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## THE INFLUENCE OF THE EFFECTIVENESS OF THE ACCOUNTING INFORMATION SYSTEM, INTERNAL AUDITOR QUALITY, AND HUMAN RESOURCE COMPETENCE ON FINANCIAL REPORTING QUALITY

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### KEYWORDS

accounting information, auditors, human resources, financial.

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### ABSTRACT

The purpose of this research is to determine the influence of (1) the effectiveness of the accounting information system on the quality of financial reporting, (2) the quality of internal auditors on the quality of financial reporting, (3) the competence of human resources on the quality of financial reporting, and (4) the combined effect of the accounting information system effectiveness, quality of internal auditors, and competence of human resources on the quality of financial reporting. This study was conducted at the Local Government SKPK (Regional Apparatus Work Unit) of Simeulue Regency. The research adopted a quantitative research approach. The population of the study consisted of 135 individuals. Three questionnaires were distributed to each SKPK in the Simeulue Regency, totaling 45 SKPK. The results of the research demonstrate that the effectiveness of the accounting information system, the quality of internal auditors, and the competence of human resources have a positive and significant influence on the quality of financial reporting. The effectiveness of the accounting information system positively influences the quality of financial reporting; the quality of internal auditors also positively influences the quality of financial reporting, and the competence of human resources positively influences the quality of financial reporting in the SKPK of Simeulue Regency. This research implies that organizations and the SKPK of Simeulue Regency can take measures to enhance the quality of financial reporting and ensure adequate controls in the process of preparing and reporting financial information.

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## INTRODUCTION

The quality of local government financial reporting in Indonesia is a hot issue that various elements of society, academics, and non-governmental organizations have always discussed and studied more deeply. Regional Government Financial Reports are annually prepared and audited by the Inspectorate's internal auditors before being submitted to the Supreme Audit Agency by Government Regulation Number 12 of 2019 concerning Regional Financial Management (Hidayah et al., 2019). Several things affect Regional Government Financial Reporting, including Accounting Information Systems, quality Internal Auditors, and Competent Human Resources (Suherman & Susanti, 2018). This is evidenced by the Reporting of Audit Board Audit Results on Regional Government Financial Reporting; even though the opinion received is Unqualified (WTP), there are still notes that serve as recommendations for the Reporting. Reporting on the results of audits conducted by the Audit Board of the Republic of Indonesia is a report that contains the implementation and results of audits compiled

by the tax auditors concisely and clearly and by the scope and objectives of the audit, by Article 1 point 181 of the Regulation of the Minister of Finance (PMK) Number 184 2015 (Adha & Zulaikha, 2016).

The Aceh Representative Audit Board (BPK) has submitted an Audit Results Report (LHP) on the financial reports of the Simeulue District Government for the 2021 fiscal year, which is an examination of the accountability for the implementation of the 2021 District Revenue and Expenditure Budget (APBK). The LHP was handed over by the Head of the Aceh Province BPK Arif Agus, SE, MM, Ak, CPA, to the Chairperson of the Simeulue DPRK Irwan Suharmi and Simeulue Regent Erli Hasim at the Aceh Representative BPK Office. In the 2021 LHP, several problems were found (1) the management of grants and social spending was not by the provisions, (2) the completion of 19 work packages in three SKPKs was late and had not been subject to minimum late fees, (3) accountability for official travel expenses were not by the conditions. (Press Release, Aceh Representative BPK, 3 May 2021). The Audit Board of the Republic of Indonesia (BPK) has released the results of auditing central government financial reports in the 2020 Reporting of Audit Results on Central Government Financial Reporting (LHP LKPP). BPK Chairman Agung Firman Sampurna said that, despite giving an Unqualified Opinion (WTP), his institution found some findings that could lead to state losses. "The problem consists of 28 percent of system weaknesses, 29 percent of non-compliance, and 43 percent of inefficiencies, inefficiencies, and ineffectiveness"

Regional financial management must be transparent, orderly, and accountable in realizing a clean government system (Ardelia & Handayani, 2022). One of the efforts made by local governments to realize good governance, local governments are required to prepare Regional Government Financial Reporting (Aditya & Surjono, 2017). Financial reporting is at least in the form of Budget Realization Reporting, Balance Sheet, Cash Flow Reporting, and Notes on Financial Reporting; Financial Reporting, which is said to be of good quality, can provide benefits for the local government itself to take policies of a government in the future (Faishol & Lamongan, 2016).

