

# DETERMINANT OF QUALITY OF FINANCIAL STATEMENT INFORMATION WITH EFFECTIVENESS OF INTERNAL CONTROL SYSTEM AS INTERVENING VARIABLE

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## Abstract

This study aims to prove and analyze the factors that affect the quality of financial statement information on the work unit of the Central Statistics Agency (BPS) in West Nusa Tenggara.

This type of research in terms of research purposes is explanatory research. The number of samples taken by purposive sampling are 66 respondents from the population of 131 people, consisting of Treasury, Treasurer and Operator of Accrual Base Accounting System (SAIBA) and Operator of Financial Management Information System of State Property (SIMAK-BMN) at Central Statistics Agency (BPS) in West Nusa Tenggara. The respondent is the person involved and responsible in preparing the financial statements. Research instrument in the form of questionnaire. The hypothesis is proposed as many as 10 hypotheses based on stewardship theory and analyzed by using Part Least Square (PLS) 3.0. The results showed: (1) management capabilities, role of internal auditor, and information technology did not influence to quality of financial statement information; (2) management capabilities, role of internal auditor, information technology positively influence to effectiveness of internal control system; and (3) the effectiveness of the internal control system mediates the relationship between management capabilities, the role of internal auditors and information technology with the quality of financial statement information. It is concluded that management capabilities, role of internal auditor, information technology will increase the effectiveness of internal controlsystem and have implication to improve the quality of financial statement information. The results of this study can be used as the basis of application of stewardship theory in the public sector, especially in the Central Statistics Agency.

**Keywords:** the quality of financial statement information , management capabilities, role of internal auditor, information technology, effectiveness of internal control system, stewardship theory

## 1. INTRODUCTION

Corruption, collusion and nepotism is a phenomenon that causes public distrust of the State's financial management, so that the demands for transparency and accountability of state financial management are increasing. One of the efforts to realize public trust is to improve transparency, efficiency, and accountability of state financial management, which is reflected through government financial reports (Effendi, 2011). Central Statistics Agency (BPS) as a non-departmental government institution is required to realize good governance and clean government. One of the efforts is to present information on quality financial statements. BPS received Unqualified Exception (WTP) opinion from the Supreme Audit Agency (BPK) for 4 years (2011-2014). However, for the Financial Statements of 2015, BPS failed to obtain an Unqualified Opinion (WDP) opinion.

Quality of financial statement information is an interesting thing to always be reviewed. The facts in the financial statements there are still data that are not appropriate and there are still many irregularities found by the Supreme Audit Agency .. The financial statements are also dynamic means always changing both from systematic preparation, regulation and also accounting information system for financial management that continues to grow. The main targets to be achieved from each entity today are to create quality financial reports and get unqualified opinion (WTP). Unqualified Opinion (WTP) is an euphoria of its own, many agencies vying to expose their success in the mass media whereas WTP is not a benchmark that the agency is clean and free from misappropriation. The motivation of this research is to examine and analyze factors related to the quality of financial statement information in government institutions. In addition to the inconsistency of previous research results on factors that affect the quality of financial statement information. This study examines the variables that allegedly affect the quality of financial statement information that is, the ability of management, the role of internal auditors, information technology and effectiveness of internal control system from the perspective of auditee Based on this background, the issues raised in this research are: 1) Is the management capability, the role of internal auditor, information technology and effectiveness of internal control system affect the quality of financial statement information,

2) Is the management capabilities, the role of internal auditor and information technology influence On effectiveness of internal control system, 3) Is effectiveness of internal control system mediate the influence of management capabilities, role of internal auditor and information technology with quality of financial statement information. The purpose of this study are: 1) To prove and analyze the effect of management capabilities, the role of internal auditors, information technology and effectiveness of internal control system to the quality of financial statement information, 2) To prove and analyze the influence of management capabilities, the role of internal auditors and information technology to the effectiveness of internal control system, 3) To prove and analyze the effectiveness of internal control system mediate the influence of management capabilities, the role of internal audit and information technology with the quality of financial statement information.

## **2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT**

### *2.1 STEWARDSHIP THEORY*

Grand theory underlying this research is stewardship theory (Donaldson and Davis, 1991). Stewardship theory describes a situation in which management is not motivated by individual goals but rather aimed at their primary outcome goal for the benefit of the organization. The theory assumes that there is a strong relationship between the satisfaction and success of the organization.

