

The Effect Of Application Of Government Accounting Standards, Implementation Of Internal Control Systems, And Completion Of Audit Findings On The Quality Of Financial Reports With Human Resources Competency As A Moderating Variable

(Survey of Regional Apparatus Work Units (SKPD) of Lahat Regency)

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Abstract— This study aims to determine the effect of the application of Government Accounting Standards, the application of Internal Control Systems and Completion of audit findings on the Quality of Financial Statements with Competence of Human Resources as a moderating variable. The research design method uses a survey method with data collection methods using a questionnaire. The population in this study were employees of 32 financial administration employees in the Regional Work Unit (SKPD) of Lahat Regency, using a purposive sampling technique, so that 90 employees were selected as the research sample. The analysis technique used is SmartPLS software version 4.0.8.5. The results of the analysis show that simultaneous and partial testing, the application of Government Accounting Standards, the application of the Internal Control System and the completion of audit findings have a significant effect on the quality of financial reports. Meanwhile, the competence of human resources is not able to moderate the influence between the application of Government Accounting Standards, Internal Control Systems and completion of audit findings on the Quality of Financial Statements. The coefficient of determination is 92.5 percent, while the remaining 7.5 percent is explained by other variables.

Keywords— Government Accounting Standards; Internal Control Systems; Completion of Audit Findings; Competence of Human Resources; Quality of Financial

Introduction

Local governments, as well as the central government, have the role of publishing data through financial information that is used as the Basis for gathering decisions. As a form of accountability in the administration of government-regulated in the Law of the Republic of Indonesia Number 17 of 2003 concerning State Finance and Law of the Republic of Indonesia Number 32 of 2004 concerning Regional Government. To create transparency and increase accountability for government financial management, be it the central government or regional government, by delivering accountability in the form of financial information.

BPK audit results on 542 Regional Government Financial Statements (LKPD) for 2016 revealed WTP opinions on 378 (70%) LKPDs, WDP opinions on 141 (26%) LKPDs, and TMP opinions on 23 (4%) LKPDs. 2017 revealed WTP opinion on 411 (76%) LKPD, WDP opinion on 113 (21%) LKPD, and TMP opinion on 18 (3%) LKPD. 2018 revealed WTP opinion on 443 (82%) LKPD, WDP opinion on 86 (16%) LKPD, and TMP opinion on 13 (2%) LKPD. BPK audit results on 541 Regional Government Financial Reports (LKPD) for 2019 revealed WTP opinions on 485 (90%) LKPD, WDP opinion on 50 (9%) LKPD, and TMP opinion on 6 (1%) LKPD. Meanwhile, in 2020 it revealed WTP opinions on 486 (90%) LKPD, WDP opinions on 45 (8%) LKPD, and TMP opinions on 10 (2%) LKPD.

The Audit Agency also found problems related to Government Accounting Standards (SAP). According to Djanegara (2017), Local Government Financial Reports that have not received a WTP view are caused by: (a) there are accounts in which the financial information presented does not match Government Accounting Standards (SAP) and (b) is not supported by sufficient evidence, especially in current assets (18%), fixed assets (27%), other assets (8%), long-term investments (3%), short-term liabilities (3%), income (5%), operating expenses (12%), capital expenditure (12%), LO-operating expenses (10%), and other accounts (2%). Research (by Wati et al. 2014), (Mahaputra, 2014), (Philadelphia et al., 2020), (Kiranayanti, 2016), (Suwanda, 2015), (Anisma, 2014), (Djalil et al., 2017) and (Setiyawati, 2019) obtained the result that SAP has a positive and important influence on the quality of regional financial information. However, the results of research (Inapty & Martiningsih, 2016), (Julita, 2018) and research (Sari, 2016) report that the application of Government Accounting Standards does not affect the quality of financial information.

In addition to these problems, the phenomenon that is happening at the moment is that the BPK creates another case that is related to the weakness of the Internal Control System. The 2021 BPK Examination Report reveals findings on weaknesses in the Internal

Regulatory System as well as findings on non-compliance with laws and regulations. The Financial Interrogator Body uncovered 4,555 findings consisting of 6,011 cases totaling Rp. 31.34 trillion in audits by the Supreme Audit Agency in Semester II of 2021. The cases consisted of 3,173 cases related to inefficiency, ineffectiveness, and ineffectiveness (3E) of 1.64 trillion. One thousand seven hundred twenty cases were non-compliance with the provisions of laws and regulations, amounting to 29.70 trillion. Meanwhile, 1,118 cases were linked to weaknesses in the internal regulatory system. In cases, there were 95.9 percent or 3,043 cases of ineffectiveness or Rp. 218.56 billion, 127 cases of inefficiency or Rp. 1.42 trillion, and 3 cases of the inefficiency of Rp. 1.59 billion (Republika.co.id, May 2022).

The BPK Audit Report reveals findings on weaknesses in the Internal Control System as well as findings on non-compliance with laws and regulations. The discovery of the Internal Control System proves the case in the weakness of the accounting and reporting management system, the weakness of the regulatory system for applying income and spending calculations, and the weakness of internal regulatory forms. Findings on non-compliance with statutory determinations can be grouped as follows: (a) regional losses, (b) potential regional losses, (c) lack of revenue, and (d) administrative irregularities.

Previous research conducted by (Mahaputra, 2014), (Kiranayanti, I, 2016), (Pradono, 2015), (Miharja et al., 2020), (Suwanda, 2015), (Julita, 2018), (Afiah, 2017), (Kewo, 2017) and (Agung & Gayatri 2018) if internal regulation has a positive effect on the quality of financial information. Meanwhile, research results (Philadelphia et al., 2020), (Setiyawati, 2013), (Budawan, 2014). And (Nurlis & Yudiati, 2017) prove that the application of the Internal Control System does not affect the quality of financial information.

The phenomenon that is happening at this time is that the completion of BPK audit findings still needs to be higher. Based on the results of follow-up actions taken by the BPK from 2005 to 2021, the BPK has submitted 633,648 suggestions for checking results of IDR 305.84 trillion to the entities under investigation. The results of the control over the follow-up of the suggestion proved that 490, 014, or 77% of the suggestion of Rp. 156.10 trillion was suitable, 105, 193, or 17% of the suggestion of Rp. 100.15 trillion was not suitable, 31,709 or 5% of the suggestion of Rp. 27.89 trillion have yet to be followed up, and 6,732 or 1% suggestions of IDR 21.70 trillion cannot be followed up (Republika.co.id, May 2022).

