

Determinants Factors Affecting Quality of Financial Statement Information: External Factors as Moderating Variables

Mohammad Syafik^{1*}, Doddy Setiawan²

¹Fakultas Ekonomi dan Bisnis, Universitas Sebelas Maret, Surakarta, Indonesia, mohammadsyafik@student.uns.ac.id

¹Fakultas Ekonomi, Universitas Islam Lamongan, Lamongan, Indonesia, mohammadsyafik@unisla.ac.id

²Fakultas Ekonomi dan Bisnis, Universitas Sebelas Maret, Surakarta, Indonesia, doddy.setiawan@staff.uns.ac.id

*Corresponding author

Abstract

This research aims to provide knowledge related to the influence of the internal control system, the use of information technology and human resource capacity on the quality of financial statement information with external factors as moderating variables. The questionnaire used to gather the data for this study was distributed to 107 Lamongan district employees who work in the financial industry. This research proves that the internal control system, utilization of information technology and human resource capacity positively and significantly impact the quality of financial statement information. External factors do not influence human resources' capacity on the quality of financial statement information. Future studies may select a wider sample, such as the Provincial Government.

Keywords: Internal control system, utilization of information technology, human resource capacity and quality of financial report information.

Determinan Faktor-Faktor yang Mempengaruhi Kualitas Informasi Laporan Keuangan : Faktor Eksternal Sebagai Variabel Moderasi

Abstrak

Tujuan dari riset ini untuk memberikan pengetahuan terkait dengan pengaruh sistem pengendalian intern, pemanfaatan teknologi informasi dan kapasitas sumber daya manusia terhadap kualitas informasi laporan keuangan dengan faktor eksternal sebagai variabel moderasi. Koleksi data dalam riset ini menggunakan kuesioner yang diberikan terhadap pegawai pemerintah kabupaten lamongan yang bekerja pada bidang keuangan. Dengan responden penelitian berjumlah 107 orang. Riset ini membuktikan bahwa sistem pengendalian intern, pemanfaatan teknologi informasi dan kapasitas sumber daya manusia mempunyai pengaruh positif dan signifikan terhadap kualitas informasi laporan keuangan. faktor eksternal tidak memiliki pengaruh kapasitas sumber daya manusia terhadap kualitas informasi laporan keuangan. Studi selanjutnya dapat memilih sampel yang lebih luas, seperti Pemerintah Provinsi.

Kata kunci: Sistem pengendalian intern, pemanfaatan teknologi informasi, kapasitas sumber daya manusia dan kualitas informasi laporan keuangan

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INTRODUCTION

Realizing the quality of financial statements requires that they have relevant characteristics, demonstrate a level of reliability, can be compared, and can be understood in accordance

with the standards. With the development of a financial report with a high level of quality, it will increase public confidence in the performance of the government amid bad news that hits the government's performance which tends to be fraudulent. Regional government financial reports (LKPD) in the preparation and presentation are the embodiment of accounting principles that could improve the quality of financial reports, so a government accounting standard is needed, where these standards have a strong legal basis (PP 71 tahun, 2010).

The financial statements aim to provide accurate information so that they can explain the financial condition and every activity carried out by each reporting entity in each specified time period. An economic resource value can be seen from financial reports which can be used to carry out routine government sector activities, measure financial conditions, evaluate the effectiveness or efficiency of a reporting entity and show an entity's compliance with a law and regulation (PP 71 tahun, 2010).

External factor, another name for the external environment, is a condition outside the entity's control environment that can significantly influence strategic and operational planning (Sukmaningrum & Harto, 2012). External factors include aspects of government policy, socio-cultural and economic aspects, and aspects of the role of institutions (Sandra & Purwanto, 2017). The external environment is something outside the organization, it can be a pressure or a trend in the global environment or specific factors operating within the scope of the organization (Yendrawati, 2013).

The Indonesian Institute of Accountants (IAI) still views Indonesian government entities' reporting standards as inadequate since they might be a source of corruption. The IAI, which has five levels, has really defined the quality standards for financial reporting or government accounting. However, no local government has yet attained level five or the highest rating. The current situation is that most of the Indonesian governments in districts/cities only reach levels at levels three and two. The quality of financial reports itself actually has an important role in mitigating fraud, because financial statements are a form of government transparency to the public.

