Analysis of the Factors Influencing the Quality of Financial Statements in the Organization of Regional Apparatus Organizations of North Sumatera

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ABSTRACT

This study aims to test, analyze and provide empirical evidence of the effect of the quality of human resources, organizational commitment, utilization of information technology, and the government's internal control system on the quality of the financial reports of the Regional Apparatus Organizations of North Sumatra. Research respondents are the Head of the Sub-Division of Finance, Revenue Treasurer, and Expenditure Treasurer of Regional Apparatus Organizations, as many as 126 respondents. This study uses primary data. Analysis of the data used is Partial Least Squares (PLS) with Smart PLS 3.0 software program. The results showed that the quality of human resources, organizational commitment, utilization of information technology, and the government's internal control system positively affected the quality of the financial reports of the Regional Apparatus Organizations of North Sumatra.

Keywords: Quality of Human Resources, Organizational Commitment, Utilization of Information Technology, Government Internal Control Systems, Quality of Financial Reports.

INTRODUCTION

Regional financial accountability at the conceptual and operational levels has been thoroughly outlined through laws and regulations and is even more operationally stipulated through regional regulations. Accountability for regional financial management is a complete picture of accountability by presenting each regional financial transaction in the regional government financial reports. As a form of financial accountability, financial reports are important documents for every government, so they must be taken seriously in their preparation. Every government uses financial reports to see how the condition of the government is in a certain period. Financial statements are prepared to provide relevant information regarding the financial position and all transactions entered into by a reporting entity during a reporting period. Financial reports are structures and processes that describe how financial information is provided and reported to achieve financial reporting objectives, which will help achieve the country's economic and social goals (Suwardjono, 2018, p. 101). The purpose of preparing financial reports is to provide information regarding the financial position, performance, and changes in the financial position of an entity that is useful to many users in making economic decisions. Financial reports prepared for this purpose meet the everyday needs of most users. However, financial reports only provide some of the information users may need in
making economic decisions because they generally describe the financial effects of past events and are optional to provide non-financial information (Hutauruk, 2017, p. 10).

The audit of financial statements aims to provide an opinion, where the opinion of the Audit Board of The Republic of Indonesia is a professional statement by the examiner on the fairness of the presentation of financial statements based on the suitability of presentation with Government Accounting Standards to assess the quality of a financial report.

One of the provincial governments in Indonesia that is considered successful in compiling reliable financial reports is the North Sumatra Provincial Government. The North Sumatra Provincial Government obtained an Unqualified Opinion from the Audit Board (SumutProv.go.id, 2020).

Looking at the last 5 (five) years, the Provincial Government of North Sumatra obtained an Unqualified Opinion. This is closely related to the quality of the Provincial Government of North Sumatra's financial reports. However, Unqualified Opinion is only a professional statement and does not guarantee that the financial statements are free from other fraudulent actions. In this case, the North Sumatra government still finds several problems that must be addressed as material for future improvements.

If the fairness assessment criteria are met in the audit, the financial management system will likely be good. Still, the fact is that many regions are trying to obtain unqualified opinion opinions so that news develops in various media and the public wonders about the audit board’s unqualified audit results in several local governments. Confidence in the audit results is doubtful because few local governments have obtained unqualified opinions.

One example was World Anti-Corruption Day (Hakordia) in Medan. The deputy chairman of the Indonesian Corruption Eradication Commission, Alexander Marwata, said that the commemoration of World Anti-Corruption Day (Hakordia) was held in Medan for specific reasons. "Why did we choose Medan to represent Region 1? Why Medan? There were several considerations. One of them, if you look at the bad records. There were 17 regional heads with corruption cases, the Corruption Eradication Commission handled 16, and the prosecutor’s office handled 1." (source: www.sumatra.bisnis.com).

In addition, another example of a corruption case was committed by the former Head of the Population Control and Family Planning Service of North Sumatra Province, related to the alleged corruption case in the procurement of furniture and furniture in the 2020 fiscal year (source: www.sumutantaranews.com) Determination as a suspect the corruption case has had good beginnings to be held accountable.

