

THE INFLUENCE OF ACCOUNTING UNDERSTANDING, WORK EXPERIENCE AND THE ROLE OF INTERNAL AUDIT ON THE QUALITY OF FINANCIAL REPORTS FOR REGIONAL DEVICES WITH INTERNAL CONTROL SYSTEMS AS INTERVENING VARIABLES (Study of Karimun Regency Government)

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Abstract

This study aims to determine and analyze the effect of accounting understanding, work experience and the role of internal audit on the financial statements of regional officials with the internal control system as an intervening variable in the Karimun Regency Government. This study uses a quantitative analytic survey method by distributing questionnaires to employees in the OPD (Regional Organizational Organization) Karimun Regency. The population and sample in this study were employees at 33 OPDs in Karimun Regency which consisted of OPD Financial Administration Officers (PPKeu), expenditure treasurers, revenue treasurers and Budget Users (PA) as well as staff who were directly related to the preparation of financial statements totaling 109 people. Data were analyzed using Descriptive Statistical Analysis and Partial Least Square Analysis (SEM-PLS) with Smart PLS 3.0 software program. The results of this study indicate that work experience and the role of internal audit partially have a positive and significant effect on the quality of financial reports, while accounting understanding has a positive and insignificant effect on the quality of financial statements in Karimun Regency and accounting understanding and work experience mediated by the internal control system have a positive effect. and significant to the quality of financial reports, while the role of internal audit mediated by the internal control system has a positive and insignificant effect on the quality of financial reports.

Keywords: *Regional Financial Report Quality, Accounting Understanding, Work Experience and Role of Internal Audit and Internal Control System.*

1.INTRODUCTION

The measure of financial reporting accountability is indicated by the opinion given by the external auditor (BPK RI) on the presentation of government financial reports. In the examination conducted by the BPK Representative of the Riau Islands Province on the government's financial statements, they still found weaknesses in internal control, non-compliance with legislation in controlling regional finances, there were a number of things that became the findings of BPK RI, among others:

1. The preparation of regional government financial reports for 2020 which is considered not fully adequate.
2. Accountability for activities that are not in accordance with applicable regulations.
3. Cash management at the Regional General Treasurer (BUD), both expenditures and receipts are not fully adequate.
4. There is a volume shortage on a number of physical projects.
5. Asset management that has not been recorded properly.
6. Inventory records and inventory of goods are not well organized.
7. There is misappropriation of activity funds that causes regional losses.
8. The follow-up to the recommendation on the results of the BPK examination no later than 60 (sixty) days after the report on the results of the examination is received has not gone well.

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Based on the phenomena described above, the researcher feels the need to find out why the local government financial statements of Karimun Regency still get Unqualified Opinions, while there are still findings from the BPK RI examination relating to compliance with applicable laws and regulations, findings on the weakness of the control system. internally executed.

1.1. Identification of Problems

Based on the description of the background above, it is indicated that there are several problems in the quality of financial reports, including:

1. Lack of understanding of accounting by financial management employees in regional apparatus organizations so that it affects the quality of financial reports.
2. The lack of work experience in the accounting field owned by each regional apparatus organization in the preparation of financial reports so that it affects the quality of financial reports.
3. The role of internal audit in each regional apparatus organization is not yet optimal in the supervision of financial management so that it affects the quality of financial reports.

1.2. Research Objectives

Research objectives are the results to be achieved in conducting research and have consistency with the problems and questions contained in the formulation of the problem. Therefore, the objectives of this research are:

1. This study aims to determine the direct influence of accounting understanding on the quality of regional financial reports in the Karimun Regency Government.
2. To find out the direct effect of work experience on the quality of regional financial reports in the Karimun Regency Government.
3. To determine the direct influence of the role of internal audit on the quality of regional financial reports in the Karimun Regency Government.
4. To determine the direct effect of the internal control system on the quality of regional financial reports in the Karimun Regency Government.
5. To find out whether accounting understanding has a direct effect on the internal control system.

2. LITERATURE REVIEW

2.1. Quality of Financial Statements

The Indonesian Accounting Association (2013:7) suggests that the quality of financial statements is part of financial reporting, complete financial statements usually include balance sheets, income statements, statements of changes in financial position which are presented in various ways such as cash flow statements, notes to financial statements and other reports and explanatory materials that are an integral part of the financial statements.

