information technology variables on the quality of financial reports. This test is done before further analysis with a regression analysis model with moderation. Table 1 below presents a simple regression analysis.

Tabel 1
Regression Analysis

Variable	Coefficient	t-test	Sig.
Constant	4,815	3,623	0,353**
TI	0,723	2,340	0,036**
R ²	0,636		
Adj. R ²	0,633		
F-test	27,633		0,000***

*, **, *** = signifikan for level 10%, 5%, 1%

The results of the analysis of table 1 obtained a calculated F value of 27.633 with a p-value of 0.000 < 0.05, meaning that there is a significant influence on the variable of information technology (IT) utilization on the variable of financial reporting quality (Y), therefore the model is suitable for use in analyze the independent variable against the dependent variable. In addition, in table 1 it is also explained that the variable use of information technology has a positive and significant effect on the quality of financial reporting, meaning that if the use of information technology increases, it can improve the quality of financial reports in local governments. The results of the next analysis show that the value of Adjusted R² Square = 0.633 is obtained, which means that the use of information technology variables has a strong influence on the presentation of quality local government financial reports.

The results of study are the same as the results of research conducted by [7];[9];[8] which state that the use of information technology affects the quality of financial reporting. The use of information technology has a role in providing useful information for decision makers in the organization including improving the quality of financial reports so that it supports the decision-making process, because the use of information technology in an organization must be used optimally [9].

Moderation Regression Test

Model analysis moderated regression is used to examine the role of the SPIP variable in moderating the influence of the independent variable (information

technology) on the dependent variable (quality of financial reports). Table 2 below presents the complete data analysis results to answer the research objectives of the role of the moderating variable.

Table 2
Analysis Moderated Regression

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	39,322	0,612		64,884	0,000***
1 Zscore: TI	1,259	0,577	0,326	3,761	0,008***
ABSZX_ZX	1,137	0,714	0,689	3,348	0,005***

a. Dependent Variable: Quality of Financial Reporting

*, **, *** = Significance of level 10%, 5%, 1%

The results of the analysis in table 2 show that the moderating variable ABSZX3_ZX4 has a probability value of 0.005 < 0.05, meaning that ZX4 (SPIP) has a role in this test as a moderating variable. A positive value on the moderating variable indicates that the SPIP moderating variable can strengthen the influence relationship between information technology variables and the variable quality of financial reports.

Based on the results of the analysis for regression analysis with mediation, it shows that SPIP has a role to moderate the use of information technology on the quality of financial reports, meaning that the higher the use of information technology supported by SPIP owned by the Regional Government, the better the quality of financial reporting produced. The results of this study are reinforced by the results of previous research conducted [6]; [11]; [12] which concluded that SPIP has an effect on the quality of financial reports. SPIP plays a very important role in realizing the quality of good government financial reporting because it has control over systems in government governance that are in accordance with what should be done because of the governing procedures so that errors in work are reduced [6].

IV. CONCLUSION

Information technology is a technology for processing data, processing, obtaining, compiling, storing, manipulating data to produce quality information (relevant, accurate and timely) and used for business and government interests for decision making. Information technology has a strong influence on the quality of local government financial reports. Internal control has a major role in organizations, both private sector organizations and public sector organizations.

Good internal control conditions play a role in strengthening the influence relationship between information technology variables and the quality of local government financial reports.

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