Performance of Local Government Information System Applications (SIPD) and Internal Control Systems to Improving Quality Financial Reports.

Lilis Puspitawati[(1*)], Deftania Ofita Liani [2], Muhammad Yusuf[(3)]

[1,2]Accounting Departement, Universitas Komputer Indonesia, Bandung 40132, Indonesia.
[3] Entrepreneurship department, Institut Teknologi dan Bisnis Bank Rakyat Indonesia, Jakarta 12550, Indonesia .
email: lilis.puspitawati@email.unikom.ac.id

Abstrack. The research goal was to determine the contribution of the effectiveness of the Regional Government Information System Application (SIPD) and internal control to the quality of government agencies' financial reports in the city of Bandung. This study is based on inadequate accountability in government agency financial governance practices which have an impact on the low quality of financial information submitted to the public. Quality of financial reports produced by the effectiveness of accounting information system and internal controls. This research conducted using a quantitative method with a verification approach to test the hypothesis based on questionnaire data collected by researchers from a population of 128 employees in 22 Bandung City Offices. The Simple Random Sampling method was used to determine the number of 105 respondents in the research sample. Multiple linear regression analysis techniques are used to test the effect of the variables studied with the help of SEM-PLS software. The results of this study prove the hypothesis that the performance of SIPD and internal control systems contribute positively to the quality of financial reports in the Bandung city government agencies. The results of this study also indicate that the Bandung City Service, needs to improve the performance capacity of the SIPD currently used and should focus more on establishing a control environment This research shows that Local Government Information System Applications and effective internal control systems can improve the quality of local government financial reports. This research contributes to improving the quality of financial reporting, the effectiveness of accounting systems and internal controls in local government agencies

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1. Introduction

As a form of good corporate governance, the Indonesian government implements an Integrity Financial Management Information System policy in an effort to improve the quality of state financial management, so that it is better and becomes a form of government financial management reform through the Regional Government Information System. system known as SIPD The development of SIPD is proof that the government has implemented the principles of transparency, accountability and accountability in financial management [1].

SIPD is an accounting information system application that is used in the financial management of local government agencies. Based on the regulations issued by the Minister of Home Affairs (Permendagri Number 70 of 2019), concerning Regional Government Information Systems (SIPD), it is an information system that contains regional development planning systems and regional financial systems, as well as other regional government systems, including guidance and supervision systems. The Regional Government Information System (SIPD) is part of the Accounting Information System developed by the government according to the definition above. SIPD is an important tool in supporting the implementation of development in the regions, especially in terms of the availability of valid data for development analysis and disaster planning [2].

The existence of SIPD which is aimed at improving the presentation performance of local government financial reports includes elements that are credible, accurate, timely and relevant. A quality financial report must have sufficient elements: Understandable, Relevant, Reliable and Comparable. Research conducted by [3], shows the results that the application of government accounting standards has a positive effect on the quality of financial reports. Then, the research [4] provides sufficient evidence that the application of government accounting standards has a positive effect on the quality of financial reports. The use of accrual-based government accounting standards and internal controls has a major impact on the quality of government financial reporting, according to research findings. Furthermore, the conclusion of this study [5], found that improving the quality of financial report information at the East Java Provincial Government can be done through the effectiveness of review activities on financial reports before the report is submitted to the Supreme Audit Agency of the Republic of Indonesia.

But unfortunately until now there are still many local governments in Indonesia that have not been able to present financial reports properly. The Supreme Audit Agency (BPK) stated that it had examined 541 Regional Government Financial Reports (LKPD) for 2021 from 542 local governments in semester I/2022. Of the 541 Regional Governments, 500 Regional Governments received Unqualified Opinions (WTP), 38 Regional Governments received Opinions With Exceptions (WDP), and three Regional Governments received Opinions Not Expressing Opinions/TMP. Chairman of the Audit Board of the Republic of Indonesia, said that as many as 41 LKPDs had not yet received a WTP opinion. "The reason is, there are problems that affect the fairness of the presentation of financial reports, including fixed asset accounts and capital expenditure accounts [6].