### *2.2 PRIOR RESEARCH*

Management's ability to influence the effectiveness of internal control, Haliah (2013). The role of internal auditors influences the effectiveness of internal control, by Tarigan et al. (2013), Syarifudin (2014). Information technology (SIA) influences the effectiveness of internal control by Ompusunggu (2002) and Meilawati (2014). Management's ability to influence the quality of financial statement information by Yadnyana and Mertha (2008), Haliah (2013). The role of internal auditors affect the quality of financial statement information, by Yuliani et al. (2010), Setyowati et al. (2016). While Syarifudin (2014) concluded the role of internal auditors have no effect on the quality of financial statement information. Information

technology affects the quality of financial statement information by Indriasari and Nahartyo (2008), Sukmaningrum (2012), Karmila (2013). While Anggraeni (2014), Surastiani and Handayani (2015) concluded that information technology does not affect the quality of information on local government financial statements. Internal control system affect the quality of financial statement information conducted by Sukmaningrum (2011), Haliah (2013), Syarifudin (2014), Karmila, et al. (2013), Anggraeni (2014) stated that internal controls have no effect on the reliability of financial reporting.

### *2.3 THEORETICAL REVIEW*

#### *2.3.1 MANAGEMENT CAPABILITIES*

Ability according to Robbins (2003: 52) is an individual capacity to perform tasks in a particular job. While the meaning of management is a process undertaken to realize the goals of the organization through a series of activities in the form of planning, organizing, directing and controlling people and other organizational resources (Sule and Saefullah, 2005: 6).

#### *2.3.2 ROLE OF THE INTERNAL AUDITOR*

The organization can achieve its goals effectively, efficiently and produce quality financial statement information if supported by the active role of the internal auditor. The role of internal auditors is the internal control over the accountability of state finances, the development of the implementation of the Government Internal Control System (SPIP) and rivi financial statements (PP No.60 Tahun 2008).

#### *2.3.3 INFORMATION TECHNOLOGY*

Information technology is a general term that describes any technology that helps humans create, transform, store, and communicate information (Hariyanto, 2012).

#### *2.3.4 EFFECTIVENESS OF INTERNAL CONTROL SYSTEM*

Internal control according to COSO (2009) is a process influenced by the boards of directors, management, internal auditors, and other personnel. The achievement of internal control objectives are financial reporting reliability, conformity with applicable laws and regulations, effectiveness and efficiency of operations.

### *2.3.5 QUALITY OF FINANCIAL STATEMENT INFORMATION*

Qualitative characteristics are normative measures that need to be manifested in accounting information so as to meet its objectives. In order for the government's financial report to meet the desired quality, the government's financial report needs to meet four characteristics: relevant, reliable, comparable, and understandable. (PP No.71, 2010).

### *2.3.6 EFFECT OF MANAGEMENT CAPABILITIES ON THE QUALITY OF FINANCIAL STATEMENT INFORMATION*

Accountability of quality financial statement information is the responsibility of the organization's management. Government management as a steward must be able to present information on quality financial reports that become obligations and responsibilities to users of financial statement information (principal).

**H1:** *Management's capabilities positively influence the quality of financial statement information*

### *2.3.7 EFFECT OF THE ROLE OF INTERNAL AUDITORS ON THE QUALITY OF FINANCIAL STATEMENT INFORMATION*

The task of the internal auditor is to determine whether policies and procedures established by top management have been adhered to, to determine whether or not the maintenance of the organization's wealth, to determine the efficiency and effectiveness of the organization's activity procedures, and to determine the reliability of the resulting information.

**H2:** *The role of internal auditors positively affects the quality of financial statement information*

### *2.3.8 EFFECT OF INFORMATION TECHNOLOGY ON THE QUALITY OF FINANCIAL STATEMENT INFORMATION*

To reduce the inaccuracy and the level of error in the preparation of financial statements, then made a system-based information technology that can support the creation of quality financial statements, namely Accounting Information Systems in the preparation of financial statements

**H3:** *Information technology positively affects the quality of financial statement information*

### **2.3.9 EFFECT OF MANAGEMENT CAPABILITIES ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM**

In section 4, PP. 60, 2008 states that the leadership of government agencies shall create and maintain a control environment that raises positive and conducive behavior for the application of SPI in its working environment. This indicates that the leadership is responsible for the effectiveness of the implementation of the Internal Control System (SPI) in each environment.

**H4:** *Management's capabilities to positively affect the effectiveness of the internal control system*

### **2.3.10 INFLUENCE OF ROLE OF INTERNAL AUDITOR TO EFFECTIVENESS OF INTERNAL CONTROL SYSTEM**

The main function of internal auditors is to conduct internal control investigations and evaluations organized by the organization and to provide recommendations based on findings and improvements to produce quality financial statement information.

