



# The influence of the internal control system, financial statement audit, management of village fund allocation, and implementation of good governance on the quality of financial statements of the sei kepayang tengah asahan village office

Tuah Rizky Marpaung<sup>1</sup>, Nurwani<sup>2</sup>, Laylan Syafina<sup>3</sup>

<sup>1,2,3</sup>Sharia Accounting Department, Faculty of Islamic Economics and Business, State Islamic University of North Sumatra Medan, Indonesia

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## ABSTRACT

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### Keywords:

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This research aims to see the influence of the internal control system, financial report audits, management of village fund allocations, and the implementation of good governance on the quality of financial reports of the Sei Kepayang Tengah Asahan village office. The population in this study were all auditors at the Sei Kepayang Tengah Asahan village office, and the sample in this study was thirty auditors at the Sei Kepayang Tengah Asahan village office. The data used in this research is primary data, namely using an instrument in the form of a questionnaire. The results obtained in this research show that the internal control system, audit of financial reports, management of village fund allocations, and implementation of good governance have positive and significant effect on the quality of financial reports, meaning that the implementation of an internal control system, audit of financial reports, good management of village fund allocations and maximum implementation of good governance will produce quality financial reports.

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### Corresponding Author:

Tuah Rizky Marpaung,  
Faculty of Islamic Economics and Business,  
State Islamic University of North Sumatra Medan  
Jl. IAIN No. 1, Gaharu, Kec. Medan Tim., 20235, Medan  
Email: [tuahmarpaung250@gmail.com](mailto:tuahmarpaung250@gmail.com)

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## 1. INTRODUCTION

The process of preparing financial statements is the most important process of an organization to find out how the performance or existence of an organization is in one period. The Government Accounting Standard Statement (PSAP) No.1 explains the definition of financial statements as a structured report on the financial position and transactions carried out by a reporting entity. (PP No. 71, 2010). According to (Hartati, 2022) statements are the result of an accounting process that contains financial information used by interested parties, both internal and external. The information presented in the financial statements will be useful if the information can support decision-making and can be understood by users (Pasaribu et al., 2023). The village government has a very important role in the management and service of the community at the local level. In an effort to achieve welfare and sustainable development, it is

important for village governments to improve their performance in managing available resources, including village financial management. Success in village financial management can help ensure transparency, accountability, and efficiency in the use of public funds to meet the needs of the community. A local approach is more urgent than a national one in protecting Indigenous communities because it allows policies to be tailored to their specific cultural, social, and economic contexts. This makes regulations more relevant, easier to implement, and culturally sensitive. In contrast, national policies often fail to align with local realities, potentially causing mismatches. A local focus also encourages community participation and accountability, which are essential for meaningful social responsibility in Indigenous areas.

As one of the most useful information in the context of decision-making, financial statements must be of high quality. According to qualitative characteristics (quality) are a characteristic that makes the information in financial statements useful for the user. Therefore, local governments must be able to present financial statements that contain quality financial information, because financial reports produced by local governments will be used by several interested parties as a basis for decision-making. Therefore, the information contained in the Regional Government Financial Statements (LKPD) must be useful and in accordance with the needs of users (Nurillah, 2020). The resulting government financial statements must meet the principles on time and be prepared by following Government Accounting Standards in accordance with Government Regulation Number 71 of 2010.

Research on the management of village fund allocation is still very worthy of research, because village funds are a central government program that has only been implemented in recent years. Research on the management of village fund allocation has been carried out by previous researchers by examining various factors that affect internal control, human resource competence, and the implementation of *good governance* (Ardiyanti & Supriadi, 2020). This study will examine the quality of the financial statements of the Sei Kepayang Tengah Asahan village office and the factors that affect it. These factors are internal control systems, audits of financial statements, management of village fund allocation and the implementation of *good governance*. Based on the results of an interview with the Head of Sei Kepayang Tengah Village, that the management and administration of finances and budgets, the administration of village fund receipts, and financing create a relationship with aspects of good governance, especially in terms of accountability and transparency, lack of management and administration (Andryana et al., 2023). Good finance can create uncertainty related to the allocation of the Sei Kepayang Tengah Asahan village fund, which can be detrimental to accountability and transparency in the financial policy process (Fitri & Riky, 2020).