Completion of audit findings synonymous with terms of practice is the follow-up of examination results. The purpose of the follow-up activity on the results of the checking is to create corrections or improvements in the quality of the weaknesses encountered during the checking process. The results of the research (Sari, 2015). Wulandari and Bandi (2015), Tresnawati and Apandi (2016), and (Imtihan & Hasibuan, 2021) show

that the completion of audit findings affects the quality of financial information. On the contrary, the different results shown by (Nurdiono et al., 2015) empirically prove that the completion of audit findings does not affect the quality of financial reports.

Human resource competence is needed in the categorization of quality financial information according to the standards and mission of the group on the part of the public. Local government requires a base of people who are competent in their fields to produce quality financial information. The quality of financial reports will be maximized if there are potential human experts as pioneers in implementing government accounting standards. Human Resources (HR) are people who are referred to as administrators, employees, employees, laborers, or workers who work for the organization (Wirawan, 2018).

Halim's opinion (2017) is that the quality and performance of an organization are largely determined by aspects of the potential for human development because the presence of people in an organization cannot be replaced by other factors. An organization can achieve success if it is managed properly. Therefore efficient management of the human energy base is needed. Research (Wati et al., 2014), (Mahaputra, 2014), (Kiranayanti, I, 2016), (Pradono, 2015), (Miharja et al., 2020), (Suwanda, 2015), (Setiyawati, 2013), (Julita, 2018) (Irafah, Sari and Muhyarsyah, 2020) reports that human resource competency has a positive and important effect on the quality of financial information. But research (Philadelphia et al., 2020), (Rahayu, 2014), (Inapty & Martiningsih, 2016) reports that people's resources do not affect the quality of financial information.

In the Audit Results Report conducted by the BPK for 2010 – 2021, the opinion given by BPK for the Lahat Regency Government Regional Government Financial Report (LKPD) for 2010 – 2013 received a Qualified Opinion (WDP), while for 2014 – 2021, the Regional Government Financial Report (LKPD)) Lahat District obtained a Qualified Opinion (WTP).

Literature Review

Agency Theory

An *agency* is a relationship between two parties where the first party is often referred to as the agent, namely the one who is authorized to carry out actions for and on behalf of and under the supervision of the second party, namely the principal. The principal is the party that gives authority to the agent to carry out special actions and supervises the agent's actions, whereas the party that does business with the agent is called a *third party* (Santoso, 2015). Moe (1984), in his article, describes a principal and agent relationship from the point of view of populist politics. Rulers who function as agents, be they central or regional authorities, regulate public budgets through the APBN or APBD. As a consequence, the central or regional governments are required to be accountable for managing the public budget through financial

information. The public, as the owner of the budget realized through tax payments, plays the role of the ruling principal and has the right to hold the agent (government) accountable. In this matter, the public, as the principal, is ordinary citizens represented by the DPR/DPRD. Based on this, the Law requires the government to be accountable for the management of the APBN/APBD to the DPR/DPRD as a representative *public*.

Stewardship Theory

In the stewardship philosophy, managers want to behave according to shared needs. When the needs of the steward and the owner are different, the steward will try to work the same from

opposing it. This is because the steward feels the need to be with the owner's attitude is a logical estimate. After all, the steward is more concerned with efforts to achieve the mission of the organization (Yoyo et al., 2017, p. 54). Stewardship theory, in this case, defines a management situation that is not driven by personal mission, but the key targets are aimed at organizational needs or common interests (Donaldson & Davis, 1991). With efforts to improve public services in the applied internal control system, it will be able to maximize the existing mission, namely producing quality financial information and reports according to government accounting standards.

Resource Based Theory

Resource Based Theory is a philosophy that describes a company that can increase its competitive advantage by increasing its energy base so that it can focus on the company to survive in the long term. The key to the approach *Resource Based Theory*, namely in mastering the bond between the energy base, strength, competitive advantage, and profitability, in particular, being able to master the method by maintaining competitive advantage from time to time. *Theory resource based* is a philosophy that serves as a framework for explaining and calculating the views underlying competitive advantage and the financial strength of an entity (Barney et al., 2018).

Quality of Financial Statements

Yadiati & Mubarak (2017) explain that financial information is data about the financial situation related to the company's position and financial ability. There are also financial strength data, including income and weight, profits and losses that occur outside the main activities of the entity, participation from the owner, and distribution. Based on Government Regulation Number 71 of 2010, these next four characters are normative prerequisites needed so that government financial information can meet the desired quality, namely relevant, reliable, comparable, and understandable.

Government Accounting Standards

To Mahmudi (2016: 271), Government Accounting Standards contain accounting principles that are applied to managing and presenting financial

information in government institutions. "Government Regulation Number 71 of 2010" "states that government accounting standards are the accounting principles applied in preparing and presenting government financial reports."

Internal Control System

The definition of internal control according to *the committee of Sponsoring Organizations of The Treadway Commission (COSO) in Internal control-integrated framework: the 2013 framework* quoted by Yadiati and Mubarak (2017:106), "*Internal control is a process, effected by entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.*". based on Government Regulation No. 60 of 2008 concerning Internal Control System Article 1 Paragraph 1 Internal Control System is a necessary process on actions and activities carried out continuously by the leadership and all employees to provide adequate assurance of achieving organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations. Based on "Government Regulation No. 60 of 2008 concerning the Government's Internal Control System says that the implementation of activities in a Government Agency, starting from planning, implementation, supervision, to accountability, must be carried out in an orderly, controlled, and effective and efficient manner". Then there are elements consisting of regulatory area, risk evaluation, regulatory activities, data and communication, and control.

