

# Determinants of the Quality of Financial Reports of the Regional Government of Deli Serdang Regency with Management Commitments as Moderating Variables

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## ABSTRACT

This study aims to determine the effect of the role of APIP, information technology, transparency and reconciliation on the quality of local government financial reports in Deli Serdang Regency. In addition, this study also examines whether management commitment can be used as a moderating variable in this research model or not.

The type of research conducted is causal associative research. This research was conducted at the OPD in the Regional Government of Deli Serdang Regency. The data collection method in this study was done by documentation and observation techniques using a questionnaire. The data analysis technique used in this study is the PLS (Partial Least Square) technique using the SmartPLS software, which is run on computer media.

The results obtained in this study indicate that the role of APIP, transparency and reconciliation have a positive and significant influence on the quality of the local government's financial reports in the Deli Serdang Regency. Meanwhile, information technology proved to have no significant effect on the quality of local government financial reports in the Deli Serdang Regency. Meanwhile, other results in this study indicate that management commitment can moderate the influence of information technology on the quality of financial reports of the local government of the Deli Serdang Regency.

**Keywords:** *APIP's role, information*

*technology, transparency, reconciliation, management commitment and quality of local government financial reports.*

## INTRODUCTION

Financial reports are a medium for entities to account for financial performance to the public, so financial statements must be able to present quality reports and be relevant, reliable, comparable, and understandable. Government financial reform impacts increasing public demand for a clean government that can transparently account for its regional finances and provide quality information. It must be realised that many parties will rely on financial statement information prepared by the government as a basis for decision-making.

The quality of financial reports is a normative requirement that needs to be realised in accounting information and the preparation of financial statements so that the resulting financial statements can provide helpful information for users of financial statements (Garcia-Lacalle & Torres, 2021). The quality of financial reports is complete and transparent information, designed not to mislead users. The Regional Apparatus Unit (SKPD) 's performance must be improved to produce quality financial reports.

PSAK No. 1 of 2015 explains that financial statements are a structured presentation of an entity's financial position and financial performance. The financial statements in PSAK No. 1 2015, among others, provide information about the financial position and financial performance of the entity's cash flows that are useful for most users of financial statements in making decisions.

One indicator of the quality of local government financial reports is reliability. Reliable financial statements show that the information in the financial statements is free from misleading understanding and material errors,

presents every fact honestly, and can be verified. Reliable information at least meets the following characteristics: honest presentation, verifiability and neutrality. Meanwhile, the results of the BPK examination of 541 LKPDs in 2019 found 5,175 weaknesses in the internal control system that occurred in LKPDs, which consisted of 1,729 (33%) problems with accounting and reporting control system weaknesses. Problems with the weakness of the revenue and budget implementation control system are 2,338 (45%) and 1,108 (22%) problems with weaknesses in the internal control structure (BPK RI, 2021).