Reporting on Audit Results is intended to provide an opinion on the fairness of the financial reporting presentation. The opinion is the auditor's professional statement regarding the fairness of the information presented in the financial report. Financial audits are not intended to reveal any irregularities (fraud) in financial management (Sukarta et al., 2017). However, if the examiner finds any irregularities, fraud, or violations of statutory provisions, especially those that impact potential and indicate state losses, this must be disclosed in the LHP. One factor that influences the quality of the Simeulue Regency Government's financial reporting is the effectiveness of the accounting information system (Hutajulu, 2023). The development of information technology, especially in the information age, significantly impacts accounting information systems (AIS) within a company. The need for this system is characterized by the use of computers in terms of information systems; the real impact is the processing of data that has changed from a manual system to a computer system (Purwaningrum, 2017). Developing an information system also needs to be supported by many factors expected to provide the system's success. The success of an information system application in an organization is influenced by how the system is run, the system's ease of use for users, and the use of the technology used. (Mantiri et al., 2019). Every public organization must make changes in the technology field so that later it can provide opportunities to increase competitive advantage (Gusherinsya & Samukri, 2022).

Based on some of the results of previous studies, one of the factors that influence the quality of financial reporting of a government organization, in this case, the Simeulue Regency Regional Apparatus organization, is the competence of human resources owned by the Simeulue Regency Regional Government. Human resource competence is important in managing and presenting financial information to prepare financial reporting on time. In addition to competent human resources, applying

Government Accounting Standards also influences the Quality of Financial Reporting. Government agencies starting in 2015, must prepare Regional Government Financial Reporting (LKPD) under Government Accounting Standards, namely accrual basis. Financial reporting under accrual-based accounting standards requires an accounting system. The Regional Financial Accounting System is needed to manage accounting information (Gusherinsya & Samukri, 2022). The Regional Financial Accounting System can provide output data through local government financial reporting.

Research on the quality of local government financial reporting has also been conducted by (Pradono et al., 2015). The results showed that the competence of human resources, information technology, reconciliation, and internal control systems significantly affected the quality of local government financial reporting. In contrast, the role of PPK-SKPD had no significant effect on the quality of local government financial reporting (Ratulangi, 2017). The research results stated that HR competence, application of the regional financial accounting system, utilization of information technology, and the government's internal control system positively and significantly influence the quality of local government financial reporting (Mantiri et al., 2019).

The results of research conducted by previous researchers by analyzing the factors that influence the quality of local government financial reporting show different results between one researcher and another. Based on the results of these studies, this study will examine several factors that affect the quality of local government financial reporting, including the quality of human resources, the use of information technology, and the internal control system (Faishol & Lamongan, 2016).

Based on the background above, the objectives of this study were to determine the effect of (1) the effectiveness of accounting information systems on the quality of financial reporting, (2) the quality of internal auditors on the quality of financial reporting, (3) the competence of human resources on the quality of financial reporting, (4) effectiveness of accounting information systems, quality of internal auditors and competence of human resources together on the quality of financial reporting. So that the understanding of the phenomenon above can be explained that there are indications of the quality of financial reporting at the Simeulue District SKPK that have not been effective, which is reflected in the variance between realization and the budget, which is still relatively high, the pattern of budget realization which is still concentrated in the second half of each year and based on phenomena that can be observed, the authors are interested in researching the variables that are thought to influence the quality of financial reporting at the SKPK of Simeulue Regency. An understanding of these variables is expected to be useful for policymakers in making decisions regarding efforts that can be made to increase the effectiveness of budget management, thereby having an impact on improving the quality of Siemeulue District Government financial reporting in the future.

## **METHODS**

The type of this research is quantitative research. The type of investment in this study is a causal relationship in which one variable (called the dependent variable) is explained or influenced by another variable (called the independent variable). The level of involvement of researchers in this study is minimal involvement. Researchers do not influence the conditions related to the object under study. The study situation in this research is irregular because the researcher only wants to test the hypotheses formulated without the researcher's intervention on data sources in the field. The unit of analysis refers to the level of data aggregation being analyzed. This study's analysis unit is the entire Simeulue Regency Regional Apparatus Organization. The time horizon used in this study is a cross-sectional study, namely, data collected at a certain time limit to answer research statements presented in a questionnaire.

The population in this study were all SKPK of the Simeulue Regency Government consisting of Budget Users (PA), Commitment Making Officers (PPK), and Spending Treasurers. The population in this study is as many as 135 people. The questionnaires distributed were three for each SKPK of the Simeulue Regency Government. The head and treasurer represented respondents in this study. The selection of 135 samples was carried out using a census technique, which involved the entire population as research respondents (Sugiyono, 2013). Thus the number of samples in the study was 135 respondents.