Completion of Audit Findings

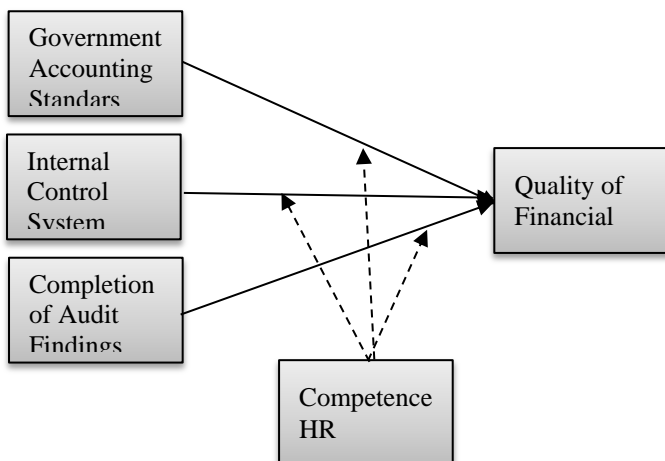
Follow-up actions on audit results are activities and decisions carried out by the direction of the entity under investigation and other professional parties to provide advice on the results of BPK audits. "Regulation of the BPK of the Republic of Indonesia Number 2 of 2017 states that follow-up on the recommendations of BPK audit results must be carried out by the head of the audited entity and is obliged to provide answers or explanations to BPK regarding Monitoring the Implementation of Follow-Up Recommendations on Audit Board Audit Results Article 3 paragraph 3 Follow up as referred to in paragraph (2) must be submitted to BPK no later than 60 (sixty) days after the audit results report is received. Bastian (2014: 15) emphasized that if it originates from the determination of legal laws and regulations, management can get a reward if it does not carry out further actions on the advice of checking first. Further action on the results of checking this matter is the creation of corrections or improvements to the weaknesses found in the checking method. In checking LKPD, the follow-up results of the checking intend to create an increase in views on the LKPD so that it can improve the quality of financial reports by government accounting standards.

Human Resources

"Human Resources (HR) is a design of formal systems within an organization to ensure the effective and efficient use of human talent and potential to achieve organizational goals" (Mathis, R. L., 2017,44-46). Wirawan (2018) states that human resources are referred to as administrators, employees, officers, employees, or activity staff in charge of the institution. "Human Resource Management is a process for managing talent people to achieve organizational goals" (Bohlander, George., and Snell, 2016). Human resources is a concept of formal systems in an institution to ensure the use of competencies or talents and abilities efficiently and efficiently to achieve the institution's mission. Amran (2019) reports that human resources are one aspect that ensures the success of an agency or group.

Framework of Thought

The link between the application of government accounting standards, the application of internal control systems, and the completion of audit findings on the Quality of Financial Statements and the competence of human resources as a moderating variable.



Based on the description of the discussion of the problem, theoretical studies, the results of previous research, and the framework of theoretical views, the researchers formulate the following assumptions:

H₁: There is an influence of the Application of Government Accounting Standards on the quality of financial reports, H₂: There is an influence of the Implementation of the Internal Control System on the quality of financial report, H₃: There is an influence on the completion of audit findings on the quality of financial reports, H₄: Competence of human resources can moderate the influence of the application of government accounting standards on the quality of financial reports, H₅: Competence of human resources can moderate the influence of the application of the Internal Control System on the quality of financial reports. And H₆: Competence of human resources can moderate the effect of completion of audit findings on the quality of financial statements

Research Method

This type of research uses a quantitative approach, which is research based on positivism metaphysics, used to study populations and special essays, collecting data using study instruments, and analyzing quantitative or statistical personality data to try out the assumptions set by Sugiyono (2014) in Nurlaela (2018: 8). Based on the problem and its objectives, the study objective of this research is causality. Causality research is intended to explain one or more aspects that cause a problem (Uma Sekaran, 2019).

This study aims to examine the effect of applying government accounting standards, implementing internal control systems, and completing audit findings on the quality of financial reports with human resource competence as a moderating variable. All variables are measured using an interval scale, namely a measurement scale that reports the type, level, and construct distance being measured. Interval ratio not only compiling information from the very large level to the lowest level or vice versa, but the intervals are also relatively the same (Nurlaela, 2018, p. 85).

The population in this study is all Regional Apparatuses within the Lahat Regency Government, namely as many as 32 Regional Apparatuses consisting of the Regional Secretariat, DPRD Secretariat, Inspectorate, 24 Regional Offices, and 5 Regional Agencies. The sampling method uses a saturated sampling technique. The data collection technique used in this study is a survey technique. Survey techniques are used to obtain information about people's views through a questionnaire. The number of questionnaires distributed was 96 questionnaires according to the number of respondents. The number of questionnaires that were returned was 90 questionnaires or 93.75%.

In this research, information analysis will use descriptive statistical methods. This analysis is used to define research elasticities without drawing abstractions. The information that has been collected from the questionnaire distributed is then tabulated for use as an information analysis tool. The tabulation results were processed using the SmartPLS 4.0.8.5 program, which produced a research elastic statistical story that was calculated based on the average number (mean) of the respondents' responses.

Results and Discussion

Based on the combined questionnaire results, the profile of the respondents in terms of genitalia type, age, education, educational background, and length of service is presented in table 2. In general, it was explained that the gender of respondents in this study was mostly female employees, namely 54 respondents (60.00%). Judging from age, most respondents were in the age range of 40-50 years, namely 51 respondents (56.67%). In terms of education, the majority of respondents had a bachelor's degree, namely 63 respondents (70.00%). Meanwhile, in terms of educational background, the majority had management backgrounds, namely 39 respondents (43.33%). In comparison, the length of work of most

respondents is 1-5 years, and as many as 58 respondents (64.44%).

Information	Frequency	Percentage (%)
Gender		
Man	36	40%
Woman	54	60%
Total	90	100%
Age		
25-30 Years	2	2,22%
30-40 Years	30	33,33%
40-50 Years	51	56,67%
Over 50 Years	7	7,78%
Total	90	100%
Education		
high school	7	7,78%
Diploma	1	1,11%
S1	63	70,00%
Postgraduate	19	21,11%
Total	90	100%
Educational Background		
Accountancy	20	22,22%
Management	39	43,33%
Education	8	8,89%
Public Administration	5	5,56%
Technique	1	1,11%
Law	1	1,11%
Other	16	17,78%
Total	90	100%
Length of work		
Less than 1 Year	5	5,56%
15 years	58	64,44%
6 -10 Years	16	17,78%
11- 15 Years	5	5,56%
Over 15 Years	6	6,67%
Total	90	100%

Source: Primary data processed, 2022

Descriptive Statistics

No	Variable	Mean
1	Government Accounting Standards	4,14
2	Implementation of Internal Control System	4,05
3	Completion of Audit Findings	4,04
4	Financial Report Quality	4,06
5	Human Resources Competency	4,07

Source: Primary data processed, 2022

Description of Variable Application of Government Accounting Standards

Government Accounting Standards are accounting principles applied to compiling and presenting government financial information.