Medan Prosecutor's Office investigators have also found facts and data that there has been a loss of the North Sumatra Province inventory car in the form of a Fortuner car belonging to the North Sumatra Population Control and Family Planning Office, for the actions of the suspect which caused state losses of around IDR 400 million (source: www.sumut.antaranews.com).

With the existence of this corruption case, the Provincial Government of North Sumatra continues to strive to maintain this good performance in presenting regional financial reports. As for the recommendations submitted by the Audit Board, 1,522 and 1,273, or 83.64%, had been followed up, leaving 16.36%, or only 249 recommendations. Some of the recommendations that have become the record of the Audit Board include asking the inspectorate to ask providers to submit evidence of accountability related to the handling of the Covid-19 Pandemic. At the same time, processing returns if there are overpayments to the local treasury. Likewise, the heads of Regional Apparatus Organizations oversee work implementation and procurement of goods in the field (Sumut Prov.go.id, 2021).
In addition, the audit board also highlighted road infrastructure improvements under the 2019-2023 Regional Medium-Term Development Plan, which targets provincial road performance indicators to be in stable condition. Therefore this institution recommends that the Provincial Government of North Sumatra be able to compile adequate road documents and indicators for determining priority scales as well as guidelines for monitoring and financial evaluation, as well as arranging road maintenance as the highest priority in road management, along with a road management performance evaluation plan (SumutProv.go.id, 2021). Obtaining an Unqualified Opinion consecutively made the Governor of North Sumatra appreciate the performance and support of all parties so that the North Sumatra Provincial Government received awards in terms of financial management. Thus all levels of the North Sumatra Provincial Government would be eager to do better in the future, including following up on the recommendations of the Audit Board (SumutProv.go.id, 2021).

The criteria for the assessment carried out by the audit board are the application of government accounting standards, sufficient disclosure, the effectiveness of the internal control system, and compliance with statutory provisions (SumutProv.go.id, 2021). This shows that the government's internal control system is essential in achieving or obtaining reliable financial reports. The Government Internal Control System is one of the statutory mandates that must be guided and carried out in preparing financial reports for the central government and regional governments. Internal Control System provides confidence that all activities have been carried out efficiently and effectively. The internal control system is a management tool that aims to achieve various objectives. Internal control is the foundation of good governance and the first line of defense against invalid data and information in preparing Regional Government Financial Reports.

The internal control system is related to good governance, where local governments must prepare quality and reliable financial reports. The quality of local government financial reports reflects the orderliness of local government financial management, which includes orderly administration and adherence to principles. Internal control is carried out to monitor whether the organization's operational and financial activities follow the procedures and policies set by management (Hery, 2014, p. 159). Government Regulation No. 60 of 2008 concerning the Government's Internal Control System explains that the internal control system is an integral process of actions and activities carried out continuously by leaders and all employees to provide reasonable assurance of achieving organizational goals through effective and efficient activities, quality financial reports, safeguarding state assets, and compliance with laws and regulations. Internal control includes organizational structure, methods, and measures coordinated to maintain organizational wealth, check the accuracy and quality of accounting data, encourage efficiency, and encourage compliance with management policies (Mulyadi, 2016, p. 163). Some purposes of holding internal controls are for the quality of financial reports, efficiency and effectiveness of operating activities, and compliance with laws and regulations (Arents, 2011, p. 316). However, to improve the quality of financial reports through a good government internal control system, it must be supported by the quality of human resources, organizational commitment, and the use of information technology that exists or is available in the North Sumatra Provincial Government, so that the quality of financial reports also increases.

Cases of weakness in internal control system generally occur because officials/executors who are responsible do not/have not kept records accurately and have not complied with existing provisions and procedures, have not had clear policies and accounting treatments, have not been
careful in planning, have not carried out coordination with related parties, inappropriate policy formulation or implementation, not yet established activity procedures, and weak supervision and control. In addition to cases of internal control system weaknesses, the audit board also revealed local government non-compliance that caused state losses.