The qualitative characteristics required by Government Regulation No. 71 of 2010 concerning Government Accounting Standards, namely (1) Relevant, financial statements are said to be relevant if the information contained in them can influence users' decisions by helping them evaluate past or present events, predict the future, and affirm or correct the results of their evaluations. In addition, information can be said to be relevant if it is presented on time and complete. (2) Reliable, the information in the financial statements is free from misleading interpretations and material errors, presents every fact honestly, and is verifiable. (3) Comparable, the information contained in the financial statements will be more useful if it can be compared with the financial statements of the previous period or the financial statements of other reporting entities in general. (4) It is understandable that the information presented in the financial statements can be understood by the user and stated in forms and terms that are adjusted to the limits of understanding of the users (Agoes, 2020).

An internal control system is a process by which the organization carries out activities efficiently and effectively, financial accountability is reliable and complies with existing laws and regulations management funds become accountable for various

amounts of funds (Aramide et al., 2021). Another factor to ensure accountability in village fund management is internal control. According to (Lamo, 2023) to be able to produce quality information is to make internal control effective. In Government Regulation Number 60 of 2008 concerning the Government Internal Control System (SPIP), SPIP is defined as a process that is integral to 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. SPIP is comprehensively held within the central and regional governments.

Internal audit is a research function that is freely developed in the organization to test and evaluate activities as a form of service to the company's organization. Internal audit carries out free research activities in an organization to review activities in the fields of accounting, finance, and other fields of operations as the basis for providing services to management (Darmawati & Utami, 2023)

The government is obliged to carry out financial management in an orderly, compliant with laws and regulations, efficient, economical, effective and transparent (Arifin et al., 2024). In this case, local governments play an active role in presenting quality financial statements, namely the information contained in them must be in accordance with the information value criteria required by the laws and regulations (Sarnani & Dewi, 2022). However, in reality, problems in government financial statements as a form of government accountability to the community are still often problems and doubts about the truth. It can be seen from the facts that occurred in the field that from the audit of the Financial Audit Agency (BPK) on 533 Regional Government Financial Statements (LKPD) in 2015 which were examined in the first semester of 2016 for all regions in Indonesia, it was found and recorded problems of non-compliance with the provisions of laws and regulations including 6,016 non-compliance problems that had a financial impact consisting of problems that resulted in regional losses of Rp1, 17 trillion, potential regional losses of IDR 538.88 billion, and revenue shortfall of IDR 809.01 billion. (Herawati, 2022), these problems often occur because there are still weaknesses in the internal control system in local governments, causing non-compliance with laws and regulations that have a financial impact.

The Internal Control System (SPI) 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 (Government Regulation No. 60: 2008). The Government Internal Control System (SPIP) consists of several elements, including (PP No. 60: 2008): (1) Control environment, (2) risk assessment, (3) control activities, (4) information and communication, (5) internal control monitoring. The entire process of auditing, reviewing, evaluating, monitoring and other supervisory activities on the implementation of organizational duties and functions in order to provide adequate confidence that the activities have been carried out in accordance with the benchmarks that have been carried out effectively and efficiently in realizing good governance is called internal supervision (Government Regulation No 60 of 2008).

Based on the above background description, the formulation of the problem in this study is, whether the internal control system, audit of financial statements, management of village fund allocation, and the implementation of *good governance* of the Sei Kepayang Tengah village office have a simultaneous and partial effect on the quality of financial statements (Tasios & Bekiaris, 2022).

In accordance with the formulation of the problem above, the purpose of this study is to determine the influence of the internal control system, audit of financial statements, management of village fund allocation, and the implementation of good

governance of the Sei Kepayang Tengah village office simultaneously affect the quality of financial statements (M. & S. W. Agung, 2020).

The researcher conducts a *Research Gap* to see if there are gaps in previous research that are lacking in research. *The research gap* used for further research can complement the shortcomings that exist in previous research as a novelty of research (Sari et al., 2023).