The phenomenon that occurred shortly was the discovery of 13,567 problems by BPK (Audit Board of Republic Indonesia) in the financial reports of the central government to local governments whose value reached Rp. 8.97 trillion in the first half of this year. It is evident from the summary of the semester I 2020 examination results (IHPS) that BPK submitted the findings to the DPR (Indonesia House of Representatives) on Monday, November 9, 2020. BPK expected that the leaders and members of the DPR could follow up on their recommendations so that the management of state finances and the provision of services to the community would be better (Tempo.co, 2020).

Although there are unfavorable phenomena related to public sector financial reports, there are still government regions with good financial reports, such as the Lamongan Regency Government, to whom the Minister of Finance of the Republic of Indonesia gave an award for success in compiling and presenting financial statements in 2018 with a WTP (*wajar tanpa pengecualian*, which is similar to unmodified opinion) opinion to the Lamongan Regency Government. This achievement of the Lamongan Regency Government is the

second best in East Java where the first rank has been given to the Pacitan Regency Government. On the other hand, the Lamongan Regency Government's WTP opinion is the third time in a row from the BPK. The excellence of accountable financial management has earned the Lamongan Regency Government the award. Starting from the level of budget absorption and timeliness in submitting the excess budget (Radar Bojonegoro, 2019). From the award received by the Lamongan Regency Government, it is visible that the Lamongan Regency Government in implementing its government system systematically until the realization of accountability in financial reports.

Based on this phenomenon, it is evident that even though there is a shortage of financial reports in the public sector, it turns out that there is still a government area that maintains the quality of financial reports well so that it gets a WTP opinion for three times in a row. Thus, it is important to analyze the factors that can enable the Lamongan Regency Government to achieve the award amid many problems in the government's financial statements.

Researchers analysed several previous literature but the results were still contradictory. The study's results (Laoli, 2018) concluded that internal control had a positive and significant effect on the quality of LKPD information. This evidence contradicts research (Yendrawati, 2013) concluding that internal control system (*sistem pengendalian internal*, hereafter SPI) has no influence on financial statement information. (Harlinda, 2016) in his research found that HR influences the quality of LKPD information, which is contrary to research (Laoli, 2018) that the quality of HR does not have an effect on the quality of LKPD information. (Anto et al., 2020) concluded that there was a significant effect of the use of IT on the value of the information contained in financial statements, these results are contrary to research (Marsdenia, 2016) that there is no influence of technology on the quality of information in regional financial reports. (Marsdenia, 2016) in his research conveys the influence of HR on the quality of the information contained in the financial statements, but (Yendrawati, 2013) has another opinion, namely that an external factor could weaken the influence of the quality of HR on the quality of information from existing financial reports. Based on the literature, there are still various gaps in the results so there is a gap for research to be carried out. Besides, it is still rare for research to look at external factors with the quality of financial statement information. On the other hand, throughout the author's observation, no research examines the moderating role of external factors in seeing the relationship between the Internal Control System, Utilization of Information Technology and Human Resource Capacity on the Quality of Financial Report Information.

Based on this gap, the author intends to conduct a study titled "Determinants of factors that affect the quality of financial statement information with external factors as moderating variables". While the purpose of this research is to provide evidence of whether SPI, utilization of information technology and human resource capacity affect the quality of financial statement information and whether external factors can strengthen the influence of SPI, utilization of information technology and human resource capacity on the quality of information from a financial report.

Agency theory describes a relationship between people (principals) by involving other people (agents). This cooperation forms a belief that the agent will not act against the principal's wishes (Jensen & Meckling, 1976). This study considers Agency theory more appropriate, where the government is the principal and government employees are the agents. Where the principle that expects good performance so that the level of service to the community increases can describe the community's satisfaction with the arrangement of the area, and those who expect a positive point of view from the community on their future performance will be confident of the work done. Differences in interests between the principal and the agent can affect various aspects of governance, including the quality of information in financial statements.

Local Government Financial Reports (LKPD) are a medium for local governments to account for their financial performance to the public. As stated in government accounting standards, one of the criteria of a good quality financial report is that it must be presented reliably. Reliable in this context means free from misleading notions and material errors, presents honestly and can be verified (Kartoprawiro & Susanto, 2018). The purpose of financial reports, among others, is to be able to provide information on financial conditions, show the level of financial performance to reports that show cash flows in an entity which later has benefits that each user could use and then used as a basis for making economic decisions (Mulyani, 2014).