The average score on the Government Accounting Standards variable questionnaire is 4.14. The interval is in the agreed criteria, meaning that the average ASN perception has implemented Government Accounting Standards well by applying the eight accounting principles in preparing and presenting government financial reports, namely accounting Basis, value historical, realizable, substance over formal form, periodicity, consistency, full disclosure, and fair presentation.

Description of the Variable Implementation of the Internal Control System

An internal Control System is a system consisting of policies and procedures designed by management to ensure organizational goals can be achieved, namely effective and efficient operating processes, reliable financial reporting, and compliance with laws and regulations. This variable is measured by the five dimensions

Based on table above shows that the amount of data analyzed was 90 respondents. The average value of the Internal Control System variable questionnaire is 4.05

the interval is in the agreed criteria, meaning that the average ASN perception has implemented the Internal Control System effectively by involving its five elements, namely the control environment, risk assessment, control activities, information and communication, and internal control monitoring.

Description of Completion of Audit Findings Variables

Completion of audit findings is an activity carried out by the direction of the entity being monitored and/or other professional parties to make suggestions on the results of the BPK audit. This variable is measured by the two dimensions.

Based on table above shows that the amount of data analyzed was 90 respondents. The average value of the questionnaire variable for completion of audit findings is 4.04. The interval is in the agreed criterion, meaning that the perception of ASN or officials examined on average has completed BPK audit findings which consist of follow-up on the results of checking on the Internal Regulatory System and follow-up actions on the results of checking on discipline to statutory regulations.

Description of Financial Report Quality Variables

The quality of financial statements in conformity with standards is measured by the degree of non-conformity and achieved through checking. The quality of financial information can be observed from the qualitative character of financial information, which consists of relevant, reliable, comparable, and understandable. This variable is measured by the four dimensions.

Table above shows that the amount of data analyzed was 90 respondents. The average score on the

questionnaire for the variable quality of financial reports is 4.06. The interval is in the agreed criterion, meaning that the average ASN perception has implemented the four qualitative characteristics of financial information, namely relevant, reliable, comparable, and understandable so that the data presented in the financial information government can meet its goals.

Description of Human Resources Competency Variables

Competence in human resources (HR) is the strength and character possessed by a Civil Servant in the form of insight, ability, and attitude required in carrying out his/her position obligations so that the Civil State Employee can carry out their duties reliably, efficiently, and efficiently. This variable is measured by the three dimensions.

Table above informs if the amount of data analyzed is 90 respondents. The average score on the human resource competency variable questionnaire is 4.07. The interval is in the agreed criterion, meaning that the average ASN perception has implemented the three characteristics of human resource competencies, namely in the form of

insight, ability, and attitude actions so that the Civil Servants can carry out their duties in a reliable, efficient, and efficient manner.

Results Convergent Validity

The individual reflection size is significant if it correlates more than 0.7 to the construct you want to measure. However, in the first study, loading values above 0.5 to 0.6 can be valid (Nurlaela, 2018). Based on the results *loading factor*, it can be concluded that it meets convergent validity, namely, all indicator values have reached above 0.5. All *loading factors* are significant at the 5% level, so all these indicators have been declared valid, as described in table 8.

No	Variable	Loading Factors
1	Government Accounting Standards	Valid
2	Implementation of Internal Control System	Valid
3	Completion of Audit Findings	Valid
4	Financial Report Quality	Valid
5	Human Resources Competency	Valid

Source: SmartPLS data processing results, 2022

Reliability Test Results

Reliability testing is a form of testing the quality of essential information to measure the stability of all problems in research (Nurlaela, 2018). The reliability

test in this study uses *Composite Reliability*, *Cronbach's alpha*. Following are the results of composite reliability and the Cronbach alpha test table from smart PLS on each research variable:

Variable	Composite reliability (rho_c)	Cronbach's alpha	Average variance extracted (AVE)	Information
Application of Government Accounting Standards (X1)	0,976	0,972	0,769	Reliable
Implementation of Internal Control System (X2)	0,972	0,969	0,698	Reliable
Completion of Audit Findings (X3)	0,971	0,964	0,827	Reliable
Quality of Financial Statements (Y)	0,968	0,962	0,772	Reliable
Human Resources Competency (Z)	0,956	0,946	0,758	Reliable

Source: SmartPLS data processing results, 2022

Based on the reliability results above, the variable implementation of Government Accounting Standards, application of the Internal Control System, completion of audit findings, quality of financial, and human resource competence has composite reliability above 0.6 and Cronbach's alpha above 0.6, so it can be concluded that the indicators markers used in each elastic have good reliability or can make measure the construct. The Average Variance Extracted (AVE) value for the variable application of Government Accounting Standards, application of the Internal Control System, completion of audit findings, quality of financial information, and competence of human resources has a score above 0.5.

R-Square results

The process of testing the structural model uses the value of R-square (R^2), which is a goodness of fit model test. The R-square value is presented in the following table:

Variable	R Square
Financial Report Quality (Y)	0,925
<i>Predictive-Relevance</i> (Q^2)	0,925

Source: SmartPLS data processing results, 2022

Based on the coefficient of certainty in the table above, we get the number R^2 for the financial report quality variable of 0.925, meaning that this figure indicates that the elasticity of Financial Information Quality can be explained by the variable application of Regime

Accounting Standards, Internal Control System applications, handling of audit findings and competence of the human resource base of 92.5% otherwise the excess is 7.5 % influenced by other variables that do not exist in the form of research.

Testing the hypothesis in this study is based on the statistical t value resulting from the Smart PLS output and then compared to the t-table value. The criteria for testing the hypothesis in this study is a significance level (α) of 5% and is determined by the following criteria:

1. The hypothesis is accepted if $t \text{ count} > t \text{ table}$ (1.660).
2. The hypothesis is rejected if $t \text{ count} < t \text{ table}$ (1.660).