Suppose an entity has established reasonable internal control. In that case, all operations, physical resources, and data will be monitored and controlled, goals will be achieved, risks will be small, and the resulting information will be of higher quality (Weygandt et al., 2005). Failure to achieve reasonable internal control will result in poor-quality financial reports by regional orders (Suwanda, 2015).

A common problem in local government agencies is that the personnel arrangement needs to be done according to the needs, both in quantity and quality. From the aspect of the quality of personnel management, it often does not follow the principle that "the right man in the right place" produced is less quality. Competence in human resources is needed so that budget management is good because insufficient human resources result in bad budget management and impact late budget realization (Nina et al., 2016). Without good and competent human resources, organizations with poor goals will be challenged to achieve its goal. Competence in human resources is very closely related to building good organizational governance. Therefore, human resource management must be done as well as possible to make an excellent contribution to the organization.

Quality human resources can create both comparative values and competitive, generative, and innovative values by using the highest energy, such as intelligence, creativity, and imagination (Ndraha, 2016, p. 12). The quality of human resources determines the reliability of financial reports. Financial reporting is a structure and process covering all aspects related to how an organization's provision, reporting, and delivery of financial information is provided and reported to achieve reporting objectives that will help achieve economic and social goals (Suwardjono, 2018, p. 110). The relationship of a person or group with their organization makes organizational commitment a psychological construct of its members when in an organization. It makes implications for someone to continue it (Allen & Meyer, 2016, p. 169). High organizational commitment determines the organization’s in creating reliable financial reports. Organizational commitment becomes an attitude in which a person or group identifies himself with the goals and expectations of the organization where he works and tries to maintain membership in the organization to realize the goals of the organization (Richard, 2015, p. 442).

Information technology can be interpreted as something that replaces the role of humans in automating a task or process. Information technology has the function of processing data, processing data, obtaining, compiling, storing, and changing data in various ways to obtain beneficial or quality information (Kadir, 2016, p. 15). The utilization of information technology is the behavior of employees or employees who use technology with their duties. The measurement is based on the frequency of use in the diversity of applications used. The convenience offered by information technology will help someone create reliable financial reports because information technology is programmed to produce something much better to replace or alleviate the human role in a job (Hartono, 2016: 2).

According to Jurnali and Supomo (2002), information technology is the level of integration of information technology in implementing accounting tasks. Technology utilization is also one factor affecting the quality of financial reports. The obligation to use technology by the government is regulated in Government Regulations Number 56 of 2005 concerning regional financial information systems. The benefits of using this information technology are
speeding up transaction processing, the accuracy of calculations, storing large amounts of data, and multi-processing capabilities (Armel et al., 2017).

Framework
Following the description of the background of the problem, literature review, and previous research, a conceptual research framework is prepared as follows:

![Figure 1. Conceptual Framework](image)

H1: The quality of human resources has a significant positive effect on the quality of financial reports in the Regional Apparatus Organizations of North Sumatra Province.

H2: Organizational commitment significantly positively affects the quality of financial reports in the Regional Apparatus Organizations of North Sumatra Province.

H3: Utilization of information technology has a significant positive effect on the quality of financial reports in the Regional Apparatus Organizations of North Sumatra Province.

H4: The government's internal control system significantly positively affects the quality of financial reports in the Regional Apparatus Organization of North Sumatra Province.

RESEARCH METHODS
The research design is explanatory research, namely to analyze the relationship between variables to test a theory or hypothesis from existing research. Explanatory research is also called causal research. Sugiyono (2017) states that a causal relationship is a causal relationship consisting of independent variables (variables that influence) and dependent (influenced). This study’s survey research method is field research conducted on samples from a specific population whose data was collected using a questionnaire (Sekaran, 2003). Survey research methods are used to obtain data from certain places by collecting data by distributing questionnaires or interviews (Sugiyono, 2017).