Accountability is very influential in determining the quality of financial statements. Accountability itself is a dedication to creating the quality of financial reports and accountability. Government Accounting Standards (SAP) is also a facilitator of the realization of transparency and accountability of a financial report. Good SAP implementation could be used as the basis for a decision that must be taken by the government and the realization of transparent and accountable financial reports (Setyowati et al., 2016). Four characteristics are normative requirements to show the quality of financial statements, including relevance, reliability, comparability, and understanding (Tanjung, 2012).

Internal control is the main institutional driver for performance (Babatunde & Dandago, 2014). A procedure and a system contained in the entity is useful in maintaining every activity or an operational process with the provisions regulated to obtain a goal can be called internal control (Budiana et al., 2019). PP No. 60 of 2008 relating to SPI describes the process of auditing, reviewing, evaluating, monitoring and supervising the implementation of the main tasks of the entity in forming a strong belief that it is an internal control, where every activity carried out is based on a predetermined benchmark so that effectiveness and efficiency leadership interests in creating optimal governance. This supervision is one part of internal control where its function is to independently assess the tasks carried out and the functions of government agencies (Modo et al., 2016).

An internal control system that does not work could result in a balancing or leakage of elements of financial statements, this cannot describe a quality financial report because it does not meet every element in the characteristics of a quality financial report (Mutiana et al., 2017). Internal control is also an integral process by which actions and activities are

carried out consistently by the leader and every employee in forming beliefs to achieve a desired goal in the organization through effective and efficient, reliable activities, securing state assets to compliance with laws and regulations. SPI itself is an activity in controlling the organization, especially in terms of governance of information systems with the aim of providing certainty of the level of accuracy and level of complexity of information (Peraturan Pemerintah Republik Indonesia Nomor 60, 2008).

The application of information technology can accelerate performance, and the performance speed will improve the quality of financial reports. However, before the information technology is applied, it must be tested on the information technology to be used to ensure the quality of the results of the information technology processing, so that the application of information technology can be achieved (Widarsono & Lediana, 2013). Information technology is a technology that is intended for data processing activities, ranging from processing activities, obtaining, compiling, and storing to manipulating data in various ways in order to produce information that fulfills the quality requirements, such as relevance, accuracy and timeliness, intended for the interests of individuals that need the information to make good decision (Setyowati et al., 2016). A method or tool that integrates and is useful in data collection, processing and electronic delivery or presentation is a form of information technology in presenting information in various formats that benefit users (Pebriani, 2019).

Utilizing existing technological developments is required, especially for the government in forming a network of management information systems and work activities that may simplify access between units so that government can run more practically. One of the goals of a computerized accounting information system is to make it easier for every financial manager to produce information that is valid, relevant, timely, complete and easy to understand (Modo et al., 2016). Investments in IT usually require additional inputs (and costs), for example, in human resources, and this extra cost and effort usually raises doubts about the (short-term) profitability of IT (Breznik, 2012).

It is very necessary to have support from human resources who have accounting knowledge and run a technology device (financial data processing with Excel or accounting software) to obtain financial reports with good quality (Soleh et al., 2020). Human resources is described as human capital owned by every organization. Human capital is a science, skill and ability individuals possess to be used in their professional and economic activities. In addition, human capital is also a source of innovation and ideas (Setyowati et al., 2016). The ability possessed by a person or individual in an institution, or a scope in carrying out each function or authority to achieve a goal effectively and efficiently could also describe the capacity of human resources. This capacity can be used as a way to achieve performance and get results or outputs (Yendrawati, 2013).

Human resources with a high professional level and broad knowledge and have the appropriate level of competence in their field and also have the motivation to compete in a sporting manner is very much needed by the local government. Professionalism could help optimize work until the work is completely completed according to the task. The competencies possessed in accounting education are able to create good quality financial

reports (Modo et al., 2016). Improving quality human resources in the business area is not only obtained through formal and structured education but could also be done through various ways, such as sharing knowledge among fellow employees and support from management to employees for the development and progress of an entity (Tachyan et al., 2019).

Everything that lies outside the entity but directly influences the entity can be called the external environment. It is an area located outside the entity, exchanging resources between these entities and having dependence on each other, entities that indirectly influence the activities of the entity's area (Yendrawati, 2013). According to (Sukmaningrum & Harto, 2012) External factors, another name for the external environment, is a condition outside the entity's control environment that could significantly influence strategic planning and operational planning.