**Table 1. Cases of Weakness in LKPD**

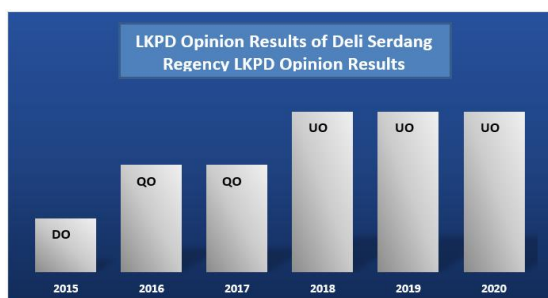
<b>Accounts Presented Are Not SAP Compliant and Not Supported with Sufficient Evidence</b>	
<b>❖ Current assets</b>	
<ol style="list-style-type: none"> <li>Cash in Regional Treasury is not presented following SAP.</li> <li>Inventories are presented not based on physical inspection and are not accompanied by supporting documents.</li> <li>Rural and Urban Land and Building Tax Receivables (PBB-P2) have not been fully verified and validated.</li> </ol>	Problems with the presentation of current asset accounts occurred in 19 local governments
<b>❖ Fixed Assets</b>	
<ol style="list-style-type: none"> <li>Fixed assets of land, equipment and machinery, buildings and structures, roads, irrigation and networks are unknown and controlled by other parties.</li> <li>Recording fixed assets, land, equipment and machinery, buildings and structures, roads, irrigation and networks are inaccurate.</li> </ol>	Problems with the presentation of fixed assets occur in 39 local governments
<b>❖ Other Assets</b>	
<ol style="list-style-type: none"> <li>Other Assets in the form of land, buildings and buildings as well as roads, irrigation and networks whose whereabouts are unknown have not been traced.</li> <li>Intangible Assets have not been presented, and their useful lives and amortisation have not been calculated.</li> <li>Other Assets in the form of cash shortages have not been processed according to the regional loss mechanism by the Regional Loss Settlement Team (TPKD).</li> </ol>	Other asset presentation problems occur in 21 local governments
<b>❖ Operation Expenditure</b>	
<ol style="list-style-type: none"> <li>The realisation of expenditure on goods and services, expenditure on BOS, and expenditure on grants and social assistance are not supported by complete evidence of accountability.</li> <li>The realisation of personnel expenditures has not been completed with evidence of complete accountability. It exceeds the budget due to not enacting regional regulations related to APBD Changes for the Fiscal Year 2019.</li> </ol>	Problems with the presentation of operating expenses occur in 15 local governments
<b>❖ Capital Expenditure</b>	
<ol style="list-style-type: none"> <li>The overpayment of capital expenditures for the lack of physical volume and non-compliance with work specifications has not been recovered by depositing it into the regional treasury.</li> <li>Expenses on the procurement of office equipment.</li> <li>The realisation of capital expenditures is recognised as not under the SAP.</li> </ol>	Problems with the presentation of capital expenditures occur in 19 local governments

Source: Summary of BPK RI Semester Examination Results, 2020.

Problems that are generally still found in local government financial reports, as shown above, illustrate that the financial report indicators, which are easy to understand, still do not show good results because local governments still experience many errors and problems.

Deli Serdang Regency is one of the local

governments that has a phenomenon regarding audit opinions generated by the Regional Government in recent years, which can be seen based on the following graph.



Source: BPK, 2021

Figure 1. Deli Serdang Regency Audit Opinion Results

The above phenomenon shows that in 2015 the Regional Government Financial Report of Deli Serdang Regency obtained a DO (Disclaimer of Opinion). DO is given by the auditor when the auditor does not obtain sufficient appropriate evidence to provide an audit opinion. In other words, this type of opinion is given by the auditor if the auditor cannot be sure whether the LKPD is fair or not. In 2016 and 2017, the LKPD of Deli Serdang Regency began to obtain a QO (Qualified Opinion). Meanwhile, in 2018 Deli Serdang Regency obtained a UO (Unqualified Opinion). Since 2018, Deli Serdang Regency has maintained UO audit opinions for three consecutive years, 2018, 2019, and 2020. Obtaining this UO is a good achievement and can be a positive image that the wheels of government have been appropriately managed (Teri & Darmawan, 2017).

## LITERATURE REVIEW

Based on the above phenomenon, it is clearly illustrated that Deli Serdang Regency has improved properly in preparing its financial statements. For this reason, to maintain the quality of its financial reports, it is appropriate for the Regional Government of Deli Serdang Regency to know what factors can affect the quality of its financial reports in Deli Serdang Regency. This study will discuss several factors that can affect the quality of LKPD: the role of APIP (Government Internal Supervisory Apparatus), information technology, transparency, reconciliation, and management commitment.

## Quality of Local Government Financial Reports (LKPD)

Hery (2012) defines financial statements as the result of an accounting process that can be used to communicate financial data or company activities to interested parties. This financial report connects the company or local government with interested parties, which shows the company's and government's financial health condition and the performance of the company or local government (Heksarini and Nadir, 2014). The general purpose of financial statements is to present information about the financial position, budget realisation, cash flow, and financial performance of a reporting entity that is useful for users in making and evaluating decisions regarding resource allocation (Putri & Djuita, 2021). Specifically, the purpose of government financial reporting is to provide helpful information for decision-making and demonstrate the reporting entity's accountability for its resources (Park et al., 2021; Tran et al., 2021).