First, a research entitled "Evaluation of Audit Quality in the Implementation of Internal Audit in the Company of PT. Enseval Putera Megatrading, Tbk" conducted by Ararya Nabilah Putri, Hendra Harmain, Muhammad Syukri Albani Nasution, in 2024 in the form of a scientific article Vol 8, No.2. *The research gap* in this study lies in the sources who are not mentioned in the study and how the data processing and analysis techniques are. It would be better if this study conducted an in-depth interview using data processing techniques and data analysis which was explained in detail from the results of the interview to the company (Altamuro & Beatty, 2020)

Second, a research entitled "The Influence of Competence and Internal Control Systems on the Accountability of Village Governments in Managing Village Fund Allocation" conducted by Sahala Purba, Rintan Saragih, Tika Meisiska Br Sembiring, in 2022 in the form of a scientific article Vol 1, No.1. *The research gap* in this study was found in the data validity technique section which did not explain how the stages or processes of the researcher conducted the validity test of primary and secondary data. According to the researcher, it would be even better if the research mentioned how the data validity technique is (Stuart, 2022).

Third, a study entitled "The Influence of Good Corporate Governance on the Financial Performance of Companies Listed on the IDX in 2016-2020" conducted by Kiki Amelia Bancin, Hendra Harmain, in 2022 in the form of a scientific article Vol 6, No.4. *Research gap* in this study did not find any data collection using primary data. The entire series of research uses secondary data such as annual financial statements obtained through the IDX's official website, namely [www.idx.co.id](http://www.idx.co.id). The researcher sees that it would be better if previous research strengthens the results of research by conducting interviews, both to companies and to the community.

Fourth, a research entitled "The Influence of Understanding the Regional Financial Accounting System (SAKD), the Utilization of Information Technology and Internal Control on the Quality of Financial Statements in the Besitang District Village Government" conducted by M. Putra Abdul Rozak Barus, Hendra Harmain, Khairina Tambunan, in 2023 in the form of a scientific article Vol 1, No.4. *The research gap* in this study does not explain concepts or theories, does not mention how researchers obtain data, analyze data, and data validity. In addition, the results of the study only discuss fundamentally how to implement the use of information technology and internal control over the quality of financial statements in the village government of Besitang sub-district and are not equipped with a detailed elaboration of concepts or theories and methods (Simamora et al., 2023).

Fifth, a research entitled "The Influence of Human Resources and Internal Control Systems on the Quality of Financial Statement Reporting" conducted by Irfan Miftahul Khoer, Atnawi, in 2022 in the form of a scientific article Vol 9, No.1. *The research gap* in this study does not mention data validity techniques and data analysis techniques and the research results are not linked to concepts and theories. It would be better if the researcher explained how the researcher took the data, processed the data, and the data validity techniques, and described the results of the research using relevant concepts or theories (Maisyaroh, 2023).

The novelty of this study is that this study tested the dynamic interaction between the four variables simultaneously using *Structural Equation Modeling* (SEM-PLS), which is rarely applied at the village level (Abdul et al., 2023). Previous studies only partially tested. Focus on the management of village fund allocation based on community

participation as a moderation variable, with indicators: the level of community attendance in village deliberations and the use of digital platforms (*WhatsApp groups*) for reporting on the realization of village fund allocation. Develop village-specific *good governance indicators*, such as local cultural transparency: for example, the submission of financial statements in the local language (Asahan Malay) on bulletin boards.

## 2. RESEARCH METHOD

This type of research is quantitative research with an associative research approach. The population in this study is the manager of the work unit or structural officials in the Sei Kepayang Tengah Village Apparatus Work Unit of the Central Sei Kepayang Community Leader which consists of 7 village officials. A sample is part of a population (part or representative of the population being studied). Sampling of respondents was carried out by purposive sampling. Samples were selected based on certain criteria so that they could support this study. The sample criteria used in this study are (a); Structural officials and apparatus who carry out accounting/financial administration functions in Central Sei Kepayang Village; (b) Have a minimum working period of one year in the financial statement preparation period; (c) Organizations gathered under the auspices of the Central Sei Kepayang Village apparatus.

The use of samples in this study was 30 people, 7 village officials, 12 hamlet heads, and 11 community leaders in Sei Kepayang Tengah, Asahan Regency.

The types and sources of data in this study are quantitative research. This type of research data is primary data, namely research data obtained or collected directly from original sources (without intermediaries).

The data collection technique in this study is primary data. Questionnaire surveys are survey methods using research questionnaires. This research questionnaire was submitted directly to the respondents or asked for the help of one of the employees at the Sei Kepayang Tengah Village Head Office to coordinate the distribution and collection of the questionnaire. Questionnaires are created in form using the Likert scale (Basri et al., 2023)

The data analysis techniques in this study are validity test, reliability test, normality test, multicollinearity test, heteroscedasticity test, descriptive analysis, partial test (t test), simultaneous test (F test) and determination coefficient (R2 test).