The number of samples in this study is all Regional Apparatus Organizations of North Sumatra Province, totaling 42 Regional Apparatus Organizations, each Regional Apparatus Organization will be given three each questionnaires. The number of samples in this study was 126 respondents.

RESULT AND DISCUSSION
Data Quality Testing (Outer Model Evaluation)
In this research, the data analysis method used is partial least squares (PLS) using SmartPLS software. Solihin and Ratmono (2013: 6) stated that in its development, SEM is divided into two types, namely covariance-based SEM (CB-SEM) and variance-based SEM or partial least squares (PLS). CB-SEM was developed in the 1970s pioneered by Karl Joreskog, a Lisrel software developer. Meanwhile, PLS developed after CB-SEM and was pioneered by Herman Wold (Karl Joreskog's academic advisor).

Solihin and Ratmono (2013: 7) state that PLS can work efficiently with small sample sizes and complex models. In addition, the data distribution assumptions in PLS are relatively loose compared to CB-SEM. Estimation with CB-SEM requires a series of assumptions, such as multivariate data normality, minimum sample size, homoscedasticity, etc. Mahfud and Ratmono (2013:8) state that the results of the two estimates are similar, so PLS can be a good proxy for CB-SEM. PLS can still estimate small sample sizes and deviations from multivariate normality assumptions.
PLS can therefore be viewed as a nonparametric approach to CB-SEM. In addition, when the CB-SEM assumptions are not met, PLS can be the suitable method for testing theory. Mahfud and Ratmono (2013:9-13) state that if the data meets the correct CB-SEM assumptions, such as minimum sample size and normal distribution, then choose CB-SEM. If not fulfilled, choose PLS. PLS is a nonparametric approach; it can work well even for extremely abnormal data.

**Outer Model Evaluation (Measurement Model): Validity and Reliability Testing**

Convergent validity is part of the measurement model, usually called the outer model in PLS. At the same time, covariance-based SEM is called confirmatory factor analysis (CFA) (Mahfud & Ratmono, 2013, p. 64). There are two criteria for assessing whether the outer model (measurement model) meets the convergent validity requirements for reflective constructs, namely (1) the loading must be above 0.7 and (2) the p-value is significant (<0.05) (Hair et al. in Mahfud & Ratmono, 2013:65). However, in some cases, loading requirements above 0.7 are often not met, especially for newly developed questionnaires. Therefore, loading between 0.40-0.70 must still be considered to be maintained (Mahfud & Ratmono, 2013, p. 66).

Indicators with loadings below 0.40 should be removed from the model. However, for indicators with loading between 0.40 and 0.70, we should analyze the decision’s impact to remove these indicators on average variance extracted (AVE) and composite reliability. We can remove indicators with loading between 0.40 and 0.70 if they increase the average variance extracted (AVE) and composite reliability above their threshold (Mahfud & Ratmono, 2013, p. 67). The AVE limit value is 0.50, and the composite reliability is 0.7. Another consideration in deleting indicators is their impact on construct content validity. Indicators with small loadings are sometimes maintained because they contribute to the validity of the constructed content (Mahfud & Ratmono, 2013, p. 67). Figure 2. presents loading values for each indicator.

**Validity Testing based on Factor Loading**

Based on testing the validity of the loading factor in Table 1. and Figure 2, it is known that all loading values are > 0.7, which means that they have fulfilled the validity requirements based on the loading value. Furthermore, validity testing was carried out based on the average variance extracted (AVE) value.

![Figure 2. Validity Testing Based on Factor Loading](image)

**Table 1. Validity Test based on Average Variance Extracted (AVE)**

<table>
<thead>
<tr>
<th>Construction</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment (X2)</td>
<td>0.796</td>
</tr>
<tr>
<td>Quality of Financial Statements (Y)</td>
<td>0.755</td>
</tr>
<tr>
<td>HR Quality (X1)</td>
<td>0.823</td>
</tr>
<tr>
<td>Utilization of Information Technology (X3)</td>
<td>0.827</td>
</tr>
<tr>
<td>Government Internal Control System (X4)</td>
<td>0.803</td>
</tr>
</tbody>
</table>

Source: Processed with Smart PLS (2023)

The recommended AVE value is above 0.5 (Mahfud & Ratmono, 2013, p. 67). All AVE values are known to be > 0.5, meaning they have met the validity requirements based on AVE. Furthermore, reliability testing is
carried out based on the composite reliability (CR) value.