**H5:** *The Role Of The Internal Auditor Positively Influences The Effectiveness Of The Internal Control System.*

### **2.3.11 INFLUENCE OF INFORMATION TECHNOLOGY ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM**

Internal control is defined as a process that is influenced by human resources and information technology systems designed to help the organization achieve a certain goal.

**H6:** *Information technology positively affects the effectiveness of the internal control system*

### *2.3.12 EFFECT OF EFFECTIVENESS OF INTERNAL CONTROL SYSTEM ON THE QUALITY OF FINANCIAL STATEMENT INFORMATION*

COSO defines internal control as a process designed to provide reasonable assurance about achieving three objectives: 1) reliability of financial statements, 2) compliance with applicable laws and regulations, 3) effectiveness and efficiency of operations. One of the general objectives of management in designing effective government internal control systems is for reliable financial statements (Arens, 2008: 370).

**H7:** *The effectiveness of the internal control system has a positive effect on the quality of financial statement information*

### *2.3.13 EFFECTIVENESS OF INTERNAL CONTROL SYSTEM MINIMIZING MANAGEMENT CAPABILITIES WITH QUALITY OF FINANCIAL STATEMENT INFORMATION*

The Government Internal Control System (SPIP) is an integral process of actions and activities undertaken continuously by leaders and all employees to provide reasonable assurance of achieving organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance Against the laws and regulations (Government Regulation Number 60.of 2008, Chapter I Ps. 1 point 1).

**H8:** *Effectiveness of Internal Controls Mediating Effects of Management Capabilities on Improving the Quality of Financial Statement Information*

### *2.3.14 EFFECTIVENESS OF INTERNAL CONTROL SYSTEM MEDIATING THE ROLE OF INTERNAL AUDITOR WITH QUALITY OF FINANCIAL STATEMENT INFORMATION*

Qualified financial statement information is generated through an effective internal control system. The effectiveness of the Internal Control System is one of the criteria used by BPK in examining the reasonableness of financial information, in accordance with Law No. 15 of 2004.

**H9:** *Effectiveness of Internal Controls Mediating the Role of Internal Audit on the Quality of Financial Statement Information*

2.3.15 EFFECTIVENESS OF INTERNAL CONTROL SYSTEM MEDIATING INFORMATION TECHNOLOGY WITH QUALITY INFORMATION FINANCIAL REPORT

The relationship between the internal control system and the information technology system is able to fulfill its function to produce timely, relevant and reliable accounting information and the risk of mistakes can be minimized so as to assist in the preparation of qualified financial statements.

**H10:** *The effectiveness of internal control mediates information technology on quality financial statement information*

2.4 CONCEPTUAL FRAMEWORK

The conceptual framework in this study can be described as follows

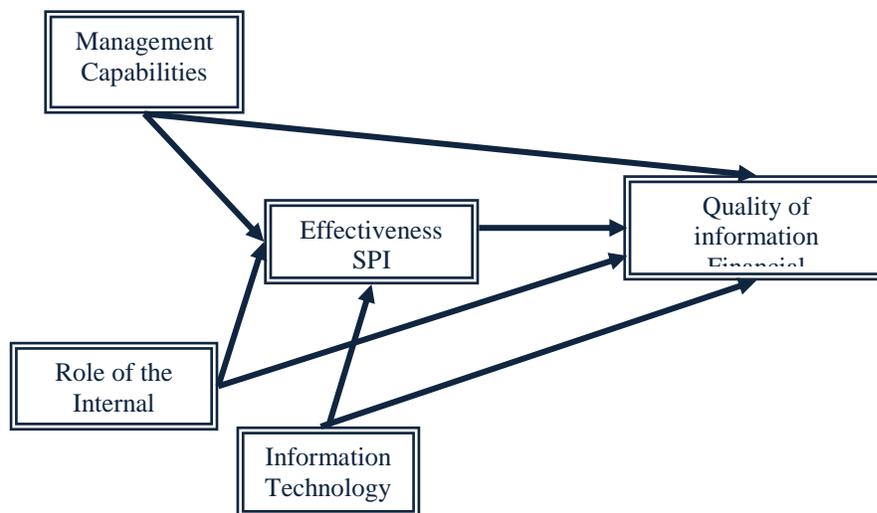


Figure 2.1  
Research Concept Framework

### **3. RESEARCH METHODS**

The type of research used in this study is explanatory research (explanatory research). This research was conducted on (11) eleven units of work contained within the scope of the Central Bureau of Statistics in NTB Province. Carried out from February to March 2017.