## 3. RESULTS AND DISCUSSIONS

### 3.1 Result

#### a. Validity Test

The validity test is measured by comparing the calculated value (*corrected item total correlation*) with *r<sub>table</sub>* (simple correlation coefficient). Determining the *r<sub>table</sub>* value using the formula  $n - 2 = 30 - 2 = 28$  or in a simple correlation coefficient table, the magnitude of the *r<sub>table</sub>* value is 0.3610. The results of the validity test can be seen through the following explanation:

Table 1. Internal Control System Validity Test

Item Measurement	Value Calculation	Value <i>r<sub>table</sub></i>	Information
P1	0,514	0,3610	Valid
P2	0,514	0,3610	Valid
P3	0,440	0,3610	Valid
P4	0,910	0,3610	Valid
P5	0,490	0,3610	Valid

Source: Research Data Processing (2025)

Based on the results of the validity measurement of the Internal Control System variable above, all statements (P1,P2,P3,P4,P5) produce a value of  $r_{\text{count}} > r_{\text{table}}$  (0.3610), meaning that the five items of the statement passed the validity test and can be used as an indicator of research symptoms

Table 2. Audit Validity Test of Financial Statements

Item Measurement	Value Calculation	Value rtable	Information
P1	0,791	0,3610	Valid
P2	0,791	0,3610	Valid
P3	0,645	0,3610	Valid
P4	0,645	0,3610	Valid
P5	0,968	0,3610	Valid

Source: Research Data Processing

Based on the results of the validity measurement in the Financial Statement Audit variable above, all statements (P1,P2,P3,P4,P5) produce a value of  $r_{\text{count}} > r_{\text{table}}$  (0.3610), meaning that the five items of the statement passed the validity test and can be used as an indicator of research symptoms.

Table 3. Test of the Validity of the Management of Village Fund Allocation

Item Measurement	Value Calculation	Value rtable	Information
P1	0,577	0,3610	Valid
P2	0,707	0,3610	Valid
P3	0,577	0,3610	Valid
P4	0,454	0,3610	Valid
P5	0,866	0,3610	Valid

Based on the results of the validity measurement on the variables of village fund allocation management above, all statements (P1,P2,P3,P4,P5) produce a value of  $r_{\text{count}} > r_{\text{table}}$  (0.3610), meaning that the five items of the statement passed the validity test and can be used as an indicator of research symptoms.

Table 4. Test the Validity of the Implementation of Good Governance

Item Measurement	Value Calculation	Value rtable	Information
P1	0,493	0,3610	Valid
P2	0,421	0,3610	Valid
P3	0,496	0,3610	Valid
P4	0,807	0,3610	Valid
P5	0,437	0,3610	Valid

Based on the results of the validity measurement on the implementation variable *good governance* above, the entire statement (P1,P2,P3,P4,P5) results in a value of  $r_{\text{count}} > r_{\text{table}}$  (0.3610), meaning that the five items of the statement passed the validity test and can be used as an indicator of research symptoms.

Table 5. Testing the Quality of Financial Statements

Item Measurement	Value Calculation	Value rtable	Information
P1	0,612	0,3610	Valid
P2	0,612	0,3610	Valid
P3	0,567	0,3610	Valid
P4	0,667	0,3610	Valid
P5	0,567	0,3610	Valid

Based on the results of the validity measurement on the quality variables of the financial statements above, all statements (P1,P2,P3,P4,P5) produce a value of  $r_{count} > r_{table}$  (0.3610), meaning that the five items of the statement passed the validity test and can be used as an indicator of research symptoms (Ramadhan, 2023)

#### b. Reliability Test

The results of the reliability test in this study are as follows:

Table 6. Reliability Test

Variable Name	Output <i>Alpha</i>	<i>Cronbach's</i>	Condition Testing	Information
Internal control system (X1)	0,783		> 0,60	Reliabel
Audit of financial statements (X2)	0,756		> 0,60	Reliabel
Management of village fund allocation (X3)	0,769		> 0,60	Reliabel
Implementation of <i>good governance</i> (X4)	0,769		> 0,60	Reliabel
Quality of financial statements (Y)	0,754		> 0,60	Reliabel

Source: *Research Data Processing (2025)*

The results obtained through the above reliability test table that each variable produces a value *cronbach's alpha* Such as the variables of the internal control system (0.783) > 0.60, the audit of financial statements (0.756) > 0.60, the management of village fund allocation (0.769) > 0.60, the implementation of *good governance* (0.769) > 0.60 and the quality of financial statements (0.754) > 0.60. This result explains that all variables are declared to have passed reliability or their accuracy level meets the criteria for use in this study.