The role of quality LKPD is very influential on accountability, with good quality financial reports contributing or dedicated to accountability for financial reports made (Iatridis, 2010). The overall characteristics of the financial statements will be assessed by an external audit agency, namely the Supreme Audit Agency (BPK) of the Republic of Indonesia, so that it reflects the performance of financial management that produces quality financial reports (Anggriawan, 2018).

The report contains a summary of government financial transactions that provide information about an entity's finances as a form of government accountability in accordance with a certain level, namely government accounting standards. The better the quality of financial statements, the better an entity's information will be reflected in the financial statements (Pham et al., 2021). Therefore, financial statements

must meet the needs of users who want transparency and accountability for financial management to assist users in making more efficient decisions.

### **APIP's Role**

The government's internal auditor in Indonesia is known as APIP. Government Regulation Number 60 of 2008 article 47 Paragraph 2 (a) states that Government Internal Supervisory Apparatus is an apparatus that carries out internal supervision over the implementation of the duties and functions of government agencies, including accountability of state finances in order to provide adequate assurance that activities have been carried out under the measures that have been established effectively and efficiently in realising good governance. The role of APIP as one of the efforts in the internal control system in local government financial reports can be in the form of reviewing the evidence of activities to ensure that the provisions have carried out these activities, standards, plans, or norms that have been set (Ge et al. 2021). In addition, APIP is also a "Quality Assurance" which ensures that activity can run efficiently, effectively and following the rules in achieving organisational goals. In the research of Irwansyah & Wulandari (2018), it is explained that the role of APIP significantly influences the quality of LKPD. The results of the study are in line with Nazaruddin & Syahrial (2018); and Kabib & Hayati (2021).

### **Information Technology**

The next factor that is thought to be able to influence the quality of financial reports is information technology. Information technology provides helpful information for decision-makers, including financial reporting, to support decision-making more effectively (Anuruddha & Mahanamahewa, 2021). Information technology plays an essential role in increasing the reliability and timeliness of the presentation of financial

statements. Therefore, the value of information in a financial report will increase. Suppose the use of information technology is carried out correctly. In that case, preparing financial reports will be carried out more quickly and efficiently, so the quality of financial reports will also improve.

The results of research by Elfina & Agussalim (2020) found that information technology significantly influences the quality of LKPD. These results are in line with research conducted by Afnany et al. (2018), Maksyur et al. (2015), and Furry et al. (2018).

### **Transparency**

Transparency is also one of the factors that can affect the quality of local government financial reports. Transparency is an effort to intentionally provide all information that can be legally released, both positive and negative, in an accurate, timely, balanced and unequivocal manner. It aims to increase public reasoning ability and maintain organisational responsibility for its actions, policies and practices. The application of transparency in public sector organizations is expected to reduce information asymmetry between internal parties (management) and external parties (society). With good transparency in local governments, the quality of financial reports will be better prepared.

It is in line with the empirical findings of Maulana & Lubis (2020), which state that transparency significantly influences the quality of local government financial reports. Likewise, the results of previous research conducted by Hasliani and Yusuf (2021); and Herindraningrum & Yuhertiana (2021) showed similar results.

### **Reconciliation**

The last factor that affects the quality of local government financial reports is the reconciliation activities carried out.

Reconciliation is a comparative process and matching of financial transaction data that is processed with several different systems/subsystems based on the same source document to ensure the data's reliability in preparing financial statements. PMK Number 213/PMK.05/2013 explains that the reconciliation process aims to minimise recording differences that impact the validity and accuracy of the data presented in the financial statements. So that all documents and reports must conform, they are easy to trace, and it is necessary to do reconciliation as one of the strategies towards good quality financial reports.

The results of previous studies conducted to examine the effect of reconciliation on the quality of financial reports were carried out by Gulo (2021), Herdianto (2015); and Pradono & Basukianto (2015), who found results that reconciliation had a significant effect on the quality of financial reports.

### Management Commitment

In this study, management commitment is used as a moderating variable. Management commitment is management's involvement in maintaining behaviour to achieve organisational goals (Martínez-Córdoba et al., 2021). Management commitment refers to an engagement to do what is best for a particular entity or group. Engagement does not mean the leader works alone but must cooperate with various parties, including his subordinates. Leaders with high commitment will try to put the organisation's interests above their interests so that the organisation becomes good.

