



The Effect Of The Implementation Of The Regional Financial Management Information System (Sipkd), The Government's Internal Control System (Spip) And The Role Of Internal Auditors On The Quality Of The Financial Statements Of The Binjai City Government

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ARTICLE INFO

ABSTRACT

Article history:

Received:

Revised:

Accepted:

Keywords:

Quality of Financial Statements, Regional Financial Management Information System (SIPKD), Government Internal Control System (SPIP), The Role of Internal Auditors.

The objective of this study was to analyze and determine the effect of the implementation of the Regional Financial Management Information System (SIPKD), the Government's Internal Control System and the Role of Internal Auditors on the Quality of Financial Statements of the Binjai City Government. The type of research used is causal research. The population in this study was SKPD employees of the Binjai City district Government which amounted to 124 employees from 42 SKPD. The research data was obtained from questionnaire (primary). The data analysis method used is *structural equation modeling-partial least square* (SEM-PLS) using SmartPLS software. The results of this study show that the Regional Financial Management Information System (SIPKD), the Government's Internal Control System (SPIP) and the Role of Government Internal Auditors each have a significant positive effect on the Quality of The Financial Statements of the Binjai City Government. This means that if the Financial Management Information System, internal control system and the role of internal auditors are improved, it will improve the quality of financial statements.

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1. Introduction

In order to realize good governance, the local governments must certainly make efforts to increase transparency and accountability of regional financial management. Regional financial management regulates all technical aspects covering the fields of regulation, institutions, regional financial information systems, control systems and improving the quality of human resources. The form of accountability of local governments for the implementation of development and financial management in their regions is to provide comprehensive financial-related information to the community to achieve clean and transparent government in line with *the good governance* paradigm. This is manifested in the form of financial management using the Regional Financial Management Information System (SIPKD). The implementation of SIPKD will certainly help local governments to prepare Local Government Financial Statements (LKPD). This shows that the better the regional financial management, the better the quality of the financial statements produced by the government will be (Mahaputra & Putra, 2014). Research conducted (P. A. R. Dewi & Mimba, 2014) that SIPKD affects the quality of financial statements. Likewise, other studies have resulted in a significant effect on the quality of financial statements (Saragih, 2016; Yusup, 2016).

Government Accounting Standards state that the qualitative characteristics of financial statements are normative measures that need to be realized in accounting information so that they can meet their goals. The following four characteristics are normative requirements needed so that government financial statements can find the desired quality, consisting of relevant, reliable, comparable and understandable.



The research phenomenon can be seen from the provision of opinions on the financial statements presented. In 2015, the Binjai City government received a fair opinion with an exception (WDP), from 2016 to 2021 it received an unqualified opinion (WTP). However, the WTP rating achieved by the Binjai City Government does not fully show that its regional financial management has been running perfectly, considering that there are still BPK findings that have occurred such as not updating and validating receivables data, unrecording inventory expenses, presenting asset values that have not been depreciated and others. The implementation implemented within the Binjai City Government so far has basically gone well, but there are still obstacles, including that there are still work units as budget users are often late in presenting financial reports to the State Treasury Service Office (KPPN) and the Accounting Unit of the Regional Budget User Auxiliary Accounting (UPPA-W). Based on the identification of the constraints above, to improve the quality of local government financial statements (LKPD), the government needs to implement or improve the Government Internal Control System (SPIP) to reduce the findings as above.

In the study (Sebayang et al., 2018) it was stated that the greater the number of findings, the weak internal control system. A good internal control system will be able to produce quality financial reports and in accordance with the regulations that have been set by related parties, **Activities** carried out in regional financial management are important to be carried out in order to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations, so as to improve the reliability, objectivity of information and prevent inconsistencies and facilitate the audit process of financial statements.

The role of internal audit is one of the keys in government units that have the expertise to assess the effectiveness of financial resource utilization by identifying waste, inefficiency, and fraud in the budget and to make recommendations to improve operational efficiency and improve the quality of financial statements. Research conducted by (Lestari & Hastuti, 2020; Ngguna et al., 2017) stated that internal audit has a significant effect on the quality of financial statements. The application of SPIP is carried out to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations, so that the implementation of this internal control system is able to increase the reliability, objectivity of information and prevent inconsistencies and facilitate the process of auditing financial statements.