#### c. Descriptive Analysis

The descriptive analysis of each variable in this study can be as follows:

Table 9. Descriptive Statistics

	Descriptive Statistics				
	N	Min	Max	Mean	Hours of deviation
Internal Control System	30	20	23	21.80	1.186
Financial Statement Audit	30	20	23	22.00	1.287
Management of Village Fund Allocation	30	21	25	23.00	1.438
Implementation of Good Governance	30	20	25	23.20	1.750
Quality of Financial Statements	30	21	24	22.80	1.997
Valid N (listwise)	30				

Source: *Research Data Processing (2025)*

Based on results *output* Statistics on all descriptive variables of the above research, it is explained that: (a) The internal control system (X1), produces the lowest value (20), highest value (23), mean value (21.80) and standard deviation (1.186); (b) Audit of financial statements (X2), yielded the lowest score (20), highest score (23), average score (22.00) and standard deviation (1.287); (c) The management of village fund allocation (X3) resulted in the lowest score (21), highest score (25), average score (23.00) and standard deviation (1.438); (d) The implementation of *good governance* (X4), resulted in the lowest score (20), highest score (25), average score (23.20) and standard deviation (1.750).

The quality of the financial statements (Y), produced the lowest score (21), highest score (24), average score (22.80) and standard deviation (1.997).

The results of the descriptive analysis above explain that all variables of this study did not have data deviations because all mean values > standard deviation values.

### 3.2 Classic Assumption Test

#### a. Normality Test

Testing through graphs is carried out with two types, namely observing histograms and P-P Plots.

#### b. Histogram Graphic

The results of the histogram graph in this study are as follows:

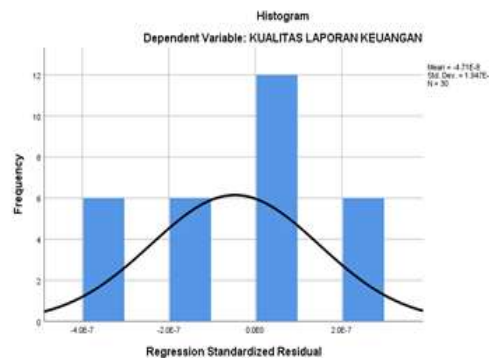


Figure 1. *Histogram*

The results of the normality test using *histogram* Above, it was explained that the diagram formed was the response of all respondents to the statement item on the questionnaire and it was seen that the curved lines formed a bell through the entire diagram so that the conclusion of the normality test using a graph *histogram* states that the data is distributed normally.

#### c. Graphic *P-P Plot*

The results of the graph *P-P Plot* In this study, it is as follows:

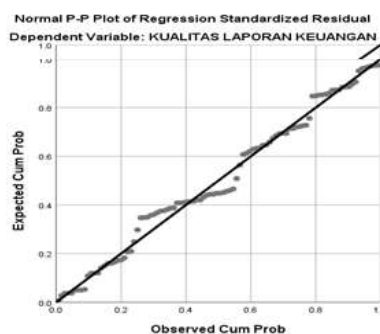


Figure 2. Test Normality with *P-P Plot*

The results of the normality test using *P-P Plot*, explained that all the points (respondents' responses) follow a diagonal line stretching from the number 0.0 on each axis (X and Y) so that it can be concluded that the research data meets the assumption of normality.

#### d. Test Through Statistics

The results of the *Kolmogorov smirnov normality test* used for normality testing are as follows:

Table 7. Kolmogorov-Smirnov Normality Test Results

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		30
Normal Parameters <sup>a,b</sup> Mean		.0000000
	Hours of deviation	1.17420000
Most Extreme	Absolute	.204
Differences	Positive	.204
	Negative	.196
Test Statistic		.204
Asymp. Sig. (2-tailed)		.252 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Research Data Processing (2025)

Based on the results of statistical tests using *kolmogorov smirnov test* above, the variables of the internal control system (X1), audit of financial statements (X2), management of village fund allocation (X3) and implementation of good governance (X4) produced an Asymp.Sig value (0.252) > a significance of 0.05 so that it can be concluded that the data of this study is distributed normally and meets the assumption of normality.