#### *3.1 RESEARCH POPULATIONS AND SAMPLE*

The population in this study are all structural officials, treasurers and operators (SAIBA and SIMAK-BMN) within the Central Statistics Agency in NTB Province. The total population is 131 people from 11 work units. Samples were taken using purposive sampling. The number of samples in this study are 66 respondents consisting of Budget User Authority (KPA), Committing Officer (PPK), Paying Order Officer (PPSPM), Treasurer and Operator (SAIBA and SIMAK-BMN). This criterion was chosen because KPA, PPK, PPSPM, Treasurer and Operator including financial manager of work units and involved in preparation of financial statement (LK)

#### *3.2 DATA COLLECTION PROCEDURES*

The data used in this study is the primary data. Data collection conducted in this study using questionnaires.

#### *3.3 RESEARCH AND MEASUREMENT VARIABLES*

The research variables used in this study can consist of three exogenous variables : Management Capability (KM), Internal Audit Role (PAI), Information Technology (IT) and two endogenous variables: namely Effectiveness of internal control system (SPI) and Quality of Information Report Finance (KLK), and Intervening Variables (mediation) : Effectiveness of internal control system (SPI).

1. Variable management capabilities in this research is the ability or ability to perform the process of planning, organizing, directing and controlling the use of resources to achieve the goals / performance targets. Management capability is measured using indicators of management functions from Nickles, McHugh and McHugh (1997) in Sule and Saefullah (2005).

2. Role is the dynamic aspect of position. When a person exercises his rights and obligations in accordance with his position, he carries out a role (Soekanto, 2009: 212-213). Indicator role of internal auditor based on Government Regulation No. 60 of 2008 are: 1) giving adequate assurance on compliance, effectiveness, efficiency, and effectiveness of achievement of tasks and functions of Government Agency, 2) providing early warning and improving risk management effectiveness in performing tasks And the functions of Government Agencies, and 3) maintain and improve the quality of governance of the tasks and functions of Government Agencies.

3. Information technology is a general term that describes any technology that helps humans create, transform, store, and communicate information (William and Sawyer in Hariyanto, 2012). In this study the indicators adopted IT indicators proposed by Davis (1989) are: convenience and benefits.

4. In the context of internal control, as proposed by Tunggal (2000: 115) that Effectiveness is how an internal control policy or procedure is applied, the consistency of its application and by whom it is carried out. Indicators used to measure the effectiveness of internal controls adopted from Government Regulation No. 60 of 2008 are the control environment, risk assessment, control activities, information and communication, monitoring.

5. Based on Government Regulation No. 71 of 2010, the quality of financial statements of ministries / institutions are normative measures that need to be realized in the accounting information so as to meet its objectives. Indicator used for variable quality of information of this financial report is qualitative characteristics of financial statements in accordance with PP No.71 of 2010 are: relevant, reliable, comparable and easy to understand. Assessment of exogenous variables and endogenous variables above is done by using a seven-point semantic differential.

### *3.4 DATA ANALYSIS*

Analysis of the data used in this study with the help of SmartPLS program version 3.0.

## 4. RESULT

### 4.1 TESTING MEASUREMENT MODEL (OUTER MODEL)

The measurement model is used to test the validity of the construct and the reliability of the instrument. Validity test in this research is convergent validity and discriminant validity, while for reliability test that is composite reliability and Cronbach's Alpha. This test is done by using PLS Algorithm analysis. The research results are described in Table 4.1 and Table 4.2 as follows:

Tabel 4.1 Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
ESPI	0.895	0.902	0.919	0.620
KILK	0.884	0.889	0.915	0.683
KM	0.860	0.877	0.899	0.641
PAI	0.792	0.801	0.878	0.706
TI	0.922	0.937	0.945	0.810

Tabel 4.2 Discriminant Validity

Fornell-Larcker Criterion

	<b>ESPI</b>	<b>KILK</b>	<b>KM</b>	<b>PAI</b>	<b>TI</b>
<b>ESPI</b>	0.787				
<b>KILK</b>	0.687	0.827			
<b>KM</b>	0.768	0.594	0.800		
<b>PAI</b>	0.427	0.407	0.334	0.840	
<b>TI</b>	0.594	0.413	0.403	0.157	0.900

From Table 4.1 above shows that the value of Average Variance Extracted (AVE) > 0.5. Discriminant Validity is met, because the square root value of AVE > the correlation value between the latent constructs. Table 4.1 shows the value of composite reliability and cronbach's alpha > 0.70. This means that validity and reliability are met.