<table>
<thead>
<tr>
<th>Table 2. Reliability Testing based on Composite Reliability (CR)</th>
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<tbody>
<tr>
<td>Composite Reliability</td>
</tr>
<tr>
<td>Organizational Commitment (X2)</td>
</tr>
<tr>
<td>Quality of Financial Statements (Y)</td>
</tr>
<tr>
<td>HR Quality (X1)</td>
</tr>
<tr>
<td>Utilization of Information Technology (X3)</td>
</tr>
<tr>
<td>Government Internal Control System (X4)</td>
</tr>
</tbody>
</table>

Table 2: Reliability Testing based on Composite Reliability (CR)

The recommended CR value is above 0.7 (Mahfud & Ratmono, 2013, p. 67). All CR values are known to be > 0.7, meaning they have met the reliability requirements based on CR. Furthermore, reliability testing was carried out based on Cronbach's alpha (CA) value.

<table>
<thead>
<tr>
<th>Table 3. Reliability Testing based on Cronbach's Alpha (CA)</th>
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<tbody>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>Organizational Commitment (X2)</td>
</tr>
<tr>
<td>Quality of Financial Statements (Y)</td>
</tr>
<tr>
<td>HR Quality (X1)</td>
</tr>
<tr>
<td>Utilization of Information Technology (X3)</td>
</tr>
<tr>
<td>Government Internal Control System (X4)</td>
</tr>
</tbody>
</table>

Table 3: Reliability Testing based on Cronbach's Alpha (CA)

The recommended CA value is above 0.7 (Mahfud & Ratmono, 2013, p. 67). All CA values are known to be > 0.7, meaning they meet the reliability requirements based on Cronbach's alpha. Furthermore, discriminant validity testing was carried out with the Fornell-Larcker approach. Table 4 presents the results of discriminant validity testing.

<table>
<thead>
<tr>
<th>Table 4. Discriminant Validity Testing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment (X2)</td>
</tr>
<tr>
<td>0.852</td>
</tr>
<tr>
<td>0.546</td>
</tr>
<tr>
<td>0.000</td>
</tr>
<tr>
<td>0.110</td>
</tr>
<tr>
<td>0.541</td>
</tr>
</tbody>
</table>

Table 4: Discriminant Validity Testing

In discriminant testing validity, a latent variable's AVE square root value is compared with the correlation value between that latent variable and other latent variables. It is known that the AVE square root value for each latent variable is greater than the correlation value between the latent variable and other latent variables. So it is concluded that it meets the requirements of discriminant validity.

Hypothesis Test/ Significance of Influence (Bootstrapping)

<table>
<thead>
<tr>
<th>Table 5. Path Coefficient Test &amp; Significance of Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment (X2)</td>
</tr>
<tr>
<td>0.485</td>
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<tr>
<td>0.485</td>
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<tr>
<td>0.485</td>
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<td>0.485</td>
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<td>0.485</td>
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Table 5: Path Coefficient Test & Significance of Influence

Based on the results in Table 5, the results are:

a. Quality of Human Resources (X1) has a positive and significant effect on the quality of financial statements (Y), with a coefficient value (Original Sample column) = 0.485 and P-Values = 0.000 <0.05 (Hypothesis Accepted).

b. Organizational Commitment (X2) has a positive and significant effect on the Quality of Financial Statements (Y), with a coefficient value (Original Sample column) = 0.457 and P-Values = 0.000 <0.05 (Hypothesis Accepted).

c. Utilization of Information Technology (X3) has a positive and significant effect on the Quality of Financial
Statements (Y), with a coefficient value (Original Sample column) = 0.280 and P-Values = 0.000 <0.05 (Hypothesis Accepted).

d. Government Internal Control System (X4) has a positive and significant effect on the Quality of Financial Statements (Y), with a coefficient value (Original Sample column) = 0.329 and P-Values = 0.000 <0.05 (Hypothesis Accepted).