To recognize the significance of the impact of applying Government Accounting Standards, Application of Internal Regulatory Systems, and Handling of Audit Findings on the Quality of Financial Information, with HR Competence as a moderating elastic by looking at the benchmark coefficient figures and statistical significance figures. Benchmark coefficient figures and t statistical significance figures can be observed in the table below:

Relationship Between Variables	Coefficient Parameter	T Statistics	P Value	Information
Application of Government Accounting Standards -> Quality of Financial Reports	0,431	3,059	0,002	Significant Influence
Implementation of Internal Control System -> Quality of Financial Reports	0,326	2,525	0,012	Significant Influence
Completion of Audit Findings -> Quality of Financial Reports	0,281	3,268	0,001	Significant Influence
Competence in Human Resources x Application of Government Accounting Standards -> Quality of Financial Reports	0,062	0,319	0,750	No Influential
Competence in Human Resources x Implementation of Internal Control Systems -> Quality of Financial Reports	0,165	1,101	0,271	No Influential
Human Resources Competency x Completion of Audit Findings -> Quality of Financial Reports	-0,198	1,360	0,174	No Influential

Source: Results of SmartPLS data processing, 2022

Effect of Implementation of Government Accounting Standards on the Quality of Financial Statements

The path parameter coefficient obtained from the influence of the Government Accounting Standards variable on the quality of financial statements is 0.431 with a Tstatistics value of 3.059 > 1.660 at a significance level of $\alpha = 0.05$ (5%) which states that there is an influence of Government Accounting Standards on the quality of financial reports. The value

of 0.431 in the parameter coefficient means that the more optimal the application of Government Accounting Standards, the better the quality of financial reports. The results of this study support the first hypothesis (H1) that there is an effect of the application of Government Accounting Standards on the quality of financial reports.

The Influence of the Implementation of the Internal Control System on the Quality of Financial Statements

The results of hypothesis testing show that the Tstatistics value is 2.525 > 1.660 at a significance level of $\alpha = 0.05$ (5%) which states that there is an effect of the Internal Control System on the quality of financial reports. The value of 0.326 in the parameter coefficient means that the more effective the application of the Internal Control System is, the better the quality of financial reports will be. The results of this study support the second hypothesis (H₂) that there is an effect of the implementation of the Internal Control System on the quality of financial reports.

Effect of Completion of Audit Findings on the Quality of Financial Statements

The path parameter coefficient obtained from the effect of the audit findings completion variable on the quality of financial statements is 0.281 with a T statistics value of 3.268 > 1.660 at a significance level of $\alpha = 0.05$ (5%), which states that there is an effect of the completion of audit findings on the quality of financial reports. The results of this research support the third hypothesis (H3) that there is an influence on the completion of audit findings on the quality of financial reports.

Competence in Human Resources Moderates the Effect of the Application of Government Accounting Standards on the Quality of Financial Reports

The path parameter coefficient obtained from the effect of the Human Resources Competency variable Moderates the Effects of the Application of Government Accounting Standards on the Quality of Financial Information is 0.062 with a T statistics value of 0.319 < 1.660 at a significance level of $\alpha = 0.05$ (5%) which reports that Human Resource Competence Not Moderating Effects of Application of Government Accounting Standards on the Quality of Financial Information. This research does not support the fourth assumption (H4), which reported that the Competence of Human Resources Strengthens the Effects of the Application of Government Accounting Standards on the Quality of Financial Information.

Competence in Human Resources Moderates the Effect of Implementing an Internal Control System on the Quality of Financial Reports

The path parameter coefficient obtained from the effect of the Human Resources Competency variable Moderates the Effects of Internal Regulatory System Application on the Quality of Financial Information is 0.165 with a T statistics value of 1.101 < 1.660 at a significance level of $\alpha = 0.05$ (5%) which reports that

Human Resource Competence not Moderating Effects of Internal Regulatory System Application on the Quality of Financial Information. This research does not support the fifth assumption (H5), which reported that Human Resource Competence Strengthens the Effects of the Internal Regulatory System Application on the Quality of Financial Information.

Competence in Human Resources Moderates the Effect of the Completion of Audit Findings on the Quality of Financial Statements

The path parameter coefficient obtained from the influence of the Human Resources Competency variable Moderates the Effect of Completion of Audit Findings on the Quality of Financial Statements is - 0.198 with a T statistics value of 1.360 < 1.660 at a significance level of $\alpha = 0.05$ (5%) which states that Human Resources Competence does not Moderate the Effect of Completion of Audit Findings on the Quality of Financial Statements. The research results on the sixth hypothesis (H6) cannot be supported because it states that Human Resource Competence Strengthens the Effect of Completion of Audit Findings on the Quality of Financial Statements.

Discussion

Effect of Implementation of Government Accounting Standards on the Quality of Financial Statements

The results of hypothesis testing show that the value of t Statistics is greater than the T value table, which reported an effect of the application of Government Accounting Standards on the quality of financial information. The direction of influence is positive and significant. The more optimal the implementation of Government Accounting Standards for a government agency, the better the quality of financial reports.

Government Accounting Standards are accounting principles for managing and presenting government financial information. The accounting principles used in government financial coverage are the Basis of accounting, historical figures, realization, roots beyond official form, periodicity, stability, complete disclosure, and fair presentation.

Government financial reports are a form of government communication with the people (agent-principal) in the accountability framework for state financial management. The principal-agent mechanism and concept are called agency theory at the theoretical level. Gudono (2018) states that agency theory was developed along with the emergence of the problem of incomplete data when carrying out contracts. The agency philosophy considers that there will be a principal-agent case if the agent has excess data compared to the principal (information asymmetry). The agent will tend to carry out profitable actions for him but detrimental to the principal (moral hazard). Sutaryo (2021) explains that open and accountable government financial reporting is a basic form of implementation of *good governance*, which aims to increase the realization of harmony between the needs

of agents and principals. The success of the Lahat Regency Government in implementing accrual-based Government Accounting Standards can be seen in the opinion on the audit of the Regional Government Financial Statements (LKPD) by the The Financial Auditor (BPK) from 2014 to 2021 LKPD of Lahat Regency has received a Fair Opinion Without Exception (WTP). This shows that the Lahat Regency LKPD is of excellent quality.