2.2. Internal Control System

According to Mardi (2013: 59) the internal control system includes the organizational structure and all the way and actions within a company that are coordinated with each other with the aim of maintaining the security of company property, checking the accuracy and correctness of accounting information, increasing the company's operational efficiency and helping maintain good management policies. has been established.

2.3. Understanding Accounting

According to Meilani, Purwanti and Wasman (2014) Understanding accounting is a person's ability to recognize and understand accounting. This level of accounting understanding can be measured from a person's understanding of the process of recording financial transactions, grouping, summarizing, reporting and interpreting financial data. So, people who have an understanding of accounting are people who are smart and really understand the accounting process.

2.4. Work Experience

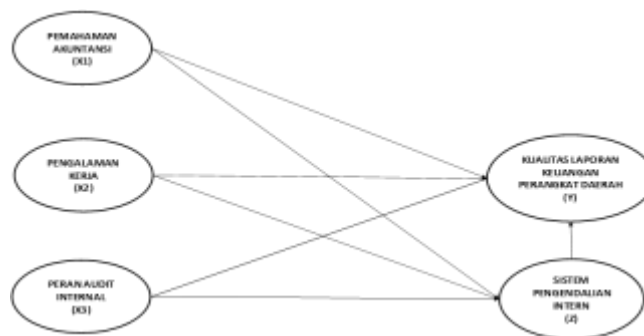
According to Manulang (2013; 15) work experience is the process of forming knowledge or skills about the method of a job because of the employee's involvement in the implementation of work assignments.

2.5. Role of Internal Audit

According to the Institute of Internal Auditors quoted by Arens et al (2015:432) and translated by Herman Wibowo, defining internal audit is an objective and independent consulting and assurance activity designed to add value and improve the organization's operations. It helps the organization to achieve its objectives by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.6. Research Model

The relationship between the independent variable and the dependent variable and the intervening variable can be described by the research model as follows:



3. RESEARCH METHOD

3.1. Population and Sample

The population in this study is the OPD of the Karimun Regency Government as many as 33 OPD consisting of 1 budget user, 1 financial administration official and 1 expenditure treasurer and 1 revenue treasurer. Therefore, the number of samples used in this study were 109 respondents.

3.2. Data Collection Method

The data collection method used in this study was in the form of a questionnaire distributed to respondents in 33 OPDs.

3.3. Data Analysis Techniques

a. Validity test

Validity testing is carried out using the SPSS 25 program. The criteria for testing the validity of the significant level (α) used is 5% with the following formula (Sugiyono, 2016):

$$r = \frac{n \sum x_i y_i - (\sum x_i)(\sum y_i)}{\sqrt{\{n \sum x_i^2 - (\sum x_i)^2\} \{n \sum y_i^2 - (\sum y_i)^2\}}}$$

Information:

r = Product moment correlation coefficient.

n = Number of respondents (sample).

x_i = Independent Variable (independent variable)

y_i = Dependent Variable (dependent variable).

$x_i y_i$ = The number of multiplications of independent and dependent variables.

3.4. Reliability Test

Reliability test is used to determine the extent to which the measurement results remain consistent when measured twice or more against the same symptoms using the same measuring instrument. This test is only used for valid items. If the reliability coefficient value of Cronbach's Alpha > 0.6 then the instrument has good reliability, or in other words the instrument is reliable or trusted by Ghazali in (Satriawan & Dewi, 2022).

b. Partial Least Square (PLS) Analysis

Evaluation of the Measurement Model (Outer Model)

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The outer model is often also called (outer relation model or measurement model) which defines how each indicator block relates to its latent variable. The measurement model (outer model) was used to assess the validity and reliability of the model.

- Convergent Validity

Convergent validity of the measurement model can be seen from the correlation between the indicator scores and the variable scores. The indicator is considered valid if it has an AVE value above 0.5 or shows all outer loading dimensions of the variable having a loading value > 0.5 (Abdullah, 2015).

- Discriminate Validity

This measurement can be used to measure the reliability of the component score of latent variables and the results are more conservative than composite reliability. It is recommended that the AVE value should be greater than 0.50.

- Composite Reliability

Composite reliability is the accepted limit value for the compositional reliability level (PC) is $e^{*0.7}$ (Abdullah, 2015)

Evaluation of the Structural Model (Inner Model)

Inner models (inner relations, structural models and substantive theory) describe the relationship between latent variables based on substantive theory. The structural model was evaluated using R-square for the dependent construct, Stone-Geisser Q-square test for predictive relevance and t-test and significance of the coefficients of structural path parameters.