#### e. Multicollinearity Test

The results of the multicollinearity test in this study are as follows:

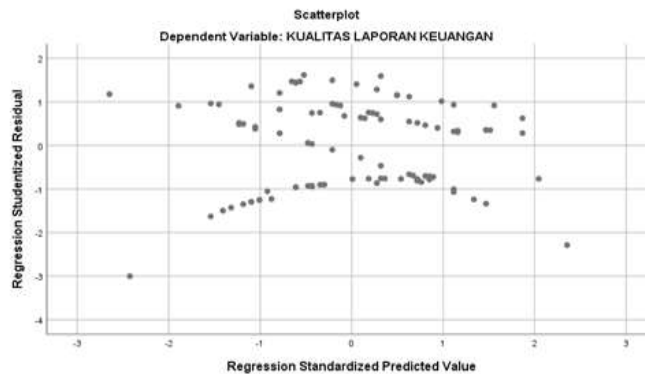
	Coefficients <sup>a</sup>	Collinearity Statistics	
		Tolerance	BRIGHT
1	Model		
	Internal Control System	.709	5.800
	Financial Statement Audit	.833	6.000
	Management of Village Fund Allocation	.567	3.750
	Implementation of Good Governance	.809	6.550

a. Dependent Variable: Quality of Financial Statements

Based on the table above, the VIF value for each research variable can be found as follows: (a) The VIF value for the internal control system variable was  $5.800 < 10$  and the *tolerance* value was  $0.709 > 0.10$  so that the internal control system variable was declared to have no symptoms of multicollinearity; (b) The VIF value for the financial statement audit variable is  $6,000 < 10$  and the *tolerance value* is  $0.833 > 0.10$  so that the financial statement audit variable is declared to have no symptoms of multicollinearity; (c) The VIF value for the variable management of village fund allocation is  $3.750 < 10$  and the *tolerance value* is  $0.567 > 0.10$  so that the variable of village fund allocation management is declared to be non-existent symptoms of multicollinearity; (d) The VIF value for the variable of the implementation of good governance was  $6.550 < 10$  and the *tolerance* value was  $0.809 > 0.10$  so that the variable of the implementation of good governance was declared to have no symptoms of multicollinearity.

#### f. Heteroscedasticity Test

The results of the heteroscedasticity test are as follows:



Gambar 3. Scatterplot

Based on the results of the heteroscedasticity test above, the points are scattered in all parts of point 0 on the X and Y axes. How to detect whether the distribution of data occurs heteroscedasticity if one of the parts is not visible, the points divided through point 0 on the X and Y axes are not visible, but all of these points are scattered throughout the parts so that it can be concluded that the data in this study avoids the problem of heteroscedasticity.

### 3.3 Hypothesis

#### a. Partial Test (t-test)

The results of the partial test (t-test) in this study are as follows:

Table 10. Partial Test (t-test)

Model	Coefficients <sup>a</sup>		Standardized Coefficients Beta	t	Itself.
	Unstandardized Coefficients B	Std. Error			
(Constant)	42.000	2.000		25.359	.000
Internal Control System	2.000	.004	2.380	2.036	.000
Financial Statement Audit	1.000	.005	1.291	3.055	.000
Management of Village Fund Allocation	1.215	.008	.000	3.161	.000
Implementation of Good Governance	2.000	.009	3.512	2.141	.000

A. Dependent Variable: Quality of Financial Statements

Source: Research Data Processing (2025)

The following is a description of the results of the partial test (t-test) on each independent variable, namely: (a) The tcal value (2.036) > the ttable (1.705) and the significance value (0.000 < 0.05) so that H2 is accepted and H0 is rejected, meaning that the internal control system partially has a positive and significant effect on the quality of financial statements; (b) The tcal value (3.055) > the ttable (1.705) and the significance value (0.000 < 0.05) so that H2 is accepted and H0 is rejected, meaning that partially the audit of financial statements has a positive and significant effect on the quality of financial statements; (c) The tcal value (3.161) > the ttable (1.705) and the significance value (0.000 < 0.05) so that H2 is accepted and H0 is rejected, meaning that partially the management of village fund allocation has a positive and significant effect on the quality of financial statements; (d) The tcal value (2.141) > the ttable (1.705) and the significance value (0.000 < 0.05) so that H2 is accepted and H0 is rejected, meaning that partially the implementation of *good governance* has a positive and significant effect on the quality of financial statements.