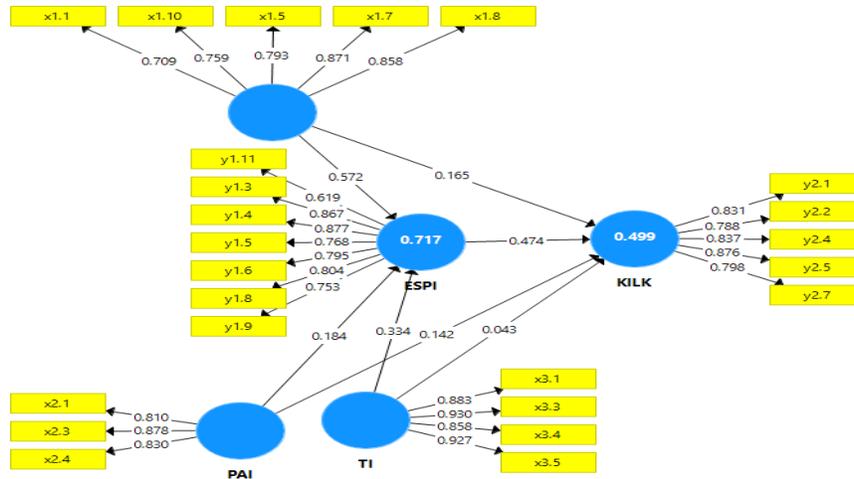


Figure 4.1 Measurement Model

#### 4.2.1 STRUCTURAL MODEL (INNER MODEL)

In assessing the structural model with PLS begins by looking at the value of R-Squares and Q-square predictive relevance. R-square 0.67, 0.33, 0.19 shows strong, moderate and weak models and  $Q^2 > 0$  values indicate the model has predictive relevance (Chin in Ghozali 2012: 85). The values of R-square and  $Q^2$  of the research results are described in Table 4.3 and Table 4.4 as follows:

Table 4.3 R-square value

	R Square	R Square Adjusted
<b>ESPI</b>	0.717	0.703
<b>KILK</b>	0.499	0.466

Sumber: Output PLS 3.0

Table 4.4 Construct Crossvalidated Redundancy

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
<b>ESPI</b>	462.000	276.313	0.402
<b>KILK</b>	330.000	228.802	0.307

Sumber: Output PLS 3.0

This result also shows that 71,7% effectiveness variable of internal control system can be explained by exogenous variable in research while 28,3% is explained by other factors outside of studied. In addition

49.9% variable quality of financial statement information can be explained by the variables in the study while 50.1% is explained by other factors outside the variables studied.

Based on table 4:4 above, it can be said that the model is considered to have a predictive value relevant because the value of Q-square is greater than 0 ( $> 0$ ).

#### 4.2 HYPOTHESIS TESTING

The hypothesis is accepted (supported) if the T-statistics value is higher than the T-table value (1.64) with the significance of the 5% (one tailed) level. The results of the PLS bootstrapping process can be seen in Figure 4.2, Table 4.5 and Table 4.6 as follows:

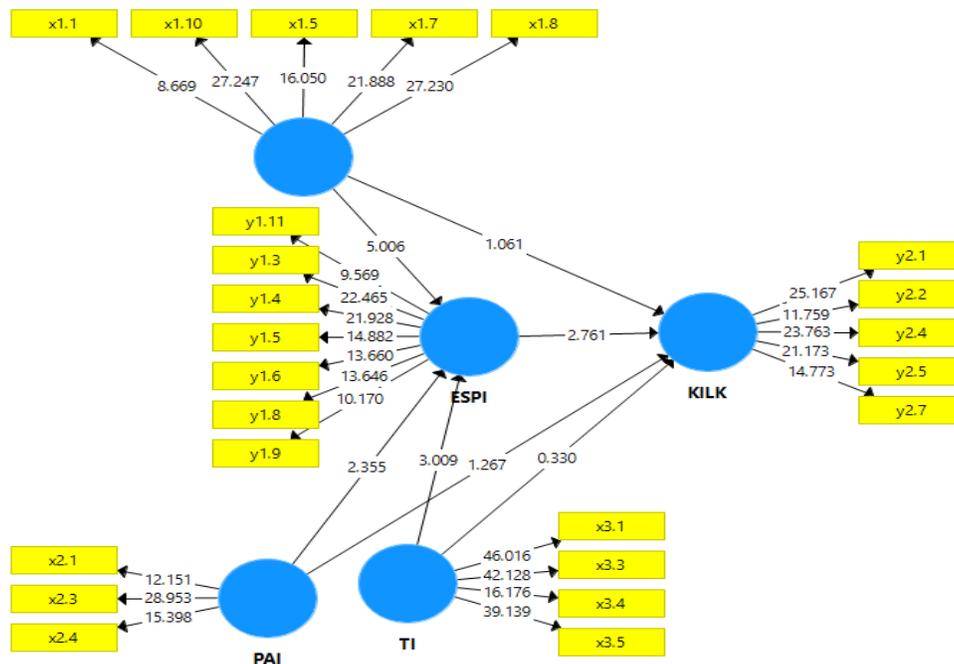


Figure 4.2 Results Bootstrapping Process

**Table 4.5 Path Coefficients**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
<b>ESPI -&gt; KILK</b>	0.474	0.477	0.172	2.761	0.003
<b>KM -&gt; ESPI</b>	0.572	0.573	0.114	5.006	0.000
<b>KM -&gt; KILK</b>	0.165	0.147	0.155	1.061	0.145
<b>PAI -&gt; ESPI</b>	0.184	0.195	0.078	2.355	0.009
<b>PAI -&gt; KILK</b>	0.142	0.153	0.112	1.267	0.103
<b>TI -&gt; ESPI</b>	0.334	0.326	0.111	3.009	0.001
<b>TI -&gt; KILK</b>	0.043	0.065	0.129	0.330	0.371

Source: Output PLS 3.0

**Tabel 4.6 Indirect Effects**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
<b>ESPI -&gt; KILK</b>					
<b>KM -&gt; ESPI</b>					
<b>KM -&gt; KILK</b>	0.271	0.281	0.128	2.117	0.017
<b>PAI -&gt; ESPI</b>					
<b>PAI -&gt; KILK</b>	0.087	0.090	0.045	1.929	0.027
<b>TI -&gt; ESPI</b>					
<b>TI -&gt; KILK</b>	0.159	0.147	0.064	2.469	0.007

Source: Output PLS 3.0

Based on Figure 4.5 and Table 4.6, the result of hypothesis as follows:

- a. **H1** is rejected, because the value of T-statistics (1,601) < T-table (1.64), Pvalue (0.145) with 5% significance (one tailed).
- b. **H2** is rejected, because the value of T-statistics (1,267) < T-table (1.64), Pvalue (0.103) with 5% significance (one tailed).
- c. **H3** is rejected because, the value of T-statistics (0.330) < T-table (1.64), Pvalue (0.371) with 5% significance (one tailed).
- d. **H4** is accepted, because the value of T-statistics (5,006) > T-table (1.64), Pvalue (0.000) with 5% significance (one tailed).

- e. **H5** accepted the value of T-statistics (2.023) > T-table (1.64), Pvalue (0.009) with 5% significance (one tailed),
- f. **H6** accepted, T-statistics value (3,009) > T-table (1.64), Pvalue (0.001) with 5% significance (one tailed),
- g. **H7** is accepted, because it has the value of T-statistics (2,761) > T-table (1,64) with Pvalue 0.003 with 5% significance (one tailed).
- h. **H8** accepted, value of T-statistics (2,117) > T-table (1.64), Pvalue (0.017) with 5% significance (one tailed).
- i. **H9** accepted, T-statistics value (1,929) > T-table (1.64), Pvalue (0,027) with 5% significance (one tailed).
- j. **H10** is accepted, because the value of T-statistics (2,469) > T-table (1.64), Pvalue (0.007) with 5% significance (one tailed).

#### *4.4 EQUATION OF STRUCTURAL MODEL*

The structural model equations obtained based on the results of inner model testing and hypothesis testing, as follows:

$$ESPI = 0.572KM + 0.184PAI + 0.334TI + \zeta_1$$

$$KILK = 0.474SPI + 0.165KM + 0.142PAI + 0.043TI + \zeta_2$$

Information :

KM = Management Capability

PAI = Internal Audit Role

IT = Information Technology

ESPI = Effectiveness of internal control system

KILK = Quality of Financial Statement Information

Z = structural model error

4.5 Discussion

#### *4.5.1 THE INFLUENCE OF MANAGEMENT CAPABILITIES ON THE QUALITY OF FINANCIAL STATEMENT INFORMATION*

Hypothesis 1 which states that management's capabilities to positively affect the quality of financial statement information is rejected. This shows that the improvement of management capability has little effect on the improvement of financial statement information quality. This means that there are other factors that affect the quality of financial statement information on BPS work units in the region of NTB.