The results of previous research conducted by Ratifah & Ridwan (2012) found that organisational commitment could moderate the quality of local government financial reports. It is also supported by Nurlinda (2020), who found that management commitment can be used as a moderating variable on the quality of local government financial reports.

### Framework

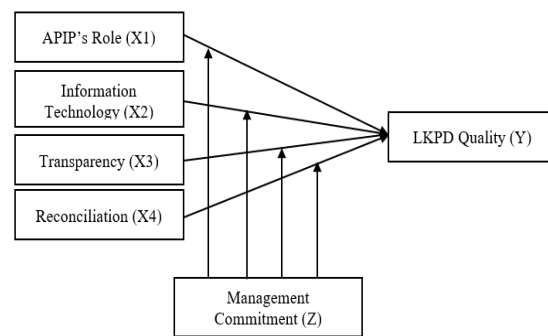


Figure 1. Framework

H1: The role of APIP has a positive effect on the LKPD quality

H2: Information technology has a positive effect on the LKPD quality

H3: Transparency has a positive effect on the LKPD quality

H4: Reconciliation has a positive effect on the LKPD quality

H5: Management commitment can moderate the influence of APIP's role on the LKPD quality

H6: Management commitment can moderate the influence of information technology on the LKPD quality

H7: Management commitment can moderate the influence of transparency on the LKPD quality

H8: Management commitment can moderate the influence of reconciliation on the LKPD quality

### MATERIALS & METHODS

The research design in this study is causal associative, namely research that aims to determine the causal relationship between various variables (Erlina, 2011). This study uses independent variables, namely the role of APIP (X1), information technology (X2), transparency (X3), and reconciliation (X4). The quality of local government financial reports is the dependent variable (Y) and a moderating variable, namely management commitment (Z).

The population is the totality of a certain characteristic determined by the author to be studied and concluded (Sudarmanto, 2013). The population in this study were

all OPDs in the local government of the Deli Serdang Regency. In contrast, the sample is part of the population that is used to estimate the characteristics of the population (Erlina, 2011). Sampling in this study was conducted using the purposive sampling technique. That is the technique of determining the sample using specific criteria or considerations (Erlina, 2011). The considerations used in determining the sample are:

1. The sample agencies of this research are OPD within the Regional Government of Deli Serdang Regency.
2. Three research respondents were taken in each of these agencies: the Head of the Agency, the Secretary and the Finance Section.

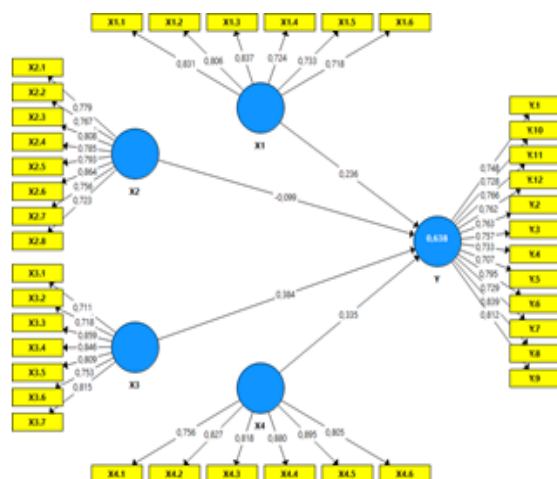
Based on the above criteria, the sample in this study was 93 people. This study uses primary data from respondents' answers to the questionnaires distributed to measure the various variables studied. The data analysis technique used is Smart PLS software.

## RESULT

### 1. Outer Model Analysis

#### a) Convergent Validity Test

The outer loading or loading factor values are used to test the convergent validity. The following is an image of the calculation results of the SEM model using SmartPLS, which shows the loading factor value of the indicator on each variable.



Source: Data processing with SmartPLS (2021)  
Figure 2. Initial Research Model

The loading factor value is a coefficient that explains the level of the indicator's relationship with its latent variable. In general, the higher the loading factor value, the better. From the data processing results with SmartPLS in the table above, it can be seen that all indicators of all research variables have a loading value greater than 0.7. It shows that the research model has met convergent validity. Thus, the test can be continued by conducting a discriminant validity test.