The results of research by [7], stated that the internal control system has proven to play a role in maintaining the quality of financial reporting at Amil Zakat Institutions. Then, research by [8] on banking institutions succeeded in proving the existence of an internal control system that had a positive effect on improving the quality of financial reports. Furthermore, research by [9] on local government agencies in Jakarta, internal control system has effect on the quality of financial reporting.

This study aims to examine the evidence of the effect of the effectiveness of applying regional financial accounting systems and internal control systems to the quality of financial reports. The results of this study are expected to contribute to increasing transparency, accountability and responsibility for local government financial performance. Based on these objectives, the novelties of this research are: 1) expanding and elaborating the results of previous research by combining the variables of Government Financial Report System and Internal Control System into a conceptual model that can be used to predict/test the of Quality of Financial Reports; 2) produce a conceptual model that has never been produced by previous researchers on the population and sample that researchers currently use; 3) generate conceptual models to provide solutions for more effective use of financial applications in Bandung local government. This study is a quantitative research with 105 respondents of financial accounting units in the finance department of the Bandung city government. model testing was carried out with Structural Equation Model -Partial Least Square.

2. Methods

This study uses a quantitative descriptive method. Descriptive methods aim to describe the condition of the variables studied, and quantitative methods are used to determine the magnitude of the influence of the variables studied. The type of data used in this research is primary data. The measurement method used for each variable in this study uses a Likert Scale that measures attitudes by expressing agreement or disapproval of certain subjects, objects, or events. The Likert scale generally uses five points of assessment, namely (1) strongly disagree, (2) disagree, (3) doubtful, (4) agree, and (5) strongly agree. The research instrument was tested using validity and reliability tests, then the magnitude of the influence between variables was tested using multiple regression analysis.

One of the purposes of this study was to test the theoretical model of the influence of Performance of Local Government Information System Applications (SIPD) and Internal Control Systems to Improving Quality Financial Reports for the local government of Bandung City, related to testing this model, the appropriate statistical tool is used Structural equation model (SEM) with the Partial Least Square (PLS) approach.

SEM is used in order to be able to answer the formulation of the problem and test hypotheses in research. Meanwhile, the PLS approach is used because the measuring model built in this study involves formative and reflective measurement models and a small population. The SEM-PLS procedure has the following stages: 1. Measurement Model Specifications, 2. Model Estimation and 3. Model Evaluation [10].

A single Goodnes of Fit criterion is not available in the SEM-PLS. The fit statistics in SEM-PLS focus on the discrepancy between the observed (in the case of manifest variables) or the discrepancy between the approximate values (in the case of latent variables) of the dependent variables and the values estimated by the model in the equation. Evaluate model results. measurement and structure in SEM-PLS are pursued through non-parametric evaluation criteria and bootstrapping procedures. The evaluation process includes two steps, namely evaluation of measurement models and evaluation of structural models. Evaluation of the measurement model is taken through evaluating the reliability and validity of the construct measures. In this evaluation, it is distinguished for constructs that are measured reflectively and formatively. These two approaches are based on different concepts, and therefore require consideration of different evaluation measures. For reflective measurement models include: Convergent Validity, Internal Consistency Reliability and Discriminant Validity.

2.1. Data, Population, and Sample.

This study uses primary data by distributing questionnaires to respondents. In connection with the use of multiple linear regression, the questionnaires in this study were arranged based on a Likert scale, giving a weighted value with an assessment range of 1 to 5. The distribution of questionnaires was carried out via google Forms and email. The population of this study was 128 employees in 22 Bandung City Offices. The Simple Random Sampling method was used to determine the number of 105 respondents in the research sample. The sample in this study used the minimum sample criteria, which were selected randomly using a simple random sampling technique. The minimum sample size for regression analysis techniques is 15 to 20 times the number of variables used [10]. The recommended minimum sample size for a study is if the study uses multivariate analysis (multiple regression), then the number of Minimum sample members that must be owned is 10 times the number of variables studied. Based on these conditions, the minimum number of samples that meet the requirements to be obtained using linear regression analysis is 30 to 60 respondents.