Hypothesis test results are not consistent with the results of research Yadyana and Mertha (2008) which states that the ability of management in the form of planning and organizing significantly influence the quality of accounting information. As well as research from Haliah (2013), that the ability of management positively affect the quality of financial statement information.

#### *4.5.2 THE INFLUENCE OF THE ROLE OF INTERNAL AUDITORS ON THE QUALITY OF FINANCIAL STATEMENT INFORMATION*

Hypothesis 2 which states the role of internal auditors positively affect the quality of financial statement information is rejected. This can be explained because internal auditors are not directly involved in the process of preparing financial statements. Internal auditors are only tasked to conduct inspection, coaching, and management consultants. Not optimal the role of auditors, also due to the number of internal auditors are limited so that audits can not be done routinely, while the coverage area is very wide.

From the analysis of respondents' answers stated that not all documents are checked thoroughly by internal auditors, In addition, the role of internal auditors in reviewing the financial statements is also not fully optimal. This of course affects the results of audits conducted by external auditors (BPK). The results of this study are not in line with research conducted by Yuliani (2010), Setyowati et al. (2016) which concluded the role of internal auditors positively affect the quality of financial statements. This research supports the results of Syarifudin research (2014), that the role of internal auditors has no significant effect on the quality of LKPD.

#### *4.5.3 THE INFLUENCE OF INFORMATION TECHNOLOGY ON THE QUALITY OF FINANCIAL STATEMENT INFORMATION*

Hypothesis 3 which states that information technology has a positive effect on the quality of financial statement information is rejected. This means that increased use of information technology has no significant effect due to information technology requires the ability of users to operate the existing technology. The operator in charge of preparing the financial statements has not fully understood fully with the results or outputs out of the existing accounting information system. Interpretation of the meaning of the application's output results has not been properly mastered, so this can lead to misstatement in the financial statements.

The results of this study do not support research conducted by Indriasari and Nahartyo (2008), Sukmaningrum (2012), Karmila et al. (2013), which concludes that information technology positively affects the quality of financial statement information. The results of this study are in line with the research of Anggraeni (2014), Surastiani and Handayani (2015) which concluded that information technology has no effect on the quality of information on local government financial statements.

#### *4.5.4 EFFECT OF MANAGEMENT CAPACITY ON INTERNAL CONTROL SYSTEM EFFECTIVENESS*

Hypothesis 4 which states the ability of management to the effectiveness of internal control system is accepted. This shows that management as the bearer of the mandate in creating a good control environment has been successful in carrying out its functions to streamline internal control for the benefit of the organization. The results of this study in line with the results of Haliah (2013), that the ability of management positively affect the effectiveness of internal control systems.

#### *4.5.5 EFFECT OF INTERNAL AUDITOR'S ROLE TO THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEM*

Hypothesis 5 which states the role of internal auditors positively affect the effectiveness of internal control systems accepted. The acceptance of this hypothesis explains that the oversight tasks undertaken by BPS internal auditors can strengthen and improve the effectiveness of the implementation of the SPI. From the

results of the assessment of respondents the role of internal auditors is very good and helps in improving the effectiveness of internal control system through guidance to management in recognizing the risks that can hinder the achievement of organizational goals.

The results of this study are in line with the research conducted by Haliah (2013), Tarigan (2013), Syarifudin (2014) which concluded that the role of internal auditors significantly influence the effectiveness of internal control..

#### *4.5.6 EFFECT OF INFORMATION TECHNOLOGY ON THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEM*

Hypothesis 6 which states that information technology has a positive effect on the effectiveness of internal control system is accepted. This means that the increasing information technology, the internal control system will be more effective. The relationship between the internal control system and the information technology system is able to fulfill its function to produce timely, relevant and reliable accounting information and the risk of mistakes can be minimized so as to assist in the preparation of qualified financial statements.

The results of this study are consistent with the research of Ompusunggu (2002), Meilawati (2014) which states that the application of accounting information system has a positive effect on internal control system.

#### *4.5.7 EFFECT OF EFFECTIVENESS OF INTERNAL CONTROL SYSTEM ON QUALITY OF FINANCIAL STATEMENT INFORMATION*

Hypothesis 7 which states the effectiveness of Internal Control System has a positive effect on the Quality of Financial Statement Information received. This means that the effectiveness of the internal control system in the BPS work unit in NTB region gives a positive impact on improving the quality of financial statement information.

The fulfillment of the elements of internal control indicates the leadership and all employees have run the mandate of PP 60 of 2008 is able to improve the effectiveness internal control system so that the

organization objectives through effective and efficient activities, reliability of financial reporting, security of state assets, and adherence to statutory regulations. Invitations can be achieved.