4.RESULTS AND DISCUSSION

4.1. Results of Data Analysis

Data Quality Test Results

a. Validity test

In this study, the number of samples $n = 30$ with a sample calculation of $n - 2 = 28$ with a significance level of 5% obtained a t -table of 0.361. The trial method in this study was the sample used so that the number used for the trial was part of the sample. The results of the validity test in this study are as follows:

Table 4.1 Validity Test Results

Items	r count	r table	Probability	Information
X1.1	0.764	0.361	$0.000 < 0.05$	Valid
X1.2	0.779	0.361	$0.000 < 0.05$	Valid
X1.3	0.874	0.361	$0.000 < 0.05$	Valid
X1.4	0.863	0.361	$0.000 < 0.05$	Valid
X1.5	0.781	0.361	$0.000 < 0.05$	Valid
X1.6	0.904	0.361	$0.000 < 0.05$	Valid
X1.7	0.855	0.361	$0.000 < 0.05$	Valid

X1.8	0.818	0.361	$0.000 < 0.05$	Valid
X1.9	0.760	0.361	$0.000 < 0.05$	Valid
X2.1	0.695	0.361	$0.000 < 0.05$	Valid
X2.2	0.815	0.361	$0.000 < 0.05$	Valid
X2.3	0.879	0.361	$0.000 < 0.05$	Valid
X2.4	0.842	0.361	$0.000 < 0.05$	Valid
X2.5	0.766	0.361	$0.000 < 0.05$	Valid
X2.6	0.830	0.361	$0.000 < 0.05$	Valid
X3.1	0.869	0.361	$0.000 < 0.05$	Valid
X3.2	0.804	0.361	$0.000 < 0.05$	Valid
X3.3	0.841	0.361	$0.000 < 0.05$	Valid
X3.4	0.880	0.361	$0.000 < 0.05$	Valid
X3.5	0.815	0.361	$0.000 < 0.05$	Valid
X3.6	0.863	0.361	$0.000 < 0.05$	Valid
X3.7	0.852	0.361	$0.000 < 0.05$	Valid
X3.8	0.896	0.361	$0.000 < 0.05$	Valid
Z.1	0.862	0.361	$0.000 < 0.05$	Valid
Z.2	0.782	0.361	$0.000 < 0.05$	Valid
Z.3	0.925	0.361	$0.000 < 0.05$	Valid
Z.4	0.803	0.361	$0.000 < 0.05$	Valid
Z.5	0.800	0.361	$0.000 < 0.05$	Valid
Z.6	0.863	0.361	$0.000 < 0.05$	Valid
Z.7	0.853	0.361	$0.000 < 0.05$	Valid

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Z.8	0.818	0.361	$0.000 < 0.05$	Valid
Z.9	0.780	0.361	$0.000 < 0.05$	Valid
Z.10	0.776	0.361	$0.000 < 0.05$	Valid
Y.1	0855	0.361	$0.000 < 0.05$	Valid
Y.2	0.811	0.361	$0.000 < 0.05$	Valid
Y.3	0.786	0.361	$0.000 < 0.05$	Valid
Y.4	0.659	0.361	$0.000 < 0.05$	Valid
Y.5	0.824	0.361	$0.000 < 0.05$	Valid
Y.6	0.783	0.361	$0.000 < 0.05$	Valid
Y.7	0.812	0.361	$0.000 < 0.05$	Valid
Y.8	0.681	0.361	$0.000 < 0.05$	Valid

b. Reliability Test

The reliability coefficient value of Cronbach's Alpha > 0.6 means that the instrument has good reliability, or in other words, the instrument is reliable. Ghazali in (Satriawan & Dewi, 2022). The results of the reliability test of this study are as follows:

Table 4.2 Reliability Test Results

No	Variable	CA value	CA Grade	Note:
1	Accounting Understanding	0.935 / 93.5%	0.60/60%	Reliable
2	Work experience	0.888 / 88.8%	0.60/60%	Reliable
3	Internal Audit Role	0.944 / 94.4%	0.60/60%	Reliable
4	Internal Control System	0.947 / 94.7%	0.60/60%	Reliable
5	Financial Report Quality	0.900 / 90.0%	0.60/60%	Reliable

4.2. PLS Analysis Test Results

1. Outer Model Test

a. Convergent Validity Test

The results of the convergent validity test are obtained from the outer loadings values as follows:

Table 4.3 Convergent Validity

Variable	X1	X2	X3	Y	Z
X1.1	0.692				
X1.2	0.665				
X1.3	0.727				
X1.4	0.708				
X1.5	0.722				
X1.6	0.821				
X1.7	0.776				
X1.8	0.815				
X1.9	0.795				
X2.1		0.686			
X2.2		0.725			
X2.3		0.714			
X2.4		0.690			
X2.5		0.776			
X2.6		0.763			
X3.1			0.761		
X3.2			0.561		
X3.3			0.743		
X3.4			0.804		
X3.5			0.782		
X3.6			0.782		
X3.7			0.678		
X3.8			0.696		
Y1				0.802	
Y2				0.819	
Y3				0.765	
Y4				0.704	
Y5				0.727	
Y6				0.732	
Y7				0.748	
Y8				0.688	

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Variable	X1	X2	X3	Y	Z
Z1					0.785
Z2					0.671
Z3					0.777
Z4					0.781
Z5					0.739
Z6					0.787
Z7					0.802
Z8					0.765
Z9					0.753
Z10					0.730

Based on the calculation results, it is known that the value of the outer loading factor on the indicators of accounting understanding variables (X1.1, X1.2), work experience (X2.1, X2.4), the role of internal audit (X3.2, X3.7, X3.8) and the quality of financial reports (Y8) and the internal control system (Z2) still have values below 0.70 so they cannot be used in data processing.

b. Discriminant Validity Test

The results of the Discriminant Validity test can be seen in the following table:

Table 4.4 Discriminant Validity

Variable	X1	X2	X3	Y	Z
Accounting Understanding (X1)	0.710				
Work Experience (X2)	0.633	0.705			
Internal Audit Role (X3)	0.618	0.525	0.729		
Quality of Financial Statements (Y)	0.711	0.701	0.605	0.745	
Internal Control System (Z)	0.620	0.563	0.460	0.742	0.709

4.3. Discussion

1. Accounting Understanding on the Quality of Financial Statements

The result of hypothesis testing which states that accounting understanding has a direct effect on the quality of regional financial statements is rejected. This indicates that there is an

insignificant positive correlation between accounting understanding and the quality of Financial Statements, meaning that the accounting understanding possessed by employees related to the preparation of financial statements (PPKeu and treasurer) does not play a role in improving the Quality of Financial Reports.

2. Work Experience on the Quality of Financial Reports

The results of testing the hypothesis that work experience has a direct effect on the quality of regional financial reports are accepted. This indicates that there is a significant positive correlation between work experience and the quality of Financial Statements, meaning that the work experience of employees related to the preparation of financial statements (PPKeu and treasurer) plays a role in improving the Quality of Financial Reports.

3. The Role of Internal Audit on the Quality of Financial Reports

The results of testing the hypothesis that the role of internal audit has a direct effect on the quality of regional financial reports are accepted. This indicates that there is a significant positive correlation between the role of internal audit and the quality of financial statements, meaning that the role of internal audit owned by employees related to the preparation of financial statements (PPKeu and treasurer) plays a role in improving the quality of financial statements.

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusion

From the results of research and discussion researchers conclude that:

1. Accounting understanding has a positive but not significant effect on the Quality of Financial Statements with a T-statistic value of 1.823 smaller than 1.96 and a p-value of $0.068 > 0.05$ (not significant).
2. Accounting understanding has a positive and significant effect on the Internal Control System with a T-statistic value of 3.407 greater than 1.96 and a p-value of $0.001 < 0.05$ (significant).
3. Work Experience has a positive and significant effect on the Quality of Financial Statements with a T-statistic value of 3.051 greater than 1.96 and a p-value of $0.002 < 0.05$ (significant).

5.2. Suggestions

Researchers convey several suggestions, including:

1. The results show that accounting understanding has no significant effect on the quality of financial reports, for that it is recommended that Ppkeu employees and treasurers conduct training/training related to accounting and financial report preparation and evaluate the achievement of targets from the results of the training they do, so that the quality of financial reports becomes better. good going forward.
2. The findings of the study indicate that work experience has a significant effect on the quality of financial reports, for that the leadership in placing Ppkeu and regional treasurers in Karimun Regency must consider the work experience of the Ppkeu and treasurer candidates.
3. The research findings indicate that the role of internal audit has a significant effect on the quality of financial statements, the role of internal audit is one of the main keys in the effort to prepare accountable financial statements. This is due to its quite important role in minimizing the occurrence of fraud which has an impact on the validity and accuracy of the data presented in the financial statements. So, the internal audit must really function optimally so that there are no errors in the financial statements.

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