#### b) Discriminant Validity Test

The discriminant validity test is carried out by paying attention to the cross-loading value. The following are the results of discriminant validity testing in this study.

Table 2. Cross Loading Value

	X1	X2	X3	X4	Y
X1.1	0,831*	0,204	0,350	0,411	0,396
X1.2	0,806*	0,126	0,296	0,329	0,350
X1.3	0,837*	0,280	0,481	0,551	0,547
X1.4	0,724*	0,218	0,448	0,431	0,386
X1.5	0,733*	0,193	0,489	0,506	0,538
X1.6	0,718*	0,340	0,540	0,595	0,623
X2.1	0,259	0,779*	0,385	0,391	0,236
X2.2	0,217	0,767*	0,240	0,237	0,174
X2.3	0,201	0,808*	0,315	0,375	0,215
X2.4	0,171	0,785*	0,312	0,303	0,223
X2.5	0,180	0,793*	0,221	0,301	0,147
X2.6	0,313	0,864*	0,336	0,405	0,297
X2.7	0,285	0,756*	0,305	0,332	0,142
X2.8	0,301	0,723*	0,311	0,351	0,188
X3.1	0,373	0,361	0,711*	0,473	0,538
X3.2	0,352	0,187	0,718*	0,446	0,534
X3.3	0,501	0,330	0,859*	0,556	0,638
X3.4	0,486	0,355	0,846*	0,681	0,615
X3.5	0,529	0,458	0,809*	0,666	0,608
X3.6	0,465	0,213	0,753*	0,477	0,468
X3.7	0,507	0,230	0,815*	0,545	0,534
X4.1	0,662	0,330	0,562	0,756*	0,615
X4.2	0,601	0,414	0,628	0,827*	0,607
X4.3	0,509	0,405	0,566	0,818*	0,534
X4.4	0,444	0,306	0,534	0,880*	0,549
X4.5	0,468	0,306	0,557	0,895*	0,608
X4.6	0,459	0,409	0,645	0,805*	0,568
Y.1	0,468	0,226	0,448	0,551	0,748*
Y.10	0,412	0,218	0,527	0,465	0,728*
Y.11	0,450	0,115	0,550	0,464	0,766*
Y.12	0,420	0,163	0,569	0,494	0,762*
Y.2	0,534	0,228	0,513	0,623	0,763*
Y.3	0,555	0,322	0,599	0,658	0,757*
Y.4	0,434	0,057	0,493	0,545	0,733*
Y.5	0,477	0,084	0,532	0,484	0,707*
Y.6	0,548	0,276	0,557	0,580	0,795*
Y.7	0,514	0,186	0,586	0,479	0,729*
Y.8	0,514	0,254	0,622	0,533	0,839*
Y.9	0,511	0,308	0,546	0,589	0,812*

Source: Data processing with SmartPLS (2021)

An indicator is declared to meet discriminant validity if it has the largest cross-loading value in its variable compared to other variables. The table above shows that all indicators in each research variable have a cross-loading value, the largest value in the variable it forms compared to the cross-loading value on other variables. So it can be stated that the indicators used in this study have good discriminant validity in compiling their respective variables. In addition to observing the value of cross loading,

discriminant validity can also be known through other methods, namely by looking at the AVE value.

**Table 3. Average Variance Extracted Results**

No.	Research Variable	Average Variance Extracted (AVE)
1	APIP's Role (X1)	0,603
2	Information Technology (X2)	0,617
3	Transparency (X3)	0,623
4	Reconciliation (X4)	0,691
5	LKPD Quality (Y)	0,581

Source: Data processing with SmartPLS (2021)

The table above shows that the AVE value for each APIP role variable, information technology, transparency, reconciliation and LKPD quality is greater than 0.5. Thus, it can be stated that each variable in this research model has good discriminant validity.

### c) Composite Reliability Test

Composite reliability is an index that shows the extent to which a measuring instrument can be trusted to be reliable. Data that has composite reliability  $> 0.7$  has high reliability. Composite reliability indicator blocks that measure a construct can be evaluated with two kinds of measures: internal consistency and the value of Cronbach's Alpha (Husein, 2015).