2.2. Research Measures.

The objects studied in this study are user competence and the quality of accounting information systems, which are proxies for the quality of financial applications and financial reports. Furthermore, the data were analyzed using descriptive and quantitative methods. This study uses 3 (three) variables as follows:

Table 1. Variable operationalization

Variable	Indicator	Scale
The Effectivenes Of Local Government Information System (X_1)	1. Availability 2. Security 3. Manitanability 4. Security	Ordinal
Internal Control Systems ($X_{2)}$	1. Control Invironment 2. Risk Assessment 3. Control Activities 4. Information & Communication 5. Monitoring Activities	Ordinal
Quality Of Financial Statements (Y)	1. Understandable 2. Relevance 3. Reliabilty 4. Comparable 5. Consistency	Ordinal

Source: Output SmartPLS 3.3.3

Based on table 1 it is known that the Effectiveness variable of Local Government Information Systems has 4 (four) indicators namely Availability, Security, Manitanability and Security. then the internal control system variable, has 5 (five) indicators namely Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring Activities. Furthermore, the dependent variable Quality Of Financial Statements has 5 (five) indicators namely Understandable, Relevance, Reliability, Comparable and Consistency.

3. Results And Discussion

3.1. Validity and Realibility Tes Results.

The results of the reliability test describess in **table 2** as follow:

Table 2. Questionnaire Reliability Test Results

Variable	Amount questionnaire items	Coefficient Reliability (*Cronbach's Alpha*)	Critical Score	Conclusion
The Effectivenes Of Local Government Information System (X_1)	4	0.843	0.700	Reliabel
Internal Control Systems (X_1)	5	0.827	0.700	Reliabel
Quality of Financial Statements (Y)	5	0.854	0.700	Reliabel

The results of the Reliability Test show that all indicators have a validity coefficient of > 0.700, so all statement items are declared reliable or the measuring instruments used to measure the variables are the effectivenes of local government information system, internal control system and quality of financial statements have given consistent results. Furthermore, the validity test results are shown in **table 3:**

Table 3. Validity Test Results

Variable	No Item	Coefficient Correlation (r)	Critical Score	Conclusion
The Effectivenes Of Local Government Information System (X_1)	X1.1	0,804	0.300	Valid
	X1.2	0,834	0.300	Valid
	X1.3	0,853	0.300	Valid
	X1.4	0,831	0.300	Valid

Internal Control Systems (X2)	X2.1	0,712	0.300	Valid
	X2.2	0,636	0.300	Valid
	X2.3	0,862	0.300	Valid
	X2.4	0,810	0.300	Valid
	X2.5	0,894	0.300	Valid
Quality of Financial Statements (Y)	Y.1	0,868	0.300	Valid
	Y.2	0,843	0.300	Valid
	Y.3	0,777	0.300	Valid
	Y.4	0,736	0.300	Valid
	Y.5	0,771	0.300	Valid

Source: Output SmartPLS 3.3.3

The results of the validity test show that all items in each variable have an r_{count} value greater than 0.300 so that it can be said that the items are valid. The measuring instrument in the form of a statement has a level of validity which means it can measure the variables studied**.**

3.2. Descriptive statistical test results

The results of descriptive testing for each research variable are presented in the form of a recapitulation in **table 4**, as follows:

Table 4. Descriptive Statistical Test Results

No.	Variables and Indicators	Actual Score	Ideal Score	%	Category
X_1	**The Effectivenes Of Local Government Information System**				
1	Availability	315	525	60.00%	enough
2	Security	301	525	57.33%	enough
3	Manitanability	323	525	61.52%	enough
4	Security	318	525	60.57%	enough
Total		**1257**	**2100**	**59.86%**	**enough**
X_2	**Internal Control System**				
1	Control Invironment	362	525	68.95%	enough
2	Risk Assessment	343	525	65.33%	enough
3	Control Activities	355	525	67.62%	enough
4	Information & Communication	328	525	62.48%	enough
5	Monitoring Activities	348	525	66.29%	enough
Total		**1736**	**2625**	**66,13%**	**enough**
Y	**Quality of Financial Statements**				
1	Understandable	342	525	65.14%	enough
2	Relevant	331	525	63.05%	enough
3	Reliable	322	525	61.33%	enough
4	Comparable	329	525	62.67%	enough
5	Consistency	331	525	63.05%	enough
Total		**1655**	**2625**	2625	**enough**

Source: Output SmartPLS 3.3.3

Based on table 4, can be explained that the descriptive test results on all the variables and indicators studied are included in the sufficient category, meaning that the HR department of finance at agencies in the city of Bandung is quite effective using the Local Government Information System, the internal control system has been carried out quite adequately and the financial reports are of sufficient quality.

3.3. Influence Analysis between variables

In this study the authors used Structural Equation Modeling (SEM) with the Partial Least Square (PLS) approach. The research model is formed from 3 latent variables consisting of two independent variables, namely The Effectivenes of Local Government Information System and internal control systems, and one dependent variable, namely Quality of Financial Reports. The complete model calculation results that are hypothesized are presented in Figure 1, as follows:

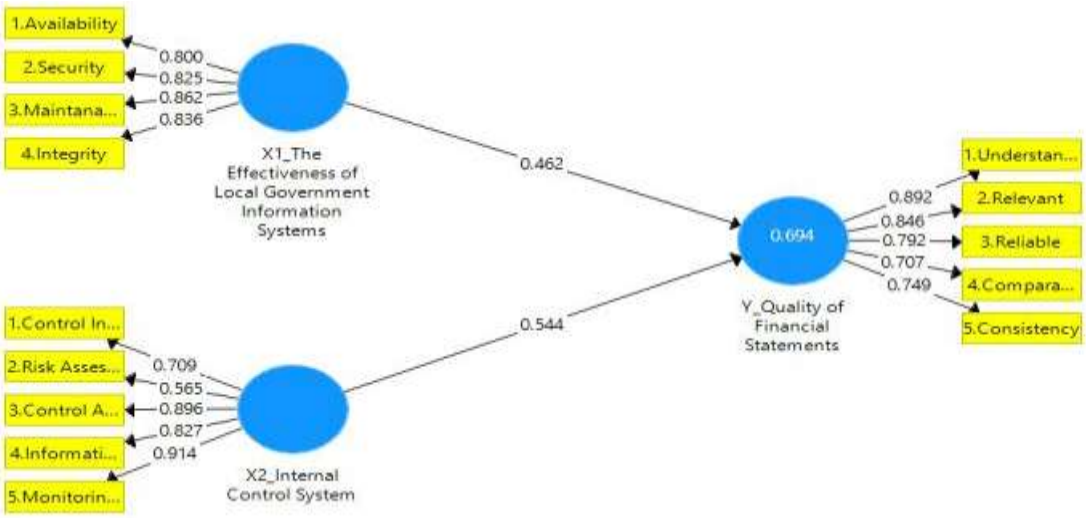

Figure 1. Path diagram of the Partial Least Square (PLS) SEM model approach.

Figure 1, represents the results of the calculations show that the effect of The Effectivenes of Local Government Information System on the Quality of Financial Statements is shown by the path coefficient value of 0,462. The effect of internal control system on the quality of financial statements is shown by the path coefficient value of 0,544. The R-square value for the variable Quality of Financial Statements is 0,694, so that the error term model is 1-0,694= 0,306.

The structural equation model for the influence of the Competence of MSME Actors and the Use of Financial Applications on the Quality of Financial Statements is as follows:

$$\eta = 0{,}462\xi_1 + 0{,}544\ \xi_2 + 0{,}306. \qquad (1)$$

3.4. SEM-PLS Model Testing.

To assess the suitability of the Structural Equation Modeling (SEM) model with the Partial Least Square (PLS) approach, there are 2 stages of assessment, namely evaluating the results of the

measurement model (Outer model) and evaluating the results of the structural model (inner model). The following will explain the results of the assessment for the research model used [10].

