

Analysis of Leadership Commitment and the Role of Internal Auditors Towards the Implementation of the Internal Control System and Its Impact on the Quality of Financial Reports of the Ministry/Government Agency of the Republic of Indonesia

RR Cynthia Artha Kirana¹, Nurul Hidayah²

Mercu Buana University, Indonesia

E-mail: cynthiawinata@gmail.com¹, nurul.hidayah@mercubuana.ac.id²

Abstract

The increasing number of corruption cases involving Ministries and/or State Institutions indicates weaknesses in the internal control system in state financial management in Ministries and/or State Institutions. Internal Control System as an integral process in actions and activities carried out continuously by management and all employees. This study aims to analyze the analysis of leadership commitment and the role of internal auditors in the implementation of internal control systems and their impact on the quality of financial reports of ministries/government institutions of the Republic of Indonesia. The method used is quantitative research, with the research population of examiners working at the State Financial Auditorate III at the BPK RI. With the sample criteria of employees with the position of Junior Expert Examiner already have a minimum of 10 years of experience in conducting audits, have led an audit team, and are responsible for the results of the audit team. The number of employees with these criteria is 80 employees. The results of the study showed that Leadership Commitment has a significant positive effect on the Implementation of Internal Control Systems with a p-value of $0.000 < 0.05$ (H1 Accepted). The Role of Internal Auditors has a significant positive effect on the Implementation of Internal Control Systems with a p-value of $0.000 < 0.05$ (H2 Accepted). Leadership Commitment does not have a significant effect on the Quality of Financial Reports with a p-value of $0.535 > 0.05$ (H3 Rejected). The Role of Internal Auditors does not have a significant effect on the Quality of Financial Reports with a p-value of $0.181 > 0.05$ (H4 Accepted). The Implementation of Internal Control Systems has a significant positive effect on the Quality of Financial Reports with a p-value of $0.000 < 0.05$ (H5 Accepted).

Keywords Leadership Commitment, Internal Auditor Role, Internal Control System Implementation and Report Quality

INTRODUCTION

Ministries and/or non-ministerial State Institutions are government apparatuses that have the task of carrying out certain affairs to assist the President in organizing the government. In carrying out their duties and functions, Ministries and/or State Institutions manage state finances originating from the State Budget (APBN). Ministries are obliged to manage state finances that are their responsibility in an orderly, transparent and compliant manner in accordance with statutory provisions. However, Ministries have not been good enough in managing state finances in an orderly and compliant manner in accordance with statutory provisions. This can be seen in the rampant corruption cases that have occurred in Ministries and/or State Institutions, for example corruption in the procurement of goods and services at the Directorate General of Railways at the Ministry of Transportation, the Corruption Case of the Former Minister of Agriculture, the Tin Corruption Case involving the Directorate General of Mineral and Coal at the Ministry of Energy and Mineral



Resources, the Corruption Case of Performance Allowances at the Ministry of Energy and Mineral Resources and Corruption of Social Assistance for communities affected by the COVID-19 pandemic at the Ministry of Social Affairs.

The rampant corruption cases involving Ministries and/or State Institutions indicate weaknesses in the internal control system in state financial management in Ministries and/or State Institutions. The results of the audit by the Audit Board of Indonesia (BPK) show that there are still many audit findings that are grouped as weaknesses in internal control. The results of the BPK RI audit of the Financial Reports of Ministries and Institutions in the Republic of Indonesia for 2018-2022 as stated in the Summary of Semester Audit Results (IHPS) explain that there are still problems and weaknesses in the internal control system with the following details.

Table 1. Details of Internal Control System Weakness Problems

No.	Publication Title	Number of Issues	SPI Weakness Problems	Percentage
1.	IHPS I Year 2018	15,773	7,539	48%
2.	IHPS I Year 2019	14,065	7.236	48%
3.	IHPS I Year 2020	13,567	6,713	50%
4.	IHPS I Year 2021	2.002	984	49%
5.	IHPS I Year 2022	2.116	1,018	48%

Source: IHPS BPK RI 2018 – 2022

Based on the data above, Table 1 shows the Gap Phenomenon, which shows that the number of problems related to weaknesses in the internal control system has not decreased significantly, so it can be concluded that the internal control system in government agencies has not been implemented optimally.

The government issued Government Regulation (PP) Number 60 of 2008 concerning the Government Internal Control System (SPIP) to achieve effective, efficient, transparent and accountable state financial management. In the regulation, the Internal Control System is defined as an integral process of actions and activities carried out continuously by leaders and all employees to provide adequate assurance of achieving organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations where the Minister/Head of Institution is required to exercise control over the implementation of government activities.

Internal control weakness can be a contributing factor to cases of corruption and abuse of authority in Ministries and/or Institutions. The Association of Certified Fraud Examiners (ACFE) in Occupational Fraud 2024: A Report to the Nations revealed that 32% of fraud cases were caused by weaknesses in internal control.

Strengthening internal control to prevent corruption requires a high level of commitment from the organization's leadership. According to Marsam (2020:38), leadership commitment is the calling and devotion to be involved, bound and together with employees, consumers, organizations, and tasks. Based on this, leadership commitment can be seen from

various aspects, including leadership involvement in allocating sufficient resources to build and implement internal control. Research results Brooks & Johnston (2012), Hao & Yazdanifard (2015), Hadianto et al. (2017), Indriani (2018), Rantelangi et al. (2018), And Savitri et al., (2020) revealed that the commitment of the leadership has an influence on the creation of a good internal control system. To foster this commitment, leaders need a good understanding of the meaning of the internal control system.

Several studies conducted previously still have a research gap, research results gap, Dsouza & Jain (2021), Afiah, (2014), Fettry (2017), and Lestari (2019) shows that the role of internal auditors has a positive influence on the quality of financial reports. However, the results of these studies contradict the research Atika et al., (2019) which shows that the role of internal auditors partially does not affect the quality of financial reports. The quality of financial reports must be influenced by several factors simultaneously, namely accounting understanding, work experience, and the role of internal auditors.

Research conducted by Yohanes (2018) dan Kuncoro (2019) empirically proves that the role and competence of internal auditors are positively related to the implementation of internal control because the professional skills, effectiveness, and quality of the work results of internal auditors further strengthen the monitoring system. However, research from Muktiyanto & Hadiwidjaja (2016) stated that the influence of the role of internal auditors has not been seen in creating a good internal control system.

Research from Jatmiko & Setiawan, (2020); Mansur, (2018); and Nugroho & Setyowati, (2019) proves that leadership commitment has a positive influence on the quality of financial reports and transparency of financial reports. However, the results of this study contradict the findings of research from Harlinda (2016), Nurlinda et al. (2019) And Muliyani et al. (2021) shows that leadership commitment does not affect the variable of financial report quality because this is related to the competence of human resources in financial management directly and not from the commitment of the leadership.

The Novelty of this research is by referring to existing literature, this study emphasizes the analysis of leadership commitment and the role of internal auditors towards the implementation of internal control systems, as well as the influence of leadership commitment, the role of internal auditors and the implementation of internal control systems on the quality of financial reports. This is what distinguishes this study from previous studies. Previous studies only measured the influence of one independent variable (leadership commitment or the role of internal auditors) on one dependent variable (implementation of internal control systems or quality of financial reports). The results of this study are expected to provide a broader picture of the role of internal auditors and leadership commitment both towards the implementation of internal control and the quality of financial reports.

Based on the description of the phenomena and research background as explained above, the problem statement in this research is as follows:

- 1) Does leadership commitment influence the implementation of internal control systems?
- 2) Does the role of internal auditors influence the implementation of internal control systems?



- 3) Does leadership commitment affect the quality of financial reports?
- 4) Does the role of internal auditors affect the quality of financial reports?
- 5) Does the implementation of an organization's internal control system affect the quality of financial reports?

LITERATURE REVIEW

The Influence of Leadership Commitment on Internal Control Systems

Leadership and organizational commitment have an influence on the creation of Good Governance. However, to foster this commitment, leaders need a good understanding of the substance of the internal control system. This is in line with the research results of Arel, Beaudoi, & Cianci (2012), Hao & Yazdanifard (2015), Iriyadi & Yadiati (2017), Hadianto et al. (2017), Indriani (2018), Rantelangi et al., (2018), and Savitri et al. (2020). So the hypothesis is formed as follows.

H1: Leadership Commitment has a positive effect on the Internal Control System

The Influence of the Role of Internal Auditors on Internal Control Systems

The role and competence of internal auditors are positively related to the implementation of internal control, this is in line with research conducted by Yohanes (2018) and Kuncoro (2019). However, research by Muktiyanto & Hadiwidjaja (2016) stated that the influence of the role of internal auditors has not been seen in the creation of Good Governance due to the relatively low competence of internal auditors. To improve the competence of these auditors, support and commitment from the leadership are needed so that the role of internal auditors is optimal as evidenced by research conducted by Rahayu et al. (2020). So the hypothesis is formed as follows.

H2: The role of internal auditors has a positive effect on the internal control system.

The Influence of Leadership Commitment on the Quality of Financial Reports

Leadership commitment or organizational commitment has a positive influence on the quality of financial reports and transparency of financial reports. This is in line with research from Herawati & Apollo, 2019; Jatmiko & Setiawan, 2020; Mansur, 2018; and Nugroho & Setyowati, 2019. However, research by Harlinda (2016), Nurlinda et al. (2019) and Muliyani et al. (2021) shows that leadership commitment has no effect on the variable of financial report quality. This is also related to the competence of human resources in financial management which is a separate problem in the organization. However, an organization cannot function properly if its leaders have low commitment to the organization, no matter how good the existing financial standards and systems are.

H3: Leadership Commitment has a positive effect on the Quality of Financial Reports

The Influence of the Role of Internal Auditors on the Quality of Financial Reports

The role of internal auditors has a positive influence on the quality of financial reports. This is in line with research from Dsouza & Jain, 2021; Fettry, 2017; Kusumawati & Halim, 2016; Rahmatika, Dien Noviany; Afiah, 2014, and Irafah, Sari; Muharsyah (2019)

which proves that the role of internal auditors based on professional skills, effectiveness, and quality of internal auditor work results further strengthens the supervision system in preparing financial reports and producing quality Financial Reports. However, research conducted by Atika et al. (2019) the role of internal auditors partially has no effect on the quality of financial reports. The quality of financial reports must be influenced by various factors simultaneously, namely accounting understanding, work experience, and the role of internal auditors.

H4: The role of internal auditors has a positive effect on the quality of financial reports.

The Influence of Internal Control Systems on the Quality of Financial Reports

The internal control system is an important factor for an organization to achieve its goals. Research conducted by Herawati