Based on the description and phenomenon above, the researcher is interested in making research that the application of the regional financial management information system (SIPKD), the government internal control system (SPIP) and the role of internal audit can affect the quality of financial statements in local governments with the title of the thesis "The Effect of the Implementation of the Regional Financial Management Information System (SIPKD), the Government Internal Control System (SPIP) and the Role of Internal Audit on the Quality of The Financial Statements of the Binjai City Government".

2. Method

2.1. Research Site

This research was conducted in all regional work units (SKPD) of Binjai City.

2.2. Population and Sample

The population used in this study was SKPD employees of the Binjai City district Government which amounted to 124 people from 42 SKPD.

2.3. Research Variable

The variables used in this study are the dependent variables (Y), namely the Quality of Financial Statements, while the independent variables consist of the Influence of the Implementation of the Regional Financial Management Information System (SIPKD) (X_1), the Government Internal Control System (SPIP) (X_2), and the Role of Internal Auditors (X_3).

2.4. Data Analysis Methods

This study used data analysis techniques using Smart PLS software which was used with computer media. PLS (Partial Least Square) is a variant-based structural security (SEM) analysis that can simultaneously test measurement models as well as testers and structural models. **Furthermore**, Ghozali (2016) explained that PLS is a soft modeling method of analysis because it does not assume the data must be with a certain measurement scale.



2.5. Theory Description

a. Quality of Financial Statements

According to Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP), the quality of regional financial statements are normative measures that need to be realized in accounting information reports so that they can meet their goals by meeting several relevant, reliable, comparable and understandable characteristics. The financial statements produced by the local government will be used by several interested parties as a basis for decision making.

b. Regional Financial Management Information System (SIPKD)

According to PP number 56 of 2005, the Regional Financial Management Information System (SIPKD) is an application built by the Directorate General of Regional Finance of the Ministry of Home Affairs in order to accelerate data transfer (budget preparation, budget implementation and regional financial reporting) as well as efficiency in collecting regional financial data. The SIPKD application is processed by the Regional Financial Management Information Sub-Directorate at the Directorate of Regional Financial Implementation and Accountability.

c. Government Internal Control System (SPIP)

The internal control system according to Government Regulation Number 2008 concerning the Government Internal Control System is an integral process in actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations.

d. Role of Internal Auditors

According to the association of internal auditors (IIA), internal audit is an independent and objective activity along with consultations prepared to improve the value and operations of the organization / company. Internal audits at the government are carried out by the Government Internal Supervision Apparatus (APIP) consisting of the BPKP, inspectorate general, provincial inspectorate, and district/city inspectorate which is regulated in PP No. 60 of 2008 concerning the Government Internal Control System.

3. Results and Discussion

3.1 Research Results

The data in this study was in the form of questionnaires distributed within the Binjai City Government, as many as 42 SKPD. The questionnaire in this study was distributed directly by the researcher to the respondents, then picked up again after the specified filling time limit. The respondents of the study consisted of work unit managers or structural officials in the Binjai City Government Regional Apparatus Work Unit. The distribution of questionnaires in this study can be seen in the following table 1.

Table 1
Questionnaire Distribution

No	Information	Sum	Percentage (100%)
1	Questionnaires are distributed	168	100
2	Questionnaire accepted	124	74
3	Questionnaire not accepted	44	26

Source: Researcher

Table 2
Description of Respondents' Answers

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Quality of Financial Statements (Y)	124	1.50	4.62	3.4850	.9338
SIPKD (X ₁)	124	1.00	4.57	3.7325	1.0318
SPIP (X ₂)	124	1.00	4.50	3.2582	.8761
Role of Internal Auditor (X ₃)	124	1.00	4.36	3.2287	1.0331
Valid N (listwise)	124				

Based on the table above, it can be concluded that the average respondent is quite understanding of the quality of financial statements, the financial management information system (SIPKD), the government's internal control system (SPIP) and the role of internal auditors in their respective agencies.