3.4.1. Testing the Measurement (Outer Model Test).

The measurement model for each latent variable used in this study is reflective. According to Hair (2017) there are three criteria used in assessing the Reflective outer model/Reflective measurement models, namely 1). Internal consistency Reliability, 2). Convergent Validity and 3). Discriminant validity.

3.4.1.1. Internal Consistency Test Result.

To assess Internal consistency Reliability in the measurement model, there are two measures used, namely Cronbach's alpha and Composite reliability. Based on the results of data processing using the SmartPLS 3.3.3 software, the results of the Internal Consistency Reliability test were obtained for the three research variables in the first order as presented in the table 5, as follows:

Table 5. Internal Consistency Reliability Assessment Results

Latent Variable	Indicator	Composite Reliability	Cronbach's Alpha
The Effectivenes Of Local Government Information System (X_1)	X_1.1 up to X_1.4	0.899	0.851
Internal Control Systems (X2)	X_2.1 up to X_2.5	0.892	0.843
Quality of Financial Statements (Y)	$Y_{.1}$ up to $_Y$.5	0.898	0.859

Source: Output SmartPLS 3.3.3

Table 5, represents that the composite reliability value of the three latent variables has met the recommended assessment criteria, namely a CR of more than 0.7 means that the latent variables formed already have high consistency. For Internal Consistency Reliability assessment by looking at the Cronbach's alpha value, it can be seen that the Cronbach's alpha value for The Effectivenes Of Local Government Information System is obtained at 0.899, the Cronbach's alpha value for Internal Control Systems is obtained at 0.892, and the Cronbach's alpha value is for The Quality of Financial Statements was obtained at 0.898. The three latent variables used in the research model have a Cronbach's alpha value greater than the recommended value in assessing Internal Consistency Reliability. The Cronbach's alpha value is above 0.70 as the recommended criteria. So it can be concluded that the latent variable measurement model in the research model used has good internal consistency reliability.

3.4.1.2. Convergent Validity Test Result

To assess Convergent Validity in the SEM-PLS model, there are two measures, namely Indicator Reliability and Average Variance Extracted (AVE). Based on the calculation results presented in the table 6 above, it can be seen that:

Table 6 . *Convergent Validity* Assessment Results

Variabel Laten	Indikator	Loading Factor (λ)	Indicator Reliability (λ^2)	t_{hitung}	P value	Keterangan	AVE
The Effectiveness of Local Government Information Systems (X1)	1.Availability	0.800	0.640	16.378	0.000	Valid	0,691
	2.Security	0.825	0.681	22.821	0.000	Valid	
	3.Maintanability	0.862	0.743	17.054	0.000	Valid	
	4.Integrity	0.836	0.699	18.467	0.000	Valid	
	1.Control Invironment	0.709	0.503	13.293	0.000	Valid	0,629

***Internal Control System* (X2)**	2.Risk Assessment	0.565	0.319	8.161	0.000	Valid	
	3.Control Activities	0.896	0.803	34.066	0.000	Valid	
	4.Information And Communication	0.827	0.684	19.967	0.000	Valid	
	5.Monitoring Activities	0.914	0.836	44.113	0.000	Valid	
Quality of Financial Statements (Y)	1.Understandable	0.892	0.795	39.528	0.000	Valid	0,640
	2.Relevant	0.846	0.715	20.033	0.000	Valid	
	3.Reliable	0.792	0.627	23.322	0.000	Valid	
	4.Comparable	0.707	0.499	11.125	0.000	Valid	
	5.Consistency	0.749	0.562	11.301	0.000	Valid	

Source: Output SmartPLS 3.3.3

Table 6, represents that loading factor value obtained is entirely greater than 0.7. These results indicate that the loading factor value has met Convergent Validity. The loading factor value above 0.7 for each item indicates that all indicators are valid so that no manifest variables for each latent variable are eliminated from the model. The t_{count} value obtained for each loading factor is more than 1.983 so that it can be said that the indicator used significant in measuring the The Effectiveness of Local Government Information Systems, Internal Control System and Quality of Financial Statements. Based on the results of the calculation of the loading factor and t-statistics, it is known that all indicators have a positive and significant relationship in determining each of the latent variables used.