Accounting control is needed in organizations, including government organizations, it is very important, because the purpose of accounting control is to maintain the assets of the entity. In improving the quality of state financial management, it could be done using elements of the internal control system by means of strong supervision, clear separation of duties, granting of authority, legal and complete documentation of censorship transactions, accurate and timely recording and testing of existing internal control systems. It aims to create good quality financial reports, then these elements must work well (Mutiana et al., 2017).

A control activity could guarantee that every record, both in accounting and government financial records, is in accordance with applicable regulations, so that the quality of financial report information can be achieved (Laoli, 2018). SPI focuses on a preventive measure in minimizing errors until the value of the reliability and validity of regional financial reports can be achieved (Azlan et al., 2015).

H1: the internal control system has a positive influence on the quality of financial statement information

Utilization of information technology would greatly support the financial reporting process by accelerating the processing of transaction data and avoiding and minimizing errors. With a faster preparation process and fewer errors, it is hoped that the use of information technology could improve the timeliness and reliability of financial reports (Riyanita & Widiastuti, 2020). Financial data needs to be managed, because it can describe an indicator of the use of information technology as a data management tool, especially in financial matters thoroughly and systematically (Gasperz, 2019). According to (Laoli, 2018) information technology can be utilized in the form of computerization, telecommunications in the management of regional finances, later it can increase the processing of each activity and each data, the accuracy of calculations to the preparation of reports and the timeliness of output. Therefore, with the increasing complexity of the task and increased volume of activity, information technology can make it simpler for the government to carry out its duties.

According to (Anto et al., 2020) there is a positive influence on the use of IT on the value of information by existing financial reports, where the maximum utilization of IT that has been carried out has an impact on increasing the value of the financial statement information itself. The role of information technology could assist each user in evaluating every activity carried out by reporting entities in each period, so as to facilitate planning, management and control activities of every asset, liability and government equity in an effort to prioritize the interests of the community.

H2: the use of information technology has a positive effect on the quality of financial statement information.

According to (Manimpurung et al., 2018) Human resources are people who are ready, willing and able to contribute to achieve organizational goals, human resources cover three aspects: education, experience and training. Human resources must be good because good human resources will show good resource capacity as well. The presence of quality human resources determines an organization's success in achieving its goals. In government entities, human resources are required to have the ability to provide good services to the community, therefore it has an impact on work repatriation from the community's point of view. Consequently, it is crucial to have HR expertise at every level of the operation (Kusumawardhani & Muanas, 2019).

According to (Yendrawati, 2013) in his research conveyed that there was a positive relationship between human resource capacity and the quality of information from financial reports. This implies that an increase in human resource capacity directly correlates with an improvement in the information quality of financial statements.

H3: Human resource capacity has a positive influence on the quality of financial statement information.

The external environment is a condition that is outside the organization's scope but can directly influence the running of an organization. For example, an organization that is outside the organization is mutually dependent and can exchange resources with each other, it may also have an indirect influence on the organization. The number of things that happen to local governments and the weakness of the internal control system can be one of the external factors that influence (Yendrawati, 2013).

SPI's emphasis on preventing errors and irregularities in regional financial reporting, so that the fulfillment of reliable values will later produce correct and valid financial reports (Azlan et al., 2015) coupled with demands for transparency and constant community oversight, will help to raise the quality of financial statement information further.

Advances in technology could make it easier to carry out financial information because it has much greater power, potential for accuracy of results, level of consistency, reliability and storage. With the rapid advancement of technology and also its wider use, it creates opportunities for each party to access, manage and utilize local government financial information appropriately and accurately (Setyowati et al., 2016), which could later improve the quality of financial statement information coupled with the existence of

Community involvement in accessing data using public media will easily improve the presentation of financial statements, neat and easy to understand.

The quality and capability of human resources would determine the success of the entity in achieving the targeted goals. Human resources in the public sector have an important role, especially in providing optimal services to the community, so that the public's assessment of the performance of the public sector looks good, superior and accountable (Kusumawardhani & Muanas, 2019). The higher the ability of human resources in the organization, the higher the quality of their work, including the information on the financial statements made. The existence of additional insights that could be obtained by individual entities that exist would improve the quality and knowledge of these human resources and could realize an increase in the quality of information from a financial report. **H4a:** External factors can strengthen the influence of the internal control system on the quality of financial statement information.

H4b: External factors can strengthen the influence of the use of information technology on the quality of financial statement information.

H4c: External factors can strengthen the influence of human resource capacity on the quality of financial statement information.