3.2 Evaluation of Outer Model (Measurement Model) :

a. Validity and Reliability Testing

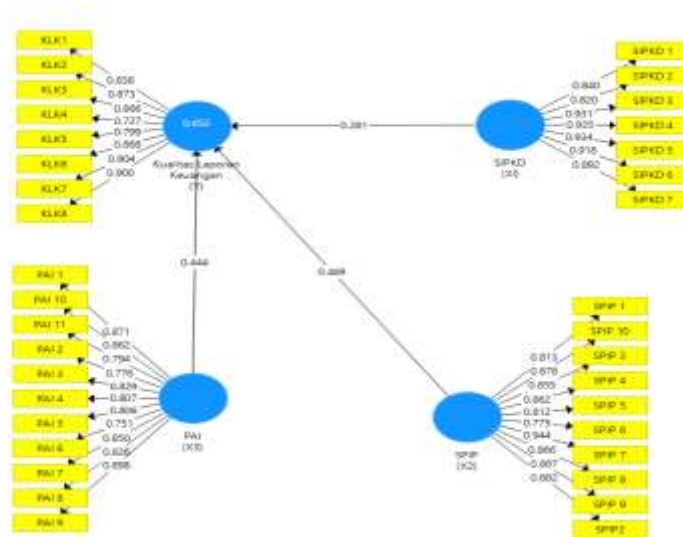


Figure 1. Path Chart by Factor Loading Value

Based on the testing the validity of the loading factor in figure 3. 1, it is concluded that the entire value of the loading factor > 0.7, which means that it has met the validity requirements based on the *loading* value. Furthermore, reliability testing is carried out based on *the composite reliability* (CR) value, which can be seen in the following table and figure:

Table 3
Reliability Testing based on *Composite Reliability* (CR)

Construct Reliability and Validity	Composite Reliability	Information
Quality of Financial Statements (Y)	0.954	Reliable
PAI_(X3)	0.959	Reliable
SIPKD_(X1)	0.966	Reliable
SPIP_(X2)	0.965	Reliable

Source: SmartPLS 3.0 Calculation Results

It is known in the figure above that all CR values >0.7, which means that they have met the reliability requirements based on CR. Furthermore, a test of the validity of the discriminant was carried out with the Fornell-Larcker approach.

Table 4
Discriminant Validity (AVE) Testing

Construct Reliability and Validity	Average Variance Extracted (AVE)	Information
Quality of Financial Statements (Y)	0.720	Valid
PAI_(X3)	0.682	Valid
SIPKD_(X1)	0.804	Valid
SPIP_(X2)	0.734	Valid

Based on the table above, it can be seen that the AVE ratio of each variable is > 0.5. This indicates that each variable already has a good *discriminant validity*.



b. Dirrect Effect Test (Effect Significant)

Table 5
Path Coefficient Values and P-Value (Influence Significance Testing)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
SIPKD_(X1) -> Quality of Financial Statements (Y)	0.281	0.285	0.054	5.212	0.000
SPIP_(X2) - Quality of Financial Statements (Y)	0.469	0.470	0.055	8.481	0.000
PAI_(X3) -> Quality of Financial Statements (Y)	0.444	0.444	0.048	9.177	0.000

Based on the results in Table 3.5 obtained the results:

- 1) SIPKD (X1) has a positive effect on KLK (Y), with a path coefficient value of 0.281 and significant, with a *P-Values* value of $0.000 < 0.05$.
- 2) SPIP (X2) has a positive effect on KLK (Y), with a path coefficient value of 0.469 and significant, with a *P-Values* value of $0.000 < 0.05$.
- 3) The role of Internal Audit (X3) has a positive effect on KLK (Y), with a path coefficient value of 0.444 and significant, with a *P-Values* value of $0.000 < 0.05$.

Table 7
Values of coefficients of determination (*R Square*)

	R Square	R Square Adjusted
Quality of Financial Statements (Y)	0.652	0.643

Source: Smart 3.0 Research Results

Based on Table 3.7 above, it is known that the value of the coefficient of determination for the Financial Statement Quality (Y) variable is 0. 652, which means sipkd (X₁), SPIP (X₂), and the role of internal auditors (X₃) are jointly able to influence the quality of financial statements (Y) by 65.2% and the remaining 34.8% is influenced by other factors beyond this research.

4. Conclusion

Based on the results of data analysis and research discussion, the following conclusions can be drawn are the regional financial management information system (SIPKD), the government internal control system (SPIP) and the role of internal audit have a significant and positive effect on the quality of the financial statements of the Binjai City Government.

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