The results of this study are in line with Wati (2014), Mahaputra (2014), Setiyawati (2019), Kiranayanti (2016), Suwanda (2015), Rahayu, Kennedy and Anisma (2014), Oktarina (2016), Djaliil, Nadirsyah, and Fatmi (2017) proves that the application of Government Accounting Standards affects the quality of financial information. This is caused because the Government Accounting Standards regulate the accounting cycle from the time of recognition, measurement, coverage, and disclosure of a business or account in financial information so that the full description and application of Government Accounting Standards become a determinant of the quality of financial information obtained. However, different results were obtained from research by Inapty and Martiningsih (2016), Julita (2018), and research by Sari, Hasan, and Diyanto (2016) stating that the application of Government Accounting Standards does not affect the quality of financial information. This is because the application of Government Accounting Standards has not been tried optimally due to insufficient competence of financial managers, so understanding of Government Accounting Standards still needs to be improved.

The Influence of the Implementation of the Internal Control System on the Quality of Financial Statements

The results of hypothesis testing explain if the value of t Statistics is greater than the t value table, which states the influence of the Internal Control System on the quality of financial reports. The direction of influence is positive and significant, meaning that the application of the Internal Control System will continue to be efficient in a regulatory agency so that the quality of financial information will continue to be good.

Improving the reliability of financial information is one of the missions of regulatory activities. A good Internal Control System will arrange a regulatory system to ensure that special missions, such as the reliability of financial information, can be achieved, reduce the risk of dishonesty, and eliminate doubts about financial information. In other words, an efficient internal control application can improve the quality of financial information.

In the theory of stewardship theory, managers want to behave according to shared needs. When the needs of the steward and the owner differ, the steward will try to work together rather than against it. This is because the steward feels the need to be with the owner's attitude is a logical estimate. After all, the steward is more concerned with efforts to achieve the group's

mission (Yoyo et al., 2017, p. 54). The stewardship theory defines a management situation that is not driven by the mission of people alone, but the key target is more aimed at the group's needs. The hope is that efforts to improve public services in the applied internal regulatory system will maximize the existing mission, namely, producing appropriate financial information.

The Maturity of the Government Internal Control System (SPIP) is a mechanism for measuring the maturity of the implementation of the Internal Control System in ruling institutions to support the capability, clarity, and accountability of state financial management, whose scope includes evaluating all elements of the SPIP in actions and activities. Implementing the Internal Control System in Lahat Regency has been going well, but some improvements are still needed. This is evidenced by the achievement of level 3 or defined maturity SPIP implementation obtained by the Lahat district from the Financial and Development Supervisory Agency (BPKP) of South Sumatra Province.

The government of Lahat District has applied well-documented and well-documented internal controls, but an assessment of internal arrangements was attempted without sufficient voting. From 2014 to 2021, the LKPD of Lahat Regency achieved an Unqualified Opinion (WTP). This shows that the Lahat Regency LKPD is of excellent quality.

The results of this study are in line with research conducted by Pradono (2015), Miharja (2020), Afiah (2017), Kewo and Afiah (2017), Agung and Gayatri (2018), Mahaputra (2014), Kiranayanti (2016), Suwanda (2015), Djaliil, Nadirsyah, and Fatmi (2017), Chodijah and Hidayah (2018) show that the implementation of the Internal Control System affects the quality of financial reports. This is because every action and activity within the organization, through planning, implementation, supervision, to accountability, has implemented an Internal Control System by involving the five elements in an orderly, controlled, efficient, and effective manner so that it has an impact on improving the quality of financial reports.

However, different results were obtained from research by Setiyawati (2013), Nurlis and Yadiati (2017), Philadelphia, Suryaningsum and Sriyono (2020), Budiawan and Purnomo (2014), Marsdenia (2016), Arfan, Darwanis, and Manaf (2016) convincing if the application of the Internal Control System does not affect the quality of financial information. This is because the Internal Control System needs to be implemented more effectively. After all, there is still negligence in complying with applicable regulations, weak supervision and regulation, lack of coordination with related institutions, and failure to make operational activities policies or methods. The quality of financial information obtained could be more satisfactory.

Effect of Completion of Audit Findings on the Quality of Financial Statements

The results of hypothesis testing show that the value of t Statistics is greater than the T value table, which states that there is an influence on the completion of audit findings on the quality of financial information. The direction of influence is positive and essential. This means that the greater the handling of audit findings within a regulatory agency will make the quality of financial information good.

BPK's recommendations to improve state financial management and accountability were immediately followed up and responded to in a real and complete manner by the entity or official under investigation. When the BPK's recommendations are immediately followed up, the number of BPK recommendations will be manageable. This can be seen in the follow-up indicators on recommendations from the audit results on regional losses, which have a high average value, which means that, on average, the audited entities or ASNs immediately follow up thoroughly on BPK recommendations related to regional losses, including overpayments, and incomplete spending implementation, by the provisions, management, and administration of assets that are not orderly.

Based on the recapitulation of monitoring results for follow-up BPK audits to the Lahat Regency Government in 2018 Monitoring of the follow-up actions of the Lahat Regency Government (as of Semester I of 2018), it was found that out of a total of 799 recommendations, 659 recommendations or 82.48% of the follow-ups were by the recommendations. As for follow-ups that were not appropriate, 118 recommendations, or 14.77%, and 22 recommendations, or 2.75%, had yet to be followed up. In 2019 the percentage of follow-up on BPK recommendations for Lahat district was 80%, and the position of follow-up actions with status according to the advice generally local authorities in the South Sumatra Province area as of Semester II of 2019 amounted to 70.93%. The high percentage of follow-up on BPK recommendations inseparable from the use of the Follow-Up Monitoring Information System (SIPTL) made by BPK. Follow-up Monitoring Information System (SIPTL) is an application based on a technology data platform designed and developed by BPK. With the existence of SIPTL, the BPK's follow-up action information, which so far has been informed by manuals to the BPK, will be replaced with electronic information. Through this system, the method and status of follow-up action of the information informed by the entity can be known and accessed in real-time. The SIPTL application is an efficient and efficient business because the BPK and the entities under investigation can communicate directly via the online network quickly and accurately and can be tried anytime and anywhere. As regards being expected to suppress non-compliance by entities with BPK suggestions, the level of discipline is crucial because it reflects the quality of the institution in being accountable for the calculations of regional authorities.