METHOD

The author chose the quantitative type as the type of this research. Based on (Sugiyono, 2019), this method is used to examine specific populations or samples with the aim of testing predetermined hypotheses. This research uses primary data. According to (Suryani & Hendrayadi, 2015), primary data is if the data is collected directly and conducted by researchers. Several methods that can be used for primary data include questionnaires, in-depth interviews, field observations, tests, documentation and others.

Based on (Chandrarin, 2017), an element of the population with a certain characteristic can be used to understand the population. An observation can be said as an element. The government of Lamongan Regency is used as a population object by researchers. The government of Lamongan Regency was chosen because it has received an award from the Minister of Finance and its success in obtaining a WTP opinion for the third time in a row.

(Chandrarin, 2017) explained that sample is a representative of the subject of the population collection. The sample describes a part of the similarity of characteristics of a population and can represent members of the population. Lamongan Regency Government employees who work as financial managers are a sample of this research. For this research, we chose a purposive technique in selecting the sample, where the criteria were crucial in defining the study's sample requirements. The criteria in the question areas are:

1. Lamongan Regency Government employees who work in the financial sector.
2. Employees who fill out the questionnaire correctly

This research uses primary data, where data collection uses electronic questionnaires containing employee perceptions related to the research topic. This data collection process was conducted to get the right data that is useful for answering research problems.

This research variable includes the quality of financial statement information as the dependent variable measured using eight question items adopted from (Yendrawati, 2013). The independent variable SPI was measured using seven question items adopted from (Yendrawati, 2013), IT utilization was measured using seven question items adopted from (Surastiani & Handayani, 2015), HR capacity was measured using seven question items adopted from (Surastiani & Handayani, 2015). The moderating variable of external factors was measured using four question items adopted from (Yendrawati, 2013). The research variables, such as attitudes, views, and perceptions of an individual or group about social phenomena, were measured using a collection of questionnaires with a Likert scale rating. (Sugiyono, 2019)

In this study the authors chose MRA testing. Where MRA is a special application system containing an interaction element of a regression equation (multiplying two or more of an independent variable) (Ghozali, 2011) Here the author uses smart PLS version 3.2.9 as an analytical tool with the following model equation:

$$\text{KUAL.LK} = \beta_0 + \beta_1\text{SPI} + \beta_2\text{PTI} + \beta_3\text{SDM} + \beta_4\text{SPI}*\text{EKS} + \beta_5\text{PTI}*\text{EKS} + \beta_6\text{SDM}*\text{EKS} + e$$

Description:

KUAL.LK = Quality of financial statement information

SPI = Internal control system

PTI = Utilization of information technology

SDM = Human resource capacity

EKS = External factor

e = Error

FINDING AND DISCUSSION

The research data was obtained from respondents' answers in filling out questionnaires through the Google form media, distributed to Lamongan district government employees who worked in finance in all SKPDs of Lamongan Regency from May to June 2021. There were 189 questionnaires given; 107 of them were completed; 82 of them were not returned, making the percentage 76%; and 24% of the questionnaires were not returned.

Table 1. *Demographic Data of Respondents*

Description	People	%
Gender		
Man	57	53%
Woman	50	47%
Years of service		
Less than 5 years	33	31%
5 to 10 years	34	32%
10 to 20 years	21	20%
20 to 30 years	16	15%
More than 30 years	3	3%
Educational stage		
senior High School	5	5%
Diploma	22	21%
Bachelor	70	65%
Master	10	9%

This section explains instrument testing, hypothesis testing (if any), research findings, data analysis and interpretation, and discussion. If the paper requires a table or image, use this example. Based on gender, it can be seen that there are more male respondents with a percentage of 53%. In addition, there are respondents based on years of service, it can be seen that the majority have a tenure of 5-10 years with a percentage of 32%. And based on education level, the majority of respondents have a bachelor's level in education as much as 65%.

In the test of validity and reliability some results show all questionnaire items are valid and reliable. Table 2 shows the results of hypothesis testing where the R Squere Adjusted value is found to be 0.711 or 71.1%. This shows that there is variability of the independent variables in this study, namely the internal control system, utilization of information technology and human resource capacity, and external factors that can explain the dependent variable of 71.1% of financial statement information quality.