Among the four independent variables in this study, the most dominant variable in the management of village fund allocation affects the quality of financial statements because the *t*cal value (3.161) is the highest value among other independent variables.

#### b. Simultaneous Test (F Test)

The results of the simultaneous test (F test) in this study are as follows:

Table 11 Simultaneous Test (Test F)

ANOVA						
	Model	Sum of Squares	df	Mean Square	F	Itself.
1	Regression	28.800	4	7.200	15.980	.000b
	Residual	80.953	25	.000		
	Total	109.753	29			

A. Dependent Variable: Quality of Financial Statements  
 B. Predictors: (Constant), Implementation of Good Governance, Financial Statement Audit, Village Fund Allocation Management, Internal Control System

Source: Research Data Processing (2025)

Based on the results of the statistical output above, the results of the simultaneous test explained that the value of *F*cal (15.980) > *F*tabel (1.44) and the significance value (0.000 < 0.05) so that it was decided that H1 was accepted and H0 was rejected, meaning the internal control system, audit of financial statements, management of village fund allocation, and implementation *good governance* Simultaneously affect the quality of financial statements.

#### c. Coefficient of Determination (R2)

The results of the determination coefficient (R2) test are as follows:

Table 12. Coefficient of Determination Test (R2)

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.570a	.438	.454	13.362	

a. Predictors: (Constant), Implementation of Good Governance, Financial Statement Audit, Village Fund Allocation Management, Internal Control System

Source: Research Data Processing (2025)

Based on the results of the determination coefficient in the table above, it can be explained that the value generated through R Square is 0.454, meaning that it is an independent variable consisting of an internal control system, audit of financial statements, management of village fund allocation, and implementation *good governance* able to explain the quality of financial statements by 45.4%, while the remaining 54.6% was explained by other variables that were not included in this study.

### 3.4 Discussion

#### a. The Effect of Internal Control System (X1) on the Quality of Financial Statements (Y)

Based on the results obtained in this study through a partial test (t-test), the significance value for the internal control system variable (X1) calculated (2.036) > *t*tabel (1.705) and significance value (0.000 < 0.05) so that H2 was accepted and H0 was rejected, as concluded that the internal control system had a positive and significant effect on the quality of partial financial statements at the Sei Kepayang Tengah Asahan village office. This means that the results of the research on the influence of the internal control system get concrete, positive and significant results on the quality of financial statements. This study has the same variable, namely the internal control system by

Sahala Purba which shows that the results of the internal control system research have a positive and significant influence on the accountability of the village government in managing the allocation of village funds, while the researcher obtained the results of the internal control system research that has a positive and significant effect partially on the quality of financial statements at the Sei Kepayang Tengah Asahan village office.

b. The Effect of Financial Statement Audit (X2) on the Quality of Financial Statements (Y)

Based on the results obtained in this study through a partial test (t-test), the significance value for the audit variables of financial statements (X2)  $t_{count} (3.055) > t_{table} (1.705)$  and significance value  $(0.000 < 0.05)$  so that H2 was accepted and H0 was rejected, as concluded by the audit of financial statements had a positive and significant effect on the quality of partial financial statements at the Sei Kepayang Tengah Asahan village office. This means that the results of the research on the influence of financial statement audits get concrete, positive and significant results on the quality of financial statements. This study has the same variable, namely the audit of financial statements by Hendra Harmain which shows that the results of the financial statement audit research have a positive and significant influence partially on the evaluation of audit quality in the implementation of internal audits in the company while the researcher obtained the results of the financial statement audit research that has a positive and significant effect partially on the quality of financial statements at the Sei Kepayang Tengah Asahan village office (Warfield, 2020).

c. The Effect of Village Fund Allocation Management (X3) on the Quality of Financial Statements (Y)