Based on IHPS I BPK RI from 2014 to 2021, the LKPD of Lahat Regency has won a WTP opinion. This shows

that the Lahat Regency LKPD is very good or of good quality. The importance of completing audit findings on this matter is by Article 20 of Law Number 15 of 2004 concerning Examination of State Financial Management and Responsibility. The implementation of follow-up is the responsibility of the Regional Government, thereby showing that Regional Apparatuses with Oversight Institutions, related officials/ASN are fully committed to the completion of BPK audit findings, especially on old findings, as well as evaluation of follow-up audit results carried out periodically. Based on the above, the greater the percentage of completion of audit findings recommendations, the impact will be on improving the quality of financial reports. This is evidenced by the Lahat Regency LKPD having won a WTP opinion from 2014 to 2021.

The results of this study are in line with Tresnawati and Apandi (2016), Imtinah and Hasibuan (2021), Sari (2015), Wulandari and Bandi (2015), Furqan, Wardhani, Martani, Setyaningrum (2020) proving that the handling of audit findings affects the quality of information financial. This is because the handling of audit findings is helpful for creating accountability and clarity in the management and accountability of state finances, which increases the quality of financial information. This is in line with the stewardship philosophy, which describes a situation where management is not motivated by individual missions but is more focused on their essential results targets for organizational needs.

However, different results were obtained from the research of Nurdiono, Halim, Sugiri, and Gudono (2015) and Lestari and Rohman (2022), stating that the completion of audit findings does not affect the quality of financial reports. This is because the BPK's recommendations to improve the management and accountability of state finances have yet to be fully responded to by the central government and regional governments. As a result, they have not affected the quality of financial information.

Competence in Human Resources Moderates the Effect of the Application of Government Accounting Standards on the Quality of Financial Reports

The results of hypothesis testing show that the value of t Statistics is smaller than the T value table, which states that Human Resource Competence does not Moderate the Impact of Regime Accounting Standard Application on the Quality of Financial Information. The direction of influence is positive and not significant.

Human Resources is a significant aspect of financial coverage. Talented human resources are needed to understand the application of Government Accounting Standards for making LKPD. Human Resources with an accounting framework are better able to produce financial reports that are easy to understand, compatible with SAP, and create efficiency during the time they are made. Human resources undertaking training will have better skills, and professionals can be

considered competent human resources. In this way, HR will master accounting common sense properly. Competent HR support supports the implementation of Government Accounting Standards (SAP) in financial management, as a result of which cases can be experienced. The philosophy of Resource Based Theory describes that industry can increase its competitive advantage by increasing its resources so that it can focus the industry on surviving in the long term so. With the presence of competent resources, it is estimated that it can increase an entity's ability. A successful industry is an industry that focuses on increasing the competence of human resources that are used in new and innovative ways to achieve a mission in the industry. The industry's primary concern is to use its resources in challenging and innovative ways to develop core competencies.

One of the challenges in practicing government accounting on an accrual basis is having sufficient knowledge and understanding of government accounting. Statistical test results show that the variable Competency of Human Resources for the Government of Lahat Regency weakens the relationship between the Application of Government Accounting Standards and the Quality of Financial Reports for the Government of Lahat Regency. This result is because the respondents concerned with carrying out the preparation of financial information in each SKPD of Lahat Regency are mostly non-HR with an educational background in Accounting. Human Resources is a significant aspect of financial coverage. Competent quality human resources are needed to master the SAP application well to make LKPD of higher quality. Human resources with an accounting background are better able to produce financial reports that are easy to understand, compatible with SAP, and create efficiency when making them.

This study's results agree with the research conducted by Setiawan and Tami (2018) and Wahyuni (2021), where HR competence cannot strengthen the impact of applying government accounting standards on the quality of financial information. However, different results were obtained in the research by Agustawan and Rasmini (2016), Rafid (2016), Ansar, Syahdan, and Seber (2022), Anwar and Ishak (2021), Roviyantje and Devi (2013) where the competence of human resources can moderate the effects application of government accounting standards to the quality of financial information.

Competence in Human Resources Moderates the Effect of Implementing an Internal Control System on the Quality of Financial Reports

The results of hypothesis testing show that the value of t Statistics is smaller than the T value table, which states that Human Resource Competence does not Moderate the Effect of Internal Control System Implementation on the Quality of Financial Statements. The direction of influence is positive and not significant. These results show that the competence of human resources in an institution needs to strengthen

the effect of implementing an internal control system on the quality of the final financial results.

Human resource competence (HR) is the power and character possessed by a Civil Servant in the form of insight, expertise, and attitudes required to implement the obligations of his position. As a result, Civil Servants can carry out their duties in a reliable, efficient, and efficient manner. The quality and ability of a group are determined by competent resources because, in a group or an entity, the presence of human resources cannot be replaced by other aspects. An understanding of the right Internal Control System will be realized by human resources who have the knowledge and competence to support it. An appropriate description allows the Internal Control System to be implemented unchangingly and according to regulations. Human resources with a good description of the internal control system will provide maximum results (Output). An entity's mission can be achieved to the maximum by exceeding the regulatory efforts implemented by human resources who have power effectively and efficiently. In this way, the SPI application requires human resources who can master PP Numbers well. 60 of 2008, and can implement it in the invention of accountability and clarity of financial reporting. As a result, the categorization of LKPD with the SAP application through an efficient SPI application carried out by professional HR will produce quality LKPD

Align with philosophy *resource based* said that the winning resource would be able to push for optimal performance in the leading groups in the way financial information is presented. Competence that supports will provide a complete understanding of the application of the internal control system in the group. Not only that, to produce good financial information, it needs to be supported by professional and sufficient resources, especially in terms of descriptions in accounting or financial aspects. Therefore, if human resources are not assisted with sufficient competence, this will certainly affect the application of the internal regulatory system to be less than optimal. Based on the above, most of the SKPDs in Lahat Regency managing financial statements are not human resources with an educational background in accounting. This can be seen from the respondent's data of 22%. Competent human resources will produce good financial management so that a properly structured internal control system will impact the quality of financial information data.