Table 2. *Hypothesis Test Results*

Variables	B	t	Sig.
SPI	0.603	6.955	0.000***
PTI	0.259	3.170	0.002**
SDM	0.150	2.408	0.016**
SPI*EKS	0.192	2.116	0.035**
PTI*EKS	-0.262	2.419	0.016**
SDM*EKS	0.092	1.201	0.231
R Square Adjusted		0.711	

Based on Table 2, the results of the hypothesis testing above can be seen as indifference to providing evidence for testing hypotheses in research. In the hypothesis test H1 there is a significant value of 0.000. This means that the internal control system positively and

significantly influences the quality of financial statement information, which means H1 is accepted. Agency theory explains that the role of control which can be in the form of a rule as control will have an impact on the quality of financial reports, this is to limit deviant actions. A good internal control system and a systematic application that is applied in an entity can make information from financial reports more quality. Thus, the internal control system, such as the enforcement of rules, supervision of implementation, structured performance, routine inspections, and systematic reporting, is very much needed in the implementation and management of work that takes place within the entity because the internal control system has a high contribution within the entity. This result is in line with the research conducted (Laoli, 2018) and (Pangestu et al., 2019) where internal control significantly affects the quality of information on area government financial reports. Internal control itself can guarantee accounting records that comply with applicable regulations so that the quality of financial reports can be realized. And not in line with (Yendrawati, 2013) there is a negative influence of the internal control system on the quality of financial statement information. Even though the internal control system contained in the entity is good, it is still possible that its implementation has not been effective, which can impact the imperfect information of the financial statements produced.

In the H2 hypothesis test there is a significant value of 0.002. This means that the use of information technology has a positive and significant influence on the quality of financial statement information, which means H2 is accepted. Agency theory describes a relationship between people (principals) by involving other people (agents) where with the support of information technology it will be able to facilitate transparency of the mastermind of the scope of work, so that the principal is easier to monitor if the scope of his work is supported by adequate information technology. With the maximum utilization of information technology optimally, especially in terms of financial management, it can make information from financial reports more qualified. By utilizing existing information technology such as computer equipment, internet networks, websites and other social media, will increase transparency and with a systematic information system can help individuals in simplifying, accelerating and increasing the accuracy of existing reporting so that financial statement information is more open and has more information quality level. These results are by research (Laoli, 2018), (Anto et al., 2020), (Harlinda, 2016) where the use of information technology has a significant effect on the value of financial statement information. The use of technology such as a computer, communication tools in regional financial management can increase the speed of each activity in accurate data management and make it easier to prepare. And it is not in line with (Gasperz, 2019), (Setyowati et al., 2016), (Marsdenia, 2016) that there is no influence of information technology on the quality of financial reports. The application of information technology to the government is still not optimal in increasing effectiveness, efficiency, need for information and increase work.

In the hypothesis test H3 there is a significant value of 0.016. This means that human resource capacity positively and significantly influences the quality of financial statement information, which means that H3 is supported. Agency theory conveys that the relationship between the principal and the agent forms a collaboration, it is expected to

achieve the goals of each interested party, therefore good human resources are needed in carrying out cooperation so that the cooperation goals can be realized optimally. Good human resources will also be able to make the right decisions in every required condition. With the high capacity of human resources, organizational institutions can easily accept new things, quickly adapt to the conditions and needs in their environment, and realize the good quality of financial report information. This evidence is by research (Nurillah & Muid, 2014), (Kusumawardhani & Muanas, 2019) that human resources affect the quality of financial report, while (Harlinda, 2016), (Pangestu et al., 2019), (Satriani et al., 2017) found that human resources influence the quality of local government financial report information. Others found differently, such as (Laoli, 2018) found that there is no significant influence of the quality of human resources on the quality of financial statement information. Some reasons that explain this findings are that there is still a lack of appropriate educational background, unclear job descriptions, and lack of training activities to ensure local governments' accounting function can run well.

In the H4a hypothesis test, it can be seen that it is significant at 0.035. This means that external factors can strengthen the influence of the internal control system on the quality of financial statement information, which means H4a is supported. These results can be interpreted that external factors are proven to strengthen the internal control system on the quality of financial statement information. External factors can be made possible by the increasing demands from the community for strict supervision, structured and systematic monitoring, and routine inspections that enable an institution to improve its internal control system within its scope of work. The quality of the information in a financial report will be higher when this is done optimally. Therefore, the internal control system will be better when external factors make the quality of financial report information more optimal. This result is in the direction of the research conducted (Laoli, 2018) internal control affects the quality of LKPD information and (Harlinda, 2016) external factors affect the quality of LKPD information and is in contrast to (Yendrawati, 2013) where external factors.