Table 6. R-Square

<table>
<thead>
<tr>
<th>Quality of Financial Reports (Y)</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.708</td>
</tr>
</tbody>
</table>

Source: Processed with Smart PLS (2023)

It is known that the R-Square value of the Quality of Financial Reports (Y) is 0.708, which means that the Quality of Human Resources (X1), Organizational Commitment (X2), Utilization of Information Technology (X3), Government Internal Control Systems (Z) can explain the Quality of Financial Reports (Y) of 70.8%.

Table 7. Q-Square

<table>
<thead>
<tr>
<th>Quality of Financial Reports (Y)</th>
<th>Q² (=1-SSE/SSO)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.522</td>
</tr>
</tbody>
</table>

Source: Processed with Smart PLS (2023)

It is known that the Q-Square value of Quality of Financial Statements (Y) is 0.522 > 0, which means Quality of Human Resources (X1), Organizational Commitment (X2), Utilization of Information Technology (X3), Government Internal Control Systems (X4) have predictive relevance for Quality Financial Report (Y).

Table 8. Testing the Goodness of the Fit Model

<table>
<thead>
<tr>
<th>Estimated Model</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.082</td>
</tr>
</tbody>
</table>

Source: Processed with Smart PLS (2023)

It is known that based on the results of the goodness of fit SRMR test, the value of SRMR = 0.082 <0.1, it is concluded that the model is FIT.

DISCUSSION

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

Hypothesis 1 states that human resources' quality positively affects financial reports' quality. The results of the direct effect test show that H1 is accepted. This means that good human resource competence (budget managers) is needed to improve the quality of financial reports. This means that the quality of human resources reflects the success rate of quality reports. The resulting financial reports mean that the better the competence of human resources, the higher the quality of the financial reports produced. With talented human resources, the time to prepare financial reports can be shortened. This is because these human resources already know and understand what must be done so that the financial reports prepared can be completed and presented on time. The better the competence of human resources (budget managers), the better the tendency of the quality of financial reports. The empirical results of this study are consistent with previous studies, including Mutiana et al. (2017), Mardinan et al. (2018), Kiranayanti & Erawati (2016), Tawakal & Suparno (2017), Suwanda (2015), Afiah & Rahmatika (2015), Kasim (2015), Meca & Sanchez (2018), and Silviana & Zahara (2015) found that human resource competence has a positive influence on the quality of financial reports. Agency theory was built to solve problems in the relationship between principals and agents (Gudono, 2012, pp. 147-155). Agency theory explains that agency relationships arise when one or more people (principals) hire another person (agent) to provide a service and delegate decision-making authority to the agent. In producing quality financial reports, the government, which acts as an agent, must present valuable information to users of financial information and the public, which acts as a principal in assessing the achievement of accountability. Agency relationships can be described in a democratic government as the relationship between the government and users of government financial information (Rosalin, 2011). The link between agency...
theory in this study explains that local governments function as agents authorized to provide helpful information to the public and users of government financial information as principals. The results of this study also support the theory of goal setting, which states that someone given specific and challenging goals that can be achieved will have better performance and try to improve his competence.

The research results also align with the statement of Saleh et al. (2013) that an organization will function optimally in realizing its goals if good human resources support it. This can be interpreted that competent human resources will carry out the primary duties and functions of positions in financial management properly so that they can support organizational efforts in achieving organizational goals and have implications for the quality of regional apparatus organizational financial reports. Human resource competence is a requirement for effective, sustainable strategic management (Galleli & Junior, 2019). Local governments can strengthen the competence of the apparatus with government accounting education and training because it is closely related to the quality of good financial reporting. Local government officials can adopt policies that are more sensitive to social issues to improve the performance of the apparatus through education and skills improvement as well as setting ethical and behavioral standards for self-government apparatus.