**Table 4. Composite Reliability Results**

No.	Research Variable	Composite Reliability
1	APIP's Role (X1)	0,901
2	Information Technology (X2)	0,928
3	Transparency (X3)	0,920
4	Reconciliation (X4)	0,931
5	LKPD Quality (Y)	0,943

Source: Data processing with SmartPLS (2021)

Table 4 above shows that the composite reliability value of all research variables is  $> 0.7$ . These results indicate that each variable has met composite reliability, so it can be

concluded that all variables have a high level of reliability.

**Table 5. Cronbach's Alpha Results**

No.	Research Variable	Cronbach's Alpha
1	APIP's Role (X1)	0,870
2	Information Technology (X2)	0,912
3	Transparency (X3)	0,898
4	Reconciliation (X4)	0,910
5	LKPD Quality (Y)	0,934

Source: Data processing with SmartPLS (2021)

A variable can be declared reliable if it has a Cronbach's alpha value  $> 0.7$ . The presentation of the data in the table above shows that the Cronbach's alpha value of each research variable is  $> 0.7$ . These results indicate that each research variable has a high level of reliability.

## 2. Inner Model Analysis

### a) Path Coefficient Test

Path coefficient evaluation is used to show how strong the effect or influence of the independent variable is on the dependent variable. While coefficient determination (R-Square) measures how much other variables influence the endogenous variables.

**Table 6. Path Coefficient Results**

No.	Research Variable	Coefficient
1	APIP's Role (X1)	0,235
2	Information Technology (X2)	-0,107
3	Transparency (X3)	0,386
4	Rekonsiliasi (X4)	0,334

Source: Data processing with SmartPLS (2021)

Based on the results of the tests, it can be explained that the largest path coefficient value is indicated by the effect of transparency on the quality of the LKPD, which is 0.386 (38.6%). Then the second biggest influence is the effect of reconciliation on the quality of LKPD, which is equal to 0.334 (33.4%). The third biggest influence is the influence of APIP's

role on LKPD quality, which is 0.235 (23.5%). While the lowest effect is shown by the influence of information technology on the quality of LKPD, which is -0.107 (-10.7%).

These results show that the role of APIP, transparency and reconciliation in this research model has a path coefficient with a positive number (value). It shows that the greater the path coefficient value on one independent variable on the dependent variable, the stronger the influence between the independent variables on the dependent variable. Meanwhile, if the path coefficient value has a negative value, it shows the opposite as that of the information technology variable, which has a negative path coefficient value.

### b) R-Square Test

Table 7. R-Square Test Results

Research Variable	R-Square	Adjusted R-Square
LKPD Quality (Y)	0,638	0,621

Source: Data processing with SmartPLS (2021)

The presentation of the data in Table 7 above shows that the R-Square value obtained in this research model is 0.638. Obtaining this value explains that the independent variable can explain the percentage of the quality of the LKPD is 0.638 (63.8%). At the same time, the other 36.2% are explained or influenced by other variables that are not used in this study. The R-Square value obtained in this study of 0.638 is included in the medium category (Ghozali, 2016).

An explanation of the R-Square test can be obtained that the goodness of fit test results match the saturated model (original sample) and the estimated model (sample mean). If there is no difference in numbers between the saturated model and the estimated model, it indicates a match between  $H_a$  and  $H_o$ .

Table 8. Fit Model

	Saturated Model	Estimated Model
SRMR	0,093	0,093
d_ ULS	6,745	6,745
d_ G	4,048	4,048
Chi-Square	1603,36	1603,36
NFI	0,570	0,570

Source: Data processing with SmartPLS (2021)

The table above shows that the resulting NFI value or model fit shows 0.570 or (57%). It means that the model used in this study is 57% fit.

### c) Hypothesis Testing

Table 9. Hypothesis Testing Results

No.	Research Variable	P-Value	Ket.
1	APIP's Role (X1) → LKPD Quality (Y)	0,016	$H_a$ accepted
2	Information Technology (X2) → LKPD Quality (Y)	0,229	$H_a$ rejected
3	Transparency (X3) → LKPD Quality (Y)	0,000	$H_a$ accepted
4	Reconciliation (X4) → LKPD Quality (Y)	0,001	$H_a$ rejected

Source: Data processing with SmartPLS (2021)

The table above shows that the APIP's role and transparency partially affect the quality of LKPD. While the information technology and reconciliation partially did not affect the quality of human resources.