## RESULTS AND DISCUSSION

### The Influence of SIA Effectiveness, Internal Auditor Quality, and HR Competence on Financial Reporting Quality at SKPK Simeulue Regency Government

Based on the formulation of the problems and hypotheses that have been proposed in the previous chapter, this study analyzes the influence of AIS effectiveness ( $X_1$ ), internal auditor quality ( $X_2$ ), and HR competence ( $X_3$ ) as independent variables (independent variable) on the quality of financial reporting in SKPK Simeulue Regency Government as the dependent variable either simultaneously or partially.

To improve the quality of financial reporting at the SKPK of the Simeulue Regency Government, it is necessary to know the effect of the independent variables, namely the effectiveness of the SIA ( $X_1$ ), the quality of internal auditors ( $X_2$ ), the competence of HR ( $X_3$ ), on the quality of financial reporting on the SKPK of the Simeulue Regency Government ( $Y$ ). The influence of each independent variable on the dependent variable in detail can be seen in the following table:

**Table 1. The Effect of Each Independent Variable on the Dependent Variable**

Variable Name	Standardized Coefficients		$t_{count}$	$t_{table}$	Sig
	B	std. Error			
Constant (a)	2,287	0.097	23,692	2.015	0.000
AIS effectiveness	0.161	0.017	9,646	2.015	0.000
Quality of Internal Auditors	0.119	0.020	5,854	2.015	0.000
HR Competence	0.156	0.021	7,597	2.015	0.000

Source: Primary Data, 2022 (processed)

From the results of statistical calculations using the SPSS program, as shown in the table above, the multiple regression equation is obtained as follows :

$$Y = 2.287 + 0.161 X_1 + 0.119 X_2 + 0.156 X_3 + e$$

From the regression equation above, it can be seen that the results of the study are as follows:

A constant of 2.287 means that if the effectiveness of SIA ( $X_1$ ), the quality of internal auditors ( $X_2$ ), and the competence of work human resources ( $X_3$ ) are considered constant, then the magnitude of the quality of financial reporting in the SKPK of the Simeulue Regency Government is 2.287 on the Likert scale.

The regression coefficient of the effectiveness of AIS ( $X_1$ ) is 0.161. This means that every 100% change (improvement, due to the + sign) in the SIA effectiveness variable, will relatively improve the quality of financial reporting at the Simeulue Regency Government SKPK by 16.1%, thus the better the effectiveness of the SIA owned by the Simeulue Regency Government SKPK, then it will further improve the quality of financial reporting at the SKPK of the Simeulue Regency Government. The results of this study are inconsistent with previous studies, which state that HR competency and the

application of the financial accounting system have a significant positive effect on the quality of financial reporting (Hendri & Erinos, 2020).

The internal auditor quality regression coefficient ( $X_2$ ) is 0.119. This means that every 100% change (improvement, due to the + sign) in the quality variable of internal auditors managing finance relatively will increase the quality of financial reporting at the SKPK Simeulue Regency Government by 11.9 %, so with the quality of internal auditors, relatively can improve the quality of financial reporting on SKPK Simeulue District Government. The results of this study are also supported by the results of previous studies, which state that the accounting information system has a significant positive effect on the quality of corporate financial reporting (Chairman & Wehartaty, 2019).

HR competency regression coefficient ( $X_3$ ) of 0.156. This means that every 100% change (improvement, due to the + sign) in the HR competency variable, will relatively increase the quality of financial reporting at the Simeulue Regency Government SKPK by 15.6 %, so with the existing HR competencies within the Simeulue Regency Government SKPK can affect the improvement of the quality of financial reporting. Then it is also supported by previous research, which states that the role of internal audit has a strong relationship with the quality of financial reporting in the Lhokseumawe City government (Nazaruddin and Syahril, 2017).

Based on the results of the analysis above, it can be seen that of the three variables studied, it turns out that the SIA effectiveness variable ( $X_1$ ) has a dominant influence on the quality of financial reporting at the SKPK of the Simeulue Regency Government, with a regression coefficient value of 0.161, followed by the competence variable HR ( $X_3$ ) with a coefficient of 0.156 and the variable quality of internal auditors ( $X_2$ ) with a coefficient value of 0.119. This indicates that the three variables in this study have a positive influence on the quality of financial reporting at District Government SKPK Simeulue.