Calculation results Indicator reliability (λ^2) for each indicator of the three latent variables is greater than 0.5. This shows that the measurement model for each latent variable has met Convergent Validity. For the Convergent Validity assessment by looking at the average variance extract (AVE) value, based on the values in the table above it can be seen that the average variance extract (AVE) value for each latent variable obtained is greater than 0.5. This shows that more than 50% of the information contained in each indicator can be reflected through latent variables. So that it can be said that the construct indicators formed from these indicators already describe the information from the indicators of the three latent variables (the effectiveness of local government information systems, internal control system and quality of financial statements).

3.4.1.3. Discriminant Validity

Discriminant validity looks at how the validity of the constructed construct is compared to other constructs, whether each concept of each latent variable is different from other variables. Discriminant validity was assessed by Cross Loadingss and The Fornell-Larcker criterion The model has good Discriminant validity if each loading value of each indicator of a latent variable has the largest loading value with other loading values for other latent variables. Discriminant validity results by looking at the Cross Loadings values obtained in the table 7, as follows:

Table 7. Discriminant validity (Cross Loadings)

	X1 (The Effectiveness of Local Government Information Systems)	X2 (Internal Control System)	Y (Quality of Financial Statements)
1.Availability	0.800	0.229	0.457
2.Security	0.825	0.359	0.628
3.Maintanability	0.862	0.299	0.556
4.Integrity	0.836	0.317	0.535

1.Control Invironment	0.464	0.709	0.490
2.Risk Assessment	0.461	0.565	0.462
3.Control Activities	0.266	0.896	0.581
4.Information & Communication	0.189	0.827	0.599
5.Monitoring Activities	0.170	0.914	0.667
1.Understandable	0.609	0.640	0.892
2.Relevant	0.616	0.647	0.846
3.Reliable	0.616	0.590	0.792
4.Comparable	0.359	0.458	0.707
5.Consistency	0.361	0.475	0.749

Source: Output SmartPLS 3.3.3

From table.7, can be seen that the loading value for each indicator of each latent variable is the greatest compared to the loading value when associated with other indicators. This shows that each latent variable indicator has good discriminant validity, where the latent variable does not have a gauge that is highly correlated with other constructs.

3.4.2. Structural Model Testing (Inner Model).

Structural model testing (inner model) is carried out using R-square and effect value size f^2, The results of calculating the R-square value for the research model are obtained as follows.

Table 8. R-Square Values

Endogen Variable	R Square	R Square Adjusted
Y (*Quality of Financial Statements*)	0.694	0.688

Source: Output SmartPLS 3.3.3.

The R-square value for the Quality of Financial Statements variable is 0.694. The R^2 value between 0.5 to 0.75 indicates the accuracy of the prediction of the model has a moderate effect (quite strong). The results of this R-square value indicate that 69.4% of the Quality of Financial Statements variable is influenced by the Effectiveness of Local Government Information Systems and Internal Control System variables.

3.4.3. Hypothesis Test.

To find out the test results of the partial effect of exogenous variables (independent variables) on endogenous variables (dependent variables) in accordance with the hypothesized hypothesis. then carried out a significance test (t test). The statistical hypothesis tested is *as follows:*

Hypothesis 1:

$H_0 : \gamma_1 = 0$: The Effectiveness of Local Government Information Systems has no effect on Quality of Financial Statements

$H_1 : \gamma_1 \neq 0$: The Effectiveness of Local Government Information Systems has effect on Quality of Financial Statements

Hypothesis 2:

$H_0 : \gamma_2 = 0$: Internal Control System has no effect on Quality of Financial Statements
$H_1 : \gamma_2 \neq 0$: Internal Control System has effect on Quality of Financial Statements

The results of the hypothesis testing results of the SEM-PLS output using SmartPLS 3.3 software, shown through the following table 9:

Table 9. Significance Test Results

	Original Sample (O)	*Sample Mean (M)*	*Standard Deviation (STDEV)*	*T Statistics (|O/STDEV|)*	*P Values*
X_1_The Effectiveness of Local Government Information Systems -> Y_Quality of Financial Statements	*0.462*	*0.455*	*0.062*	*7.445*	*0.000*
X_2_Internal Control System -> Y_Quality of Financial Statements	*0.544*	*0.555*	*0.047*	*11.469*	*0.000*

Source: Output SmartPLS 3.3.3.

The proposed hypothesis test is seen by the t-statistic value. The testing criteria (limits) for rejecting and accepting the proposed hypothesis are if the calculated t value is greater than t table or the p-value is less than 0.05, then the hypothesis will be rejected or the null hypothesis (H0) accepted. The t table value for n = 105 is 1.983. The results of the hypothesis test decisions obtained by both reject H0, which means the significant test can be accepted, explained through figure 2 as follows:

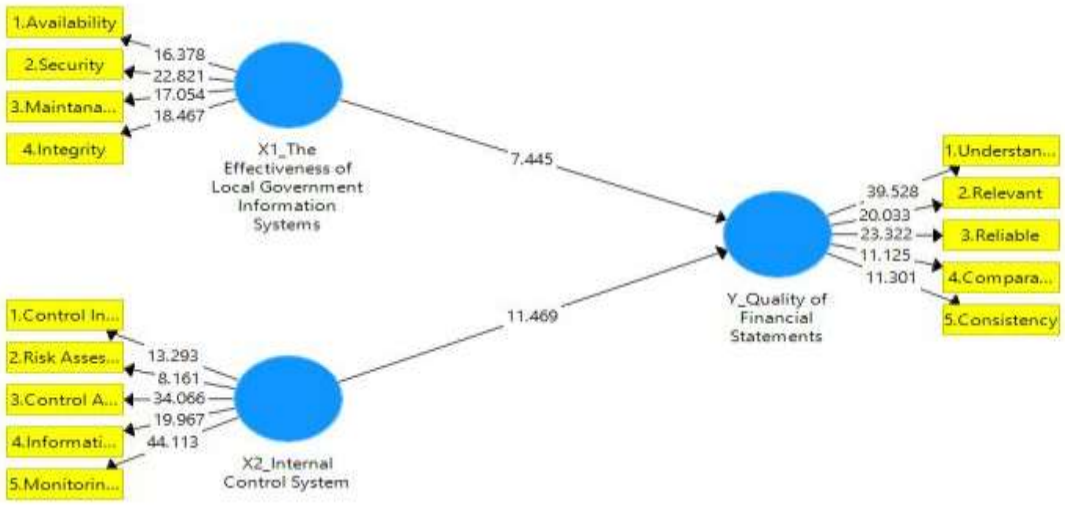

Figure 2. SEM-PLS Model Statistical T Value.

Based on Figure 2 it is known that the t-value for The Effectiveness of Local Government Information Systems on the Quality of Financial Statements is 7.455 and the t-value for the internal control system on the Quality of Financial Statements is 11.469.

3.5. The Effectiveness of Local Government Information Systems on the Quality of Financial Statements.

Figure 2 represents that the relationship between the Effectiveness of Local Government Information Systems variable and the Quality of Financial Statements is shown by the path coefficient value of 0.462. For statistical values, the test obtained a t value of 7.445 and a p-value of 0.000. The t-statistic value obtained is greater than t_{table} (1.983) and the p-value (0.000) is smaller than the alpha value of 0.05. The results of the test decision obtained rejected H0, which means a significant test. This result means that The Effectiveness of Local Government Information Systems affects the Quality of Financial Statements.