The results of this study support research conducted by Sukmaningrum (2011), Haliah (2013), Syarifudin (2014) who sees a significant positive relationship between internal control and the quality of financial statements. The results of this study are also not in line with research Karmila, et al. (2013), Anggraeni (2014) that internal controls have no effect on the reliability of local government financial reporting.

#### *4.5.8 EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS MEDIATING RELATIONSHIP MANAGEMENT CAPABILITIES WITH QUALITY OF FINANCIAL STATEMENT INFORMATION*

Hypothesis 8 which states the effectiveness of the internal control system mediates the relationship between management capabilities and the quality of financial statement information received. This shows that effective internal control system if supported by the application of good management functions will be able to provide opportunities for management / leadership in improving the quality of financial statement information.

Leaders have limitations to be able to control all the activities of the organization especially with a wide and complex scope in government organizations. One system that can help the leadership in controlling the activities of the organization is an effective internal control system. With effective internal control is expected that the resulting information can be qualified and can be used as a decision-making.

The results of this study are in line with the results of Haliah (2013) study which concluded that the effectiveness of internal control can mediate partially the relationship between management capability and quality of internal audit services with the quality of financial statement information.

#### *4.6.9 EFFECTIVENESS OF INTERNAL CONTROL SYSTEM MEDIATING RELATIONSHIP ROLE INTERNAL AUDITOR WITH QUALITY OF INFORMATION FINANCIAL STATEMENT*

Hypothesis 9 which states that the effectiveness of internal control systems mediate the relationship of the role of internal auditors with the quality of financial statement information received. This shows that the role of internal auditors in the BPS environment has been done well in an effort to improve the effective internal control system, in order to produce quality financial statement information. Thus, the effective internal control system becomes the way for internal auditors in carrying out their duties that have implications on the realization of quality financial statement information.

The results of this study support the results of research results Haliah (2013) which concluded that the effectiveness of internal controls can mediate the relationship between the ability of management and quality of internal audit services with the quality of financial statement information. And the results of this study are not in line with the results of research Syarifudin (2014) which concluded SPIP can not mediate the relationship of the role of internal auditors and the quality of financial statements.

#### *4.6.10 EFFECTIVENESS OF INTERNAL CONTROL SYSTEM MEDIATING RELATIONSHIP OF INFORMATION TECHNOLOGY WITH QUALITY OF FINANCIAL STATEMENT INFORMATION*

Hipoteis 10 which states the effectiveness of internal control system mediate the relationship of information technology with the quality of financial statement information received. These results indicate that the utilization of information technology in BPS NTB has been well proven by able to improve the effectiveness of internal control system that is expected to give impact for the implementation of quality financial report information.

Information technology will produce quality financial report information through effective internal control system. This means that quality financial report information is generated through an information system where the information system is part of the internal control element.

## **5. CONCLUSIONS, IMPLICATIONS, LIMITATIONS AND RESEARCH SUGGESTIONS**

This research tries to provide empirical evidence about the influence of management capabilities, role of internal auditor, information technology and effectiveness of internal control system to financial statement information quality. The result of this research shows that: a) the influence of management capabilities, the role of internal auditor, information technology has positive effect on the quality of financial statement information, b) the influence of management capabilities, the role of internal auditor, information technology has positive effect on the effectiveness of internal control system, c ) Effectiveness of internal control system mediate relationship management capabilities, role of internal auditor, information technology with quality of financial statement information.

The implication of the findings of this research is expected to contribute empirically as a learning material about the description of management capabilities, the role of internal auditor, information technology and internal control system implemented in the work unit of the Central Bureau of Statistics. And can be used as a reference for further research research and for decision makers as material information and considerations in setting policies related to financial management by taking into account various factors forming the quality of financial statement information such as management capabilities, the role of internal auditors, information technology and internal control system so Created information quality financial reports.

Nevertheless, there are some limitations in this research: 1) The scope of this research is limited to the Central Bureau of Statistics in NTB, so as to allow for differences in research results and conclusions when the research is conducted on different Work Units, 2) Data collection techniques Using questionnaires, and indicated the respondent's assessment is not objective. 3) This research is not exploring other factors that allegedly influence as intervening variable, whereas there are many other conditional factors that influence the independent variable to the quality of financial statement information.

It is recommended for the next researcher to add or extend the research object as a comparison, add data collection methods by interviewing, using different statistical analysis tools, and by adding other factors as intervening variables eg by using regulatory variables, leadership styles, and abilities.

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