The results of this study are in line with research conducted by Sambuaga (2020), Setiawan and Yanto (2022), Lesati, Kusumawati, and Nuratama (2022), Setiawan and Tami (2018) where HR competence is not able to strengthen the regulatory system ties in the quality of financial reports. However, different results were obtained from the research by Agustawan and Rasmini (2016), Ulisanti Lativa (2021), and Pradipa and Munidewi (2018), where human resource competence can moderate the regulatory system for the quality of financial information.

Competence in Human Resources Moderates the Effect of the Completion of Audit Findings on the Quality of Financial Statements

The results of hypothesis testing show that the value of *t* Statistics is smaller than the *T* value table, which states that Human Resource Competence does not Moderate the Effect of Completion of Audit Findings on the Quality of Financial Statements. The direction of influence is negative and not significant. The path parameter coefficient obtained from the influence of the Human Resources Competency variable Moderates the Effect of Completion of Audit Findings on the Quality of Financial Statements is -0.198 with a *T* statistics value of 1.360 < 1.660 at a significance level of $\alpha = 0.05$ (5%) which states that Resource Competency. Humans do not Moderate the Effect of the Completion of Audit Findings on the Quality of Financial Statements.

These results indicate that the competence of human resources at the Government of Lahat Regency needs to strengthen the influence of the completion of audit findings on the quality of financial reports. This is due to a need for more commitment to follow up on recommendations from the audit results of the audit agency by the head of the audited entity or official. Handling of audit findings is an activity or decision made by the direction of the entity being monitored and/or other professional parties to make recommendations on the results of the inspection. The mission of implementing the activity of handling audit findings is to create corrections or improve the quality of the weaknesses found from the checking method, which results in creating a view of LKPD, which continues to increase. Besides that, the completion of audit findings is useful for creating accountability and transparency in the management and accountability of state finances so that impact on improving the quality of financial reports. Karsana's research (2017) explains that the right competence will result in a profession that can be carried out in the future in an optimal way so that the goals of the authorities can be achieved in a maximum way, including producing quality financial information.

The results of this study are in line with the research of Nurdiono, Halim, Sugiri, and Gudono (2015), Lestari and Rohman (2022), and Agusti (2014), stating that the handling of audit findings does not affect the quality of financial information. This is because the BPK's suggestion to justify the management and accountability of state finances has yet to be fully responded to by the regional authorities, so it does not affect the quality of financial information. After that, it is caused by the lack of HR competence to follow up on recommendations from the audit results of the financial interrogator body by the direction of the entity or administrator who is judging this can be seen from the Accounting Education background, which is still low at 22% as initial knowledge to follow up on recommendations for audit findings from the Supreme Audit Agency. However, different results were obtained from the research of Tresnawati and Apandi (2016),

Imtinah and Hasibuan (2021), Sari (2015), Winanti (2014), Wulandari and Bandi (2015) which state that the completion of audit findings affects the quality of financial reports. This is because the completion of audit findings is helpful for creating accountability and transparency in the management and accountability of state finances so that it has an impact on improving the quality of financial reports, in line with theory *resource based* if competent resources will be able to push for the creation of maximum capacity in a group, especially in the way of presenting financial information. Competence that supports will provide a complete understanding of the application of the internal control system in the group. As a result, to produce good financial information, it needs to be supported by professional and sufficient human resources, especially in terms of description in accounting or financial aspects. Therefore, if human resources are not assisted with sufficient competence, this will certainly affect the completion of audit findings.

Conclusion

Based on the background, problem formulation, objectives, literature review, hypothesis testing, and discussion, it can be concluded that:

1. Application of Government Accounting Standards has a positive and significant effect on the quality of financial reports. Government Accounting Standards are quality standards financial reports to ensure that the information presented is fair and accountable so that its application must be carried out optimally.
2. The application of the Internal Control System has a positive and significant effect on the quality of financial reports. The effectiveness of the implementation of the Internal Control System can improve the quality of financial reports. The Internal Control System that is implemented thoroughly in actions and activities will provide adequate assurance to achieve the reliability of financial reports.
3. Handling audit findings has a positive and important influence on the quality of financial information. This is because the handling of audit findings is useful for creating accountability and clarity in the management and accountability of state finances, which increases the quality of financial information.
4. The competence of human resources does not moderate the effect of the application of regime accounting standards on the quality of financial information. This is due to the limited human resources who master and understand accounting in regional financial management. Regarding this, the respondents concerned with preparing the financial information in each SKPD of the Lahat Regency were mostly not HR with an accounting education background.
5. Competence of human resources does not moderate the effect of the application of regime accounting standards on the quality of financial information. An appropriate description of the Intent

Management System will be realized from resources who have the knowledge and competence to support it. An appropriate description allows the Internal Control System to be implemented consistently and according to regulations.

6. Competence of human resources does not moderate the effect of completion of audit findings on the quality of financial reports. This is due to a lack of commitment to follow up on suggestions resulting from BPK checking by the entity's directives and administrators being looked at.

Suggestion

Based on the results of the research, the authors provide the following suggestions:

1. For Instance

- a. Regional Financial Management Officers in the Lahat Regency Government must prepare and provide for the issuance of regulations related to regional financial management accompanied by efforts to synchronize various regulations both at the central government and at regional governments as well as provide technical discussions related to the application of accrual-based Government Accounting Standards (help desk).
- b. All Regional Apparatus leaders in the Lahat Regency Government must implement a reliable and adequate Internal Control System for creating accountable state financial management by conducting regular evaluations of the implementation of the Government's Internal Control System.
- c. All Regional Apparatus leaders must be highly committed to following up on the BPK Audit Report by providing quick and precise answers or explanations for each BPK recommendation,
- d. Placement of human resources aligned with the educational background, sorting out professional human resources in the accounting aspect as a result, minimizes mistakes in the way the Lahat Regency LKPD is prepared.

2. For Further Researchers

- a. For further research, include other variables that can moderate and ensure the quality of regional financial information, such as organizational commitment and use of technology.

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