The magnitude of the direct effect of The Effectiveness of Local Government Information Systems on the Quality of Financial Statements is (0.462×0.462×100%) = 21.4%. So The Effectiveness of Local Government Information Systems contributes an influence of 21.4% to the Quality of Financial Statements. This shows that the local government information system variable has an influence of 21.4% on the quality of financial reports, while the remaining 78.6% is influenced by internal control system variables and other variables not tested in research. It can be represented that, increasing the effectiveness use of local government information systems has an impact on increasing the quality of financial reports.

Based on the calculation results obtained f^2 value of 0.605. The effect size f^2 shows the construct's contribution to the endogenous variables. The value of f2 is equal to 0.02, 0.15, 0.35, it can be interpreted that the latent variable predictor has a small, medium and large effect [10]. Because the f^2 value is between more than 0.35, it can be stated that the effect size for the effect of The Effectiveness of Local Government Information Systems on the Quality of Financial Statements is large.

The results of the research prove the theories of [11], which states that accounting information systems have a strong contribution to the quality of financial reports, especially in the process of preparing and presenting the resulting financial reports. Furthermore, this research also has sufficient evidence to support research conducted by [12], the results of this study show that the accounting information system affects the quality of financial reports. Further research conducted by [13], that the application of accounting information systems has a significant effect on the quality of financial reports, and in line with [5], that improving the quality of financial report information at the East Java Provincial Government can be carried out through the effectiveness of review activities on financial reports before the report is submitted to the Supreme Audit Agency of the Republic of Indonesia.

3.6. Internal Control System on the Quality of Financial Statements.

The relationship between the Internal Control System variable and the Quality of Financial Statements is shown by the path coefficient value of 0.544. For statistical values, the test obtained a t value of 11.469 and a p-value of 0.000. The t-statistic value obtained is greater than ttable (1.983) and the p-value (0.000) is smaller than the alpha value of 0.05. The results of the test decision obtained rejected H_0, which means a significant test. This result means that the Internal Control System affects the Quality of Financial Statements. The direct influence of the Internal Control System on the Quality of Financial Statements is (0.544×0.544×100%) = 29.6%. So the Internal Control System contributes an influence of 29.6% to the Quality of Financial Statements. This shows that the internal control system variable has an influence of 29.6% on the quality of financial reports, while the remaining 70,4% is influenced by Local Government information system variables and other variables not tested in research. It can be represented that, increasing the effectiveness use internal control systems has an impact on increasing the quality of financial reports

Based on the calculation results obtained f^2 value of 0.836. The effect size f^2 shows the construct's contribution to the endogenous variables. The f^2 value is equal to 0.02, 0.15, 0.35 which can be interpreted that the latent variable predictor has a small, medium and large effect [10], because the f^2 value is between more than 0.35, it can be stated that the effect size for the influence of the Internal Control System on the Quality of Financial Statements is large.

The results of this study prove by [14], that government agencies must build and have a good internal control system, the quality of government financial reports can be bad, one of the main causes comes from a weak internal control system. This research is in line with previous research conducted by [15]) with sufficient evidence that there is a significant simultaneous effect between the internal control system and the quality of financial reports. The results of research by [7], the internal control system has proven to play a role in maintaining the quality of financial reporting at Amil Zakat Institutions. Then [8], research on banking institutions succeeded in proving the existence of an internal control system that had a positive effect on improving the quality of financial reports. Furthermore, research by [9] on local government agencies in Jakarta has sufficient evidence of the influence of the internal control system on the quality of financial reporting.

4. Conclusion

The Effectiveness of Local Government Information Systems affects the Quality of Financial Reports. If the information system is good, the quality of financial reports will also be better and vice versa. The problems that occur in the quality of financial reports are not always caused by The Effectiveness of Local Government Information Systems, which is an accounting information system developed by the government.Internal control affects the quality of financial reports. If internal control is good, the quality of financial reports will also be better and vice versa. Problems that occur in the quality of financial reports are not always caused by internal control, but there are several other factors that were not examined by researchers.

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