### d) Moderating Test

Table 10. Moderating Test Results

No.	Research Variable	P-Value	Ket.
1	X1*Z → LKPD Quality (Y)	0,548	$H_a$ rejected
2	X2*Z → LKPD Quality (Y)	0,046	$H_a$ accepted
3	X3*Z → LKPD Quality (Y)	0,551	$H_a$ rejected
4	X4*Z → LKPD Quality (Y)	0,773	$H_a$ rejected

Source: Data processing with SmartPLS (2021)

The table above shows that management commitment partially cannot moderate the effect of APIP's role, transparency, and reconciliation on the quality of the LKPD. However, the management commitment can moderate the effect of the information technology on the quality of the LKPD.



## **DISCUSSION**

### **The Influence of APIP's Role on the LKPD Quality**

The test results in this study found that the role of APIP had a positive and significant influence on the quality of LKPD in the Deli Serdang Regency. Organisational behaviour theory explains that to achieve quality financial reports, local governments must maximise all existing capabilities and human resources, including maximising the role of APIP. The role of APIP in reviewing local government financial reports can be in the form of reviewing evidence of activity to ensure that the activity has been carried out by the provisions, standards, plans, or norms that have been set. In addition, APIP is a "Quality Assurance" that ensures that activity can run efficiently, effectively and under the rules in achieving organisational goals.

### **The Influence of Information Technology on the LKPD Quality**

The test results in this study indicate that information technology does not significantly affect the quality of LKPD at a significance level of 5%. Information technology emerges due to the increasing prevalence of globalisation in organisational life, the increasingly fierce business competition, the shorter life cycle of the goods and services offered, and the increasing demands on consumer tastes. To anticipate all this, companies are looking for breakthroughs by utilising technology. Likewise, the government system is expected to be able to utilise information technology so that it can still meet the demands of development with the times.

It is in line with the theory of organisational behaviour (organisational behaviour), which requires every organisation to maximise its resources, including using information technology to facilitate work. Information technology is a technology used to process data. It includes processing, obtaining, compiling, storing, and manipulating data in various ways to produce quality information, namely relevant, accurate and timely

information, which is used for personal, business and governance and is strategic information for decision making.

### **The Influence of Transparency on the LKPD Quality**

The test results in this study indicate that transparency has a positive and significant effect on the quality of LKPD in the Deli Serdang Regency. The decision usefulness theory requires that local governments be able to produce accounting information that has good quality. It cannot be separated from the transparency of the information itself. Transparency can reduce government uncertainty in policy making. With information disclosure, the public can participate in giving aspiration/voice in decision making, even if only in a few components. Transparency can also help reduce opportunities for fraud such as corruption and others within the government because it can see all the processes and results of activities carried out by the government. Transparency by the government will encourage the public to participate in government policy-making. So that there is community interaction in monitoring and assessing government programs that have or have not been realised. Transparency by the government will encourage the government's performance to work well in implementing government programs and making public policies.

Transparency is the openness of the government in providing information related to public resource management activities to parties who need free and accessible information about the process of implementing the decisions taken. Thus transparency can be said to be a supporter of the quality of financial reports produced by the government.

### **The Influence of Reconciliation on the LKPD Quality**

The test results in this study indicate that reconciliation has a positive and significant effect on the quality of LKPD in the Deli

Serdang Regency. Reconciliation is one of the keys in efforts to preparing credible financial statements. It is due to its essential role in minimising the occurrence of discrepancies in a recording which impact the validity and accuracy of the data presented in the financial statements. For the accounting data produced to be reliable, it is necessary to carry out reconciliation procedures for recording accounting data's accuracy.

If in the reconciliation process there is data that is still not appropriate or there are material changes to the financial data of the local government, which is a component of the LKPD, then the LKPD is corrected. Data improvement is made by rearranging the financial statements for the corresponding period. This data improvement aims to collect and present complete, detailed, and reliable data to obtain higher quality financial reports for fiscal policy-making.