The Effect of Organizational Commitment on the Quality of Financial Statements

The second hypothesis states that Organizational Commitment positively affects the quality of financial reports. The results of the direct effect test show that H2 is accepted. This means that a good Organizational Commitment is needed to improve the quality of financial reports. The better the Organizational Commitment, the better the tendency of the quality of financial reports. The results of this study indicate that each financial manager's involvement, support, and organizational commitment in the Regional Apparatus Organizations of North Sumatra province is sufficient to contribute to the preparation of Satker's financial reports. The financial managers of the Working Units in the North Sumatra Province Regional Apparatus Organizations are consistent and obedient to their organizations because there is an awareness that commitment to the organization is something that must be done so that it will support the implementation of quality financial reports. The empirical results of this study are consistent with previous studies, including Idrus et al. (2014), Syaifullah (2014), and Mutiana et al. (2017), who found that organizational commitment has a positive influence on the quality of financial reports.

Regarding agency theory, it is hoped that implementing good corporate governance will overcome and give rise to various kinds of conflicts of interest, making the organization's operational activities run optimally. The results of this study also support the theory of goal setting, which states that someone given specific and challenging goals that can be achieved will have better performance and try to improve his competence. Setting goals or objectives outlined in the Regional Apparatus Organizations budget planning supported by high organizational commitment where each employee will prioritize the organization's interests above individual interests and strive to achieve the targets set will have implications for improving the quality of Regional Apparatus Organizations’ financial reports. The better the individual's commitment to the organization, the better the quality of Regional Apparatus Organizations’ financial reports. Strong organizational commitment will encourage members to try hard to achieve goals.

The Influence of Utilization of Information Technology on the Quality of Financial Statements

The third hypothesis states that information
Technology affects the quality of financial statements. The results of hypothesis testing show that H3 is accepted. The utilization of Information Technology is seen as a tool used to complete the tasks of an individual to prepare financial reports in an institution. Utilizing this information technology is necessary for local government financial reporting for decision-making that will provide quality results. Utilization of Information Technology in Regional Apparatus Organizations of North Sumatra Province has implemented a good information system in making decisions, assisting the preparation of financial reports, and speeding up the time to complete financial reports. This will help produce quality financial reports if information technology is as expected. Because the better the use of information technology in an agency, the easier it will be to make and compile financial reports.

If seen from the results of the research above with previous research conducted by Chodijah & Hidayah (2018), the results of their research show that the use of information technology significantly affects the quality of local government financial reporting. The empirical results of this study are consistent with previous research, including Mutiana et al. (2017), Mardinan et al. (2018), Tawakal & Suparno (2017), Agustiawan & Rasmini (2016), Diny & Syam (2016), and Ramdany (2015) who found that the use of information technology has a positive effect on the quality of financial reports. However, this study’s results differ from Suwanda's (2015) and Rahmah & Zulkifli’s (2018) results.

The results of this study also support the theory of goal setting, which states that someone given specific and challenging goals that can be achieved will have better performance and try to improve his competence. The study results align with the Technology Acceptance Model Theory put forward by Fred Davis, which states that three factors influence the use of a system, including Perceived Usefulness, a level where a person believes that using the system can improve his performance at work, under the Technology Acceptance Model Perspective where the use of information technology where agencies provide facilities that can support the use of technology and user experience in using technology has an impact on improving individual performance on efficiency and effectiveness in completing a job so that in the end it can improve the quality of financial reports. The use of information technology in a government agency is very influential, so you can imagine what would happen if a government agency could not process transactions clearly and thoroughly. Government agencies such as Regional Apparatus Organizations North Sumatra Province may not obtain the relevant and reliable information needed to be used as a basis for decision-making. Therefore, in making decisions for an agency, information technology is needed to manage, process, store, and compile data to produce relevant, accurate, and timely information.