### Simultaneous Testing

Simultaneous test results obtained an  $F_{count}$  of 102.382, while the  $F_{table}$  at a significance level  $\alpha$  of 5% is 2.655. This shows that  $F_{count} > F_{table}$ , with a probability level of 0.000. Thus the results of this calculation can be taken as a decision that accepts the alternative hypothesis and rejects the null hypothesis, meaning that the variable AIS effectiveness ( $X_1$ ), internal auditor quality ( $X_2$ ), and HR competence ( $X_3$ ) jointly influence significantly to the quality of financial reporting at the SKPK of the Simeulue Regency Government.

Then the value of the correlation coefficient (R) is 0.837, which indicates that the degree of relationship (correlation) between the independent variables and the dependent variable is 83.7%. This means that the quality of financial reporting at the SKPK of the Simeulue Regency Government is very closely related to the effectiveness of the AIS ( $X_1$ ), the quality of the internal auditors ( $X_2$ ), the competence of human resources ( $X_3$ ). While the value of the Coefficient of Determination ( $R^2$ ) is 0.701. That means 70.1 % of changes in the dependent variable (quality of financial reporting at SKPK Simeulue Regency Government) can be explained by changes in the effectiveness factor of SIA ( $X_1$ ), quality of internal auditors ( $X_2$ ), competence of HR ( $X_3$ ). While the remaining 29.9% is explained by other variables outside of this study, meaning that there is still another 29.9% of the quality of financial reporting at the Simeulue District Government SKPK is influenced by other factors that are not included in this research model.

The results of this study are inconsistent with previous studies, which state that HR competency and the application of the financial accounting system have a significant positive effect on the quality of financial reporting (Fauziyah, 2019). Then this research is also supported by the results of previous research, which states that there is a positive influence of internal audits on the quality of financial

reporting of 50.5%. Conversely, the rest is influenced by other factors not examined. The results of the study show that the better the internal audit is carried out, the better the quality of financial reporting (Juhara & Pasundan, 2017).

### Partial Test

#### 1. Effect of AIS Effectiveness on the Quality of Financial Reporting

The results of regression testing for the second hypothesis in this study were conducted to determine whether the effectiveness of the AIS partially affects the quality of financial reporting. The results of research on the effectiveness of the AIS variable obtained a regression coefficient of  $\beta_1 = 0.161$ . Hypothesis testing shows that  $\beta_1 \neq 0$  then  $H_a$  is accepted, namely, the effectiveness of SIA partially affects the quality of financial reporting at the Simeulue Regency Government SKPK. Thus the results of statistical calculations show that partially the SIA effectiveness variable affects the quality of financial reporting at the Simeulue District Government SKPK.

#### 2. Effect of Internal Auditor Quality on Financial Reporting Quality

The results of regression testing for the third hypothesis in this study were conducted to determine whether the quality of internal auditors partially affects the quality of financial reporting. The results of research on the variable quality of internal auditors obtained a regression coefficient of  $\beta_2 = 0.119$ . Testing the hypothesis shows that  $\beta_2 \neq 0$  then  $H_a$  is accepted, namely, the quality of internal auditors partially affects the quality of financial reporting at the Simeulue Regency Government SKPK. Based on the results of statistical calculations, shows that partially the internal auditor quality variable affects the quality of financial reporting at the Simeulue Regency Government SKPK.

#### 3. Effect of HR Competence on the Quality of Financial Reporting

The results of regression testing for the fourth hypothesis in this study were conducted to determine whether HR competence partially affects the quality of financial reporting. The results of research on HR competency variables obtained a regression coefficient of  $\beta_3 = 0.156$ . Testing the hypothesis shows that  $\beta_3 \neq 0$  then  $H_a$  is accepted, namely HR competence partially affects the quality of financial reporting at the Simeulue Regency Government SKPK. Based on the results of statistical calculations, shows that partially the HR competency variable influences the quality of financial reporting at the Simeulue District Government SKPK.

## CONCLUSION

The test results show that the effectiveness of the SIA, the quality of the internal auditors, and the competence of human resources have a positive and significant effect on the quality of financial reporting at the SKPK of the Simeulue Regency Government. The effectiveness of the SIA has a positive effect on the quality of financial reporting at the SKPK of the Simeulue Regency Government. The quality of the internal auditors also has a positive effect on the quality of financial reporting at the SKPK of the Simeulue Regency Government. HR competence has a positive effect on the quality of financial reporting at the SKPK of the Simeulue Regency Government.

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