#### **Management Commitment in Moderating the Effect of APIP's Role on the LKPD Quality**

The test results in this study found that management commitment could not moderate the influence of APIP's role on the quality of LKPD in the Deli Serdang Regency. Management commitment shows a sense of involvement, loyalty, and the attitude of managers towards their organisation. The high commitment the management possesses will undoubtedly affect the involvement and strong desire to advance the organisation so that the role of APIP as the government's internal auditor will be more effective in supervising the process of preparing LKPD. With this high commitment, the role of APIP should be strengthened towards the quality of LKPD in Deli Serdang Regency. However, the results in this study did not prove this. The results in this study indicate that management commitment only acts as a moderating predictor, which means that management commitment can only influence the

quality of LKPD but cannot moderate the influence of APIP's role on the quality of LKPD.

#### **Management Commitment in Moderating the Effect of Information Technology on the LKPD Quality**

The test results in this study found that management commitment could moderate the influence of information technology on the quality of LKPD in the Deli Serdang Regency. Partial test results show that information technology has no significant effect on the quality of LKPD in the Deli Serdang Regency. However, after being moderated by management commitment, the influence of information technology becomes significant on the quality of the LKPD. It means that management commitment is still needed to support this to achieve the application and utilisation of information technology that can improve the effectiveness and efficiency of the accounting process in Deli Serdang Regency. Management commitment will reflect how serious the management in the local government environment, namely the Head of Agency, Secretary, and Head of Section, is in empowering their subordinates to maximise the use of information technology in preparing financial reports. So that without sufficient management commitment, the use of information technology will not have an impact on the quality of the LKPD.

#### **Management Commitment in Moderating the Effect of Transparency on the LKPD Quality**

The test results in this study found that management commitment could not moderate the effect of transparency on the quality of LKPD in the Deli Serdang Regency. Management commitment is related to the integrity of the management in implementing the transparency of financial statements. It means that the integrity of management in implementing transparency and compliance with laws

and regulations will be realised if a strong management commitment follows it. With this transparency, the public will get actual and factual information so that the public can use this information to compare the financial performance achieved with that planned by the local government. The public can also assess the rights and obligations of each party, namely between the management of public sector organisations and the community. It is consistent with the results of this study's partial test, which shows that transparency positively influences the quality of LKPD. However, the addition of management commitment as a moderating variable could not moderate this effect. Because in this study, it was proven that management commitment could only be used as a moderating predictor of LKPD quality in Deli Serdang Regency.

#### **Management Commitment in Moderating the Effect of Reconciliation on the LKPD Quality**

The test results in this study found that management commitment could not moderate the effect of reconciliation on the quality of LKPD in the Deli Serdang Regency. Management commitment is related to managerial integrity in preparing quality financial reports. Management commitment is seen as a strong belief and support from management to carry out, carry out, and apply a policy that has been set together so that the objectives for implementing the policy can be achieved. With a high commitment from the managerial side of the local government, the reconciliation process will take place well so that it is expected to produce higher-quality financial reports. However, the results of this study found that management commitment could not moderate the effect of reconciliation on the quality of LKPD in the Deli Serdang Regency.

#### **CONCLUSION**

The results of this study provide several conclusions that can be drawn based on the discussion of the problems that have been carried out. The following are the conclusions that the author has summarised in this study:

1. The role of APIP has a positive and significant effect on the LKPD quality of the Deli Serdang Regency.
2. Information technology has no significant effect on the LKPD quality of the Deli Serdang Regency.
3. Transparency positively and significantly effects the LKPD quality of the Deli Serdang Regency.
4. Reconciliation positively and significantly effects the LKPD quality of the Deli Serdang Regency.
5. Management commitment cannot moderate the influence of APIP's role on the LKPD quality of the Deli Serdang Regency.
6. Management commitment can moderate the influence of information technology on the LKPD quality of the Deli Serdang Regency.
7. Management commitment cannot moderate the influence of transparency on the LKPD quality of the Deli Serdang Regency.
8. Management commitment cannot moderate the influence of reconciliation on the LKPD quality of the Deli Serdang Regency.

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