The Government's Internal Control System Influences the Quality of Financial Statements

The fourth hypothesis states that the Government's Internal Control System affects the quality of financial reports. The results of hypothesis testing show that H4 is accepted. This means that a good Internal Control System is needed to improve the quality of financial reports. The better the Internal Control System, the better the tendency of the quality of financial reports. Implementing the Government's Internal Control System is intended to provide adequate assurance to achieve effective and efficient management based on Government Regulation 60 of 2008, including control environment, risk assessment, control activities, information and communication, and monitoring. Weak internal control systems make it difficult to detect fraud/inaccuracies in the accounting process, making audit evidence obtained from accounting data incompetent.

The agency theory in this study can explain the government's responsibility to provide easily accessible financial report information for users of financial reports, such as access through media and official government websites. It also explains the existence of local government as an institution that can be trusted in regional financial management and must be supervised by an internal control system so that in carrying out its duties and functions in the form of presenting relevant regional financial reports following existing regulations and for the public interest which is not only conveyed to the Regional House of Representatives but can also facilitate the broader community to obtain information on the financial statements. The results of this study also support the theory of goal setting, which states that someone given specific and challenging goals that can be achieved will have better performance and try to improve his competence. Implementing the Government’s Internal Control System is a process designed by management to provide adequate guarantees or assurance of achieving organizational goals through effective and efficient activities. Implementing an effective Government Internal Control System will protect the organization from human weaknesses and reduce errors and deviations so that the information produced in financial reports can meet the qualitative characteristics of financial reports and increase stakeholder confidence. Training and experience as an internal auditor or accountant are necessary to enrich the quality of internal auditors and internal accountants themselves, which will increase the quality of policies and the level of responsibility for the impact of decisions on the lives of others. Supervision between Government officials and Internal Control so that it is effective, economical, and efficient.

CONCLUSION

Based on the results of research and discussion, the following conclusions can be drawn:

1. Human Resources’ quality positively affects the quality of the financial reports of the Regional Apparatus Organizations of North Sumatra.
2. Organizational Commitment positively affects the quality of the financial reports of Regional Apparatus Organizations of North Sumatra.
3. Utilization of Information Technology positively affects the quality of the financial reports of the Regional Apparatus Organizations of North Sumatra.
4. The Government’s Internal Control System influences the quality of the financial reports of the Regional Apparatus Organizations of North Sumatra.

RESEARCH LIMITATIONS

Weaknesses or deficiencies that were found after analyzing and interpreting the data were as follows:

1. Due to time and workforce limitations, this study only examined the Regional Apparatus Organizations of North Sumatra Province. Hence, the results only reflect the conditions of the Regional Apparatus Organizations in the Province of North Sumatra and cannot be generalized to all conditions in Regional Apparatus Organizations in other regions.
2. The scope of this research is limited to certain variables so that it is still possible to look for other variables related to the quality of Regional Apparatus Organizations’ financial reports, so the study of financial reports is more comprehensive.

3. Respondents were busy, the Regional Apparatus Organizations locations needed to be closer together, and the bureaucratic paths were tiered, so collecting the questionnaires took a long time.

4. Lack of understanding from respondents to the questions in the questionnaire as well as the attitude of care and seriousness in answering all the questions.

**SUGGESTION**

Based on the results of the research, discussion, and conclusions obtained, the following suggestions can be given:

1. This research only focuses on one Regional Apparatus Organization in North Sumatra with a small and limited number of samples, so it is hoped that further research can be developed in several Regencies/Cities to obtain a broader picture and more representative results.

2. This study only tested three exogenous variables, namely the quality of human resources, organizational commitment, and use of information technology, so it is suggested that further researchers be able to add other variables so that the study of the quality of financial reports is more comprehensive.

3. Future researchers should be able to anticipate by approaching and explaining to respondents the deadline for returning the questionnaire and the importance of this research so that respondents can return the completed questionnaire in full and on time.

4. Future researchers should complement the survey method with interviews to increase the respondents' attitude of concern and seriousness in answering all the existing questions.

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