In the H4b hypothesis test, it can be seen that it is significant at 0.016. This means that external factors can weaken the influence of the use of information technology on the quality of information on financial statements H4b is rejected. These results can be interpreted as the hypothesis being rejected because external factors are proven to significantly weaken the effect of information technology on the quality of financial statement information. External factors, for example, are regulatory changes that are not matched by the development of existing technology, so existing technology is not ready to accept changes. With changes that are not matched by the readiness of existing technology, there will be a lack of utilization of technology where later these weaknesses can make the quality of financial report information not optimal. This result is in line with the research conducted (Nurillah & Muid, 2014) the use of information technology affects the quality of financial report information and (Hadilia, 2019) proves that external factors do not affect the quality of financial report information. Contrary to (Marsdenia, 2016) there is no influence of technology on the quality of regional financial report information and (Harlinda, 2016) external factors affect the quality of LKPD information.

In the H4c hypothesis test, it can be seen that it is significant at 0.231. This means that external factors do not influence the capacity of human resources on the quality of financial statement information. These results can be interpreted that external factors are proven to not influence the capacity of human resources on the quality of financial statement information. External factors can be made possible by changes in standards or new regulations, it takes time for adaptation by existing human resources to understand, implement and account for their activities. Where quality resources do not match the development of a regulation, it does not have a major influence on achieving the quality of financial statement information. This result is in line with research conducted (Yendrawati, 2013) that external factors do not moderate the quality of human resources on the quality of financial report information and are in contrast to (Anto et al., 2020) where HR competence has a positive and positive effect on the value of financial statement information and (Harlinda, 2016) external factors affect the quality of LKPD information.

CONCLUSION

The conclusions in this study are as follows: the internal control system, utilization of information technology and human resource capacity have a positive and significant impact on the quality of financial statement information. External factors can strengthen the influence of the internal control system on the quality of financial statement information. External factors weaken the effect of the utilization of information technology on the quality of financial report information. External factors cannot moderate the capacity of human resources for the quality of financial statement information. This research shows the importance of Internal Control Systems, Utilization of Information Technology and Human Resources Capacity, and how they can affect the quality of financial statement information. Not all external factors can strengthen the influence of the research variables. Therefore, the government, in making future decisions, must carry out a high evaluation of external factors before making any decisions.

The results of this study could be a consideration by organizational management in evaluating external factors outside the organization because external factors have various impacts, where external factors could strengthen, weaken and have no impact on the variables being tested. The limitation of this research is that the scope of the research is relatively small because it is only in the Lamongan district government. The limitations for future research are to increase the scope of research such as the provincial government and develop independent variables, such as organizational commitment.

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Appendix 1. Research Variables and Operational Variables

Variable	Operational definition	Source
Dependent Variable: Quality of Financial Report Information	<ol style="list-style-type: none"> 1. Benefits of the resulting financial statements 2. Accuracy of financial statement reporting 3. Completeness of information presented 4. Honest presentation 5. The contents of the financial statements can be verified 6. The accuracy of the information presented 7. The contents of the financial statements can be compared with the previous period 8. Clarity of presentation of information in financial statements. 	(Yendrawati, 2013)
Variabel Independen: 1. Sistem Pengendalian Intern	<ol style="list-style-type: none"> 1. Data integrity 2. The accuracy of data input and posting 3. Transaction document authorization procedure 4. Storage of data source documents 5. Sharing of responsibilities 6. Determination of accounting policies and standards 7. Implementation of policies and standards. 	(Yendrawati, 2013)
2. Utilization of Information Technology	<ol style="list-style-type: none"> 1. Accounting system according to SAP 2. Internet network available 3. The internet network is put to good use 4. Applications used 5. Computerized financial reports 6. Software in accordance with the law 7. There is adequate antivirus 	(Surastiani & Handayani, 2015)
3. Human Resources Capacity	<ol style="list-style-type: none"> 1. Understanding of accounting 2. Quality human resources 3. Adequate resources 4. Roles and responsibilities 5. On-the-job skills training 6. Socialization of new regulations 7. Understanding of organizational structure. 	(Surastiani & Handayani, 2015)
Moderating Variables: External Factors	<ol style="list-style-type: none"> 1. IT Advancement 2. Development of websites and internet technology 3. Changes in reporting standards 4. Changes in government regulations globally 	(Yendrawati, 2013)