Based on the results obtained in this study through a partial test (t-test), the significance value for the variables of village fund allocation management (X3),  $t_{count} (3.161) > t_{table} (1.705)$  and significance value  $(0.000 < 0.05)$  so that H2 was accepted and H0 was rejected, as concluded that the management of village fund allocation had a positive and significant effect on the quality of partial financial statements at the Sei Kepayang Tengah Asahan village office. This means that the results of the research on the influence of village fund allocation management get concrete, positive and significant results on the quality of financial statements. This study has the same variable, namely the management of village fund allocation by Hendra Harmain which shows that the results of research on the management of village fund allocation have a positive and significant influence on human resources in managing village fund allocation, while the researcher obtained the results of research on the management of village fund allocation having a positive and significant effect partially on the quality of financial reports at the Sei Kepayang Tengah Asahan village office.

d. The Effect of the Implementation of *Good Governance* (X4) on the Quality of Financial Statements (Y)

Based on the results obtained in this study through a partial test (t-test), the significance value for the application variable *good governance* (X4)  $count (2.141) > t_{table} (1.705)$  and significance value  $(0.000 < 0.05)$  so that H2 is accepted and H0 is rejected, as concluded by the application *good governance* has a positive and significant effect on the quality of financial statements partially at the Sei Kepayang Tengah Asahan village office. This means that the results of the research influence the application *good governance* get concrete, positive and significant results on the quality of financial statements. This study has the same variable, namely the application of *good governance* by Hendra Harmain who showed the results of application research *good governance* get a positive and significant influence on the company's financial performance while the researcher

gets the results of application research *good governance* has a positive and partially significant effect on the quality of financial statements at the Sei Kepayang Tengah Asahan village office (Bancin & Harmain, 2022)

- e. The Influence of Internal Control System (X1), Financial Statement Audit (X2), Management of Village Fund Allocation (X3) and Implementation of *Good Governance* (X4) on the Quality of Financial Statements (Y)

Based on the results of this study through the results of the F-test, the value of  $F_{cal} (15.980) > F_{table} (1.44)$  and its significance value ( $0.000 < 0.05$ ). This means that the internal control system (X1), financial statement audit (X2), management of village fund allocation (X3) and the implementation of good governance (X4) have a significant effect on improving the quality of financial statements (Y) at the Sei Kepayang Tengah Asahan village office. This means that the results of the research on the influence of the internal control system, audit of financial statements, management of village fund allocation, and the implementation of good governance get concrete, positive, and significant results on the quality of financial statements (T. M. Agung, 2023). This study has the same variable by Rintan Saragih which shows that the research results of all variables have a positive and significant influence on the quality and accountability of financial statements in managing village fund allocation, while the researcher gets research results on the influence of the internal control system, financial statement audit, village fund allocation management, and the implementation of good governance have a positive and significant effect simultaneously on quality financial statements at the Sei Kepayang Tengah Asahan village office.

The presented document does not explicitly discuss field findings related to legal gaps that impact the unfair distribution of CSR in Indigenous areas. Its focus is primarily on internal control systems, financial management, and governance in village fund management, without specifically mentioning CSR or Indigenous territories. Therefore, based on the available information, it cannot be concluded that the field findings indicate a legal gap affecting the distribution of CSR in Indigenous areas.

#### 4. CONCLUSION

Based on the results of the tests and discussions that have been carried out and described previously, it is concluded that the internal control system, audit of financial statements, management of village fund allocation, and the implementation of good governance have a positive and significant influence on the quality of financial statements partially and simultaneously with a significance value of  $0.000 < \alpha 0.05$ , meaning that the better the implementation of the internal control system, The results of the audit of financial statements, the management of village fund allocation, and the implementation of good governance, the financial statements produced will also be of higher quality. It is known that if the implementation of the internal control system goes well, the financial statements produced will have good information value, as well as auditing financial statements, which can increase the credibility of the information presented in financial statements. Similar to the internal control system and report audit, good management of village fund allocation will result in transparency in managing finances so that quality financial results reports and the implementation of good governance also plays a very important role in improving the quality of financial statements. All four have functions and objectives that can have an impact on the results of the preparation of financial statements (Andina et al., 2023). Corporate Social Responsibility (CSR) is a company's responsibility to help the community and protect the environment, in addition to seeking profit. So, the company not only focuses on business, but also cares about the welfare of the surrounding area and preserving nature.

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