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The Effect of Information Technology Utilization and Internal Control on Regional Financial Information Systems and Their Impact on The Quality of The Financial Statements of The Riau Islands Provincial Government

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Abstract: Several things that influence agency performance are the use of information technology and internal control. Information technology and physical internal control are two different things, but IT can be used as a tool to make it easier to carry out internal control and that does not mean that without IT internal control cannot be carried out, it can still be carried out, it's just that with IT it will be mucheasier because there are things - things that are difficult to achieve by manual internal control. The aim of this research is to examine the influence of the use of information technology and internal control on the regional financial information system and its impact on the quality of the Riau Islands Provincial Government's financial reports. The aim of the research is to determine the use of information technology within the Riau Islands Provincial Government. To find out internal control withinthe Riau Islands Provincial Government. To find out about the information systemin the Riau Islands Provincial Government. To determine the quality of financial reports in the Riau Islands Provincial Government. To determine the influence of the use of technology and internal control on regional financial information systems. To determine the influence of regional financial information systems on the quality of financial reports. The research method is quantitative. Data analysis is an activity after datafrom all respondents has been collected. Data processing is carried out by means of data that has been collected, processed and presented in tabular form to facilitatethe author's processing in preparing this thesis using classified secondary data to facilitate analysis using SEM-PLS. Based on the results of the research conducted, it can be concluded that theuse of ICT has a positive and significant effect on the quality of regional financial reports. Internal Control has a positive and significant effect on the Quality of Regional Financial Reports. The Regional Financial Information System has a positive and significant effect on the Quality of Regional Financial Reports. The use of ICT has a positive and significant effect by moderating the RegionalFinancial System on the Quality of Regional Financial Reports. Internal Control has a positive and significant effect by moderating the Regional Financial Information System on the Quality of Regional Financial Reports.

Keyword: Utilization of Information Technology, Internal Control, Regional Financial Information System, Quality of Financial Reports

INTRODUCTION

Local governments must be able to present financial reports that contain quality financial information. There are four characteristics of the quality of financial statements according to the Government of the Republic of Indonesia (2010) in Government Regulation Number 71 of 2010 concerning Government Accounting Standards. These characteristics are relevant, reliable, comparable and understandable.

Statement No. 1 of SAP (2010:1), states that general purpose financial statements are reports intended to meet the needs of users". What is meant by users in the above definition is the community, legislature, institutions, examiners / supervisors, parties who give or play a role in the process of donations, investments, and loans and the government.

Some of the things that affect agency performance are the use of information technology and internal control. Information technology and internal control are physically two different things, but IT can be used as a tool to make it easier to carry out internal control and that does not mean that without IT internal control cannot be carried out, it can still be carried out, it's just that with IT it will be much easier because there are things that are difficult to achieve by internal control manually, so that with the use of information technology everything can be done efficiently both in terms of time, labor, and also cost efficiently. Therefore, everything related to internal control must be carried out using information technology. The phenomenon of regional government financial reporting in Indonesia, including the Riau Islands Province, still presents a lot of data that is not appropriate. In addition, there are still many irregularities that have been found by the financial auditing agency in conducting audits of government financial reports. There are still many phenomena of government financial reports that have not presented data that is in accordance with the regulations and there are still many irregularities that have been found by the Supreme Audit Agency (BPK) in conducting audits of government financial reports, making public demands for good governance increase. This has also encouraged the central government and local governments to implement public accounting.

Information Technology

Technology is a system for doing something to meet human needs with the help of tools and reason (Hardware and Software) as if extending, strengthening, or making more powerful the limbs, five senses and the human brain, while information is the result of processing, manipulation, and organizing or structuring of just a group of data that has knowledge value for its users (Sutabri 2014: 2).

Internal Control

Internal control is a policy of specification procedures designed to provide adequate assurance to management that important goals and objectives for company management can be met. (Mulyadi, 2017) provides a definition of internal control as follows "Internal Control includes organizational structures, methods and measures that are coordinated primarily to safeguard organizational assets and check the accuracy and reliability of accounting data, encourage efficiency, and encourage compliance with management policies".

According to the Public Accountants Professional Standards (2011: SA 319.2 Part06) stated: "Internal control is a process carried out by the board of commissioners, management, and other personnel of the entity - designed to provide reasonable assurance about the achievement of three groups of objectives namely (a) reliability of financial reporting, (b)

effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations “.

Financial Statement Quality

The Indonesian Accounting Association (2018) states that: “The definition of financial statements is a structure that presents the financial position and financial performance of an entity. The general purpose of these financial statements for the public interest is the presentation of information about the financial position, financial performance, and cash flow of the entity which is very useful for making economic decisions for its users”.

Government Accounting Standards Statement (PSAP) Number 1 on the Conceptual Framework of Government Accounting paragraph 9 as according to the Government of the Republic of Indonesia (2010) contained in Government Regulation Number 71 of 2010 concerning Government Accounting Standards states that financial statements are structured reports on the financial position and transactions carried out by a reporting entity.

Regional Financial Management

The regulation of the Minister of Home Affairs of the Republic of Indonesia number 77 of 2020 concerning Technical Guidelines for Regional Financial Management outlines the definition of regional financial management as follows: “The overall regional financial management activities which include planning, budgeting, implementation, administration, reporting, accountability and supervision”.

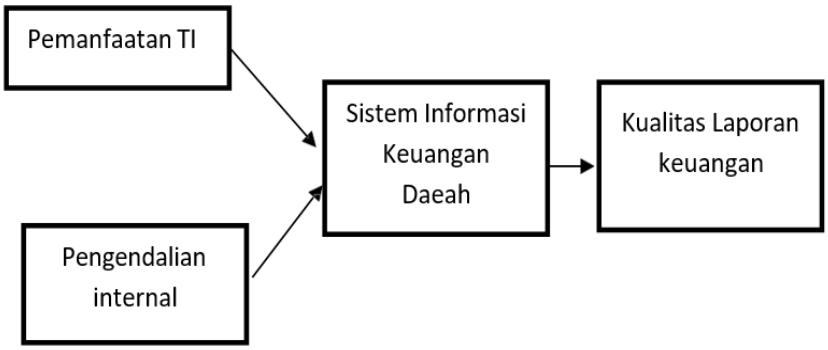

Figure 1 Framework of Thought

Based on the theoretical basis along with previous research, it can be seen that the hypothesis in this study is as follows:

H1 : There is an effect of information technology utilization on regional financial information systems

H2 : There is an influence of internal control on regional financial information systems.

H3 : The influence of information technology utilization on the quality of financial statements.

H4 : There is an effect of internal control on the quality of financial reports.

H5 : The influence of regional financial information systems on the quality of financial reports.

H6 : There is an effect of technology utilization and internal control on the quality of financial reports through the regional financial information system.

METHOD

The method used in this research is quantitative descriptive method, which is research that is then processed and analyzed to draw conclusions. The data used is primary data. The data was obtained from respondents who were sampled in the study by distributing questionnaires. Primary data is information data originating from informants obtained through

direct objects called respondents, which include people who are studied and will be asked for information or information through interviews or distributing questionnaire questionnaires.

The type of non-probability sampling used in this research is Purposive Sampling. Purposive sampling is a sampling technique with certain considerations. With a sample in this study totaling 60 people. The data collection methods used were questionnaires and library research.

Validity Test

The validity test is carried out by comparing the calculated r value with the r table for a significance of 5% from the degree of freedom (df) = n-2, in this case n is the number of samples. If r count> r table, the question or indicator is declared valid, otherwise if r count < r table, the question or indicator is declared invalid (Ghozali, 2011).

Reliability Test

SPSS provides facilities to measure reliability with the Cronbach Alpha (a) stochastic test. A construct or variable is said to be reliable if it provides a Cronbach Alpha value> 0.60 (Ghozali, 2011).

The structural model in PLS is evaluated using the coefficient of determination (R2) value, which is 0.75; 0.50; and 0.25 for each endogenous latent variable in the structural model which is interpreted as substantial, moderate, and weak (Sholihin and Ratmono, 2013). The higher the coefficient of determination (R2), the better the prediction model of the proposed research model.

Table 1. Validity test parameters in the SEM measurement model

Validity Test	Parameter	*Rule of Thumbs*
Konvergensi	Factor loading	More than 0.7
	Average Variance Extracted (AVE)	More than 0,5
	Communality	More than 0,5
Diskriminan	Akar AVE dan korelasi antar variabel	Akar AVE > korelasi variabel laten
	Factor *loading*	More than 0.7 in one variable

Hypothesis Testing

Hypothesis testing (β, γ, and λ) was conducted using the Bootstrap resampling method developed by Geisser & Stone. The test statistic used is the t statistic or t test, with the statistical hypothesis as follows:

The statistical hypothesis for the outer model is:

H_i : $\lambda = 0$ Opponent

H_i : $\lambda \neq 0$

H_i Statistical hypothesis for the inner model: the effect of exogenous latent variables on endogenous is

H_i : $\gamma = 0$ Opponent

H_i : $\gamma \neq 0$

Statistical hypothesis for the inner model: the effect of endogenous latent variables on endogenous is

H_0 : $\beta i = 0$ Opponent

H_1 : $\beta i \neq 0$

By applying the resampling method, it allows the data to be distribution free, so it does not require the assumption of normal distribution, and does not require a large sample size (recommended minimum sample of 30). Testing is done with a t-test, if a p-value ≤ 0.05 (α = 5%) is obtained, then it is concluded to be significant, and vice versa. If the results of hypothesis testing on the outer model are significant, this indicates that the indicators can be used as instruments measuring latent variables. However, if the test results on the inner model are significant, it means that there is a meaningful influence of latent variables on other latent variables.

RESULTS AND DISCUSSION

Structural Equation Modeling (SEM) Test Results

a. **Composite Reliability**

The statistics used in composite reliability or construct reliability are composite reliability values above 6.0 indicating that the construct has high reliability or reliability as a measuring instrument. A limit value of 0.6 and above means acceptable and above 0.8 and 0.9 means very satisfactory.

Table 2 Composite Reliability Results

Variabel	Composite reliability (rho_a)
TIK Utilization	0.953
Internal Control	0.940
Regional Financial Information System	0.920
Quality of Report	0.907

Source: Smart PLS 4, 2023

The conclusion of composite reliability testing is as follows:

a. The Regional Financial Information System variable is reliable, because the composite reliability value is 0.920> 0.6.
b. The Regional Financial Report Quality variable is reliable, because the composite reliability value is 0.907> 0.6.
c. The ICT Utilization Variable is reliable, because the composite reliability value is 0.953> 0.6.
d. The Internal Control variable is reliable, because the composite reliability value is 0.940> 0.6.

b. ***Average Variance Extracted (AVE)***

The standard is that if the AVE value is above 0.5, it can be said that the construct has good convergent validity. This means that the latent variable can explain on average more than half of the variance of its indicators.

Table 3 Average Variance Extracted Results

	Regional financial information system	Quality of Regional Financial Reporting	Utilization TIK	Internal Control	Regional Financial Information System x Internal Controls	Regional Financial Information System x Utilization TIK
X11			0.879			
X12			0.825			
X13			0.839			
X14			0.796			
X15			0.825			
X16			0.793			
X21				0.897		
X22				0.816		
X23				0.842		
X24				0.840		
X25				0.813		
X26				0.786		
X27				0.724		
X28				0.879		
Y1		0.896				
Y2		0.847				
Y3		0.828				
Y4		0.816				
Y5		0.822				
Y6		0.820				
Z1	0.873					
Z10	0.818					
Z11	0.784					
Z12	0.852					
Z2	0.834					
Z3	0.792					
Z4	0.785					
Z5	0.796					
Z6	0.785					
Z7	0.739					
Z8	0.848					
Z9	0.783					

Regional Financial Information System x Internal Controls					1.000	
Regional Financial Information System x Utilization TIK						1.000

Source: Smart PLS 4, 2023

Table 3 shows that the discriminant validity for each construct is good. This can be seen from the factor loading value for the measurement of each construct that has met the minimum level and is considered good and in accordance with the rule of thumbs.

Discriminant Validity

If the HTMT value is <0.90 then a construction has good discriminant validity (Juliandi, 2018).

Table 4 Discriminant Validity

	Regional financial information system	Quality of Regional Financial Reporting	Utilization TIK	Internal Control	Regional Financial Information System x Internal Controls	Regional Financial Information System x Utilization TIK
Regional Financial Information System						
Quality of Financial Statements Regional	0.052					
TIK Utilization	0.052	0.069				
Internal Control	0.055	0.058	0.073			
Spiritual Motivation	0.786	0.521	0.094	0.750		

Regional Financial Information System Regional x Internal Control	0.084	0.091	0.093	0.109		
Regional Financial Information System Regional x TIK Utilization	0.080	0.082	0.074	0.102	0.530	

Source: Smart PLS 4, 2023

Table 4 shows the HTMT value between each construct that does not exceed 0.9.

Path Coeffecient

Seeing the significance of the influence between constructs can be seen from the path coefficient (path coeffecient). The sign in the path coeffecient must be in accordance with the hypothesized theory, to assess the significance of the path coeffecient can be seen from the t test (critical ratio) obtained from the bootstrapping process (resampling method).

a. R-Square

R-Square is a measure of the proportion of variation in the value of the variable that is influenced (endogenous) and can be explained by the variables that influence it (exogenous). This is useful for predicting whether the model is good or bad (Juliandi, 2018). The criteria for R-Square according to Juliandi (2018) are as follows:

a) If the value of R2 (adjusted) = 0.75 the model is substantial.
b) If the value of R2 (adjusted) = 0.50 the model is moderate.
c) If the value of R2 (adjusted) = 0.25 the model is weak.

Table 5 R-Square

	R-square	R-square adjusted
QUALITY OF FINANCIAL STATEMENTS	0.995	0.994

Source: Smart PLS 4, 2023

The conclusion from testing the r-square value on the Quality of Regional Financial Reports is that the Adjusted R-Square for the path model using moderator variables is 0.995. This means that the ability of work environment variables, motivation, incentives with moderation of the Regional Financial Information System in explaining the Quality of Regional Financial Reports is 99.5%. Thus, the model is classified as substantial.

b. Direct Effect

The purpose of direct effect analysis is useful for testing the hypothesis of the direct effect of an influencing variable (exogenous) on the variable being influenced (endogenous) (Juliandi, 2018). Probability/significance value (P-Value):

a) If the P-Values <0.05, then significant.
b) If the P-Values> 0.05, then it is not significant.

Table 6 Direct Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values

Regional Financial Information System -> Quality of Financial Statements	0.481	0.503	0.081	5.922	0.000
Internal Control -> Quality of Financial Statements	0.099	0.070	0.136	4.856	0.000
ICT Utilization -> Quality of Financial Statements	0.208	0.180	0.108	3.352	0.000
Regional Financial Information System x	0.055	0.025	0.047	6.237	0.000
ICT Utilization -> Quality of Financial Statements					
Regional Financial Information System x Internal Control -> Quality of Financial Statements	**0.025**	**0.445**	**0.097**	**9.565**	**0.000**

Source: Smart PLS 4, 2023

The conclusion of the direct effect value in the table above is as follows:

1. TIK utilization on the quality of regional financial reports: Path coefficient = 3.352> T-Table = 1.982 with p value 0.000 <0.05, meaning that the effect of X on Y is significant.
2. Internal Control on the Quality of Regional Financial Reports: Path coefficient = 4.856 > T-Table = 1.982 with p value 0.000 <0.05, meaning that the effect of X on Y is significant.
3. Regional Financial Information System on the Quality of Regional Financial Reports: Path coefficient = 5.922 > T-Table = 1.982 with p value 0.000 <0.05, meaning that the effect of X on Y is significant.
4. TIK Utilization * Regional Financial Information System on the Quality of Regional Financial Reports: Path coefficient = 6.237 > T-Table = 1.982, meaning that the moderator variable (TIK Utilization) moderates the effect of an endogenous variable (work environment) on an exogenous variable (Regional Financial Report Quality).
5. Internal Control * Regional Financial Information System on the Quality of Regional Financial Reports: Path coefficient = 9.565> T-Table = 1.982, meaning that the moderator variable (Regional Financial Information System) moderates the effect of an endogenous variable (Internal Control) on an exogenous variable (Quality of Regional Financial Reports).

CONCLUSION

Based on the results of the analysis and discussion in the previous chapter, the following conclusions can be made:

1. TIK utilization has a positive and significant effect on the quality of regional financial reports. This means that if the TIK Utilization of the work provided is good, it will provide an increase in the Quality of Regional Financial Reports in the Riau Islands Provincial Government. Path coefficient = 3.352 > T-Table = 1.982 with p value 0.000 < 0.05.
2. Internal Control has a positive and significant effect on the Quality of Regional Financial Reports. This means that if Internal Control increases, it will provide an increase in the

Quality of Regional Financial Reports in the Riau Islands Provincial Government. Path coefficient = 4.856 > T-Table = 1.982 with p value 0.000 < 0.05.

3. The Regional Financial Information System has a positive and significant effect on the Quality of Regional Financial Reports. This means that if employees are satisfied with the work carried out which is given accordingly, it will provide an increase in the Quality of Regional Financial Reports in the Riau Islands Provincial Government. Path coefficient = 5.922 > T-Table = 1.982 with p value 0.000 < 0.05.
4. ICT utilization has a positive and significant effect with moderation of the Regional Financial Information System on the Quality of Regional Financial Reports. Path coefficient = 11.235 > T-Table = 1.982.
5. Internal Control has a positive and significant effect with moderation of the Regional Financial Information System on the Quality of Regional Financial Reports. : Path coefficient = 6.237 > T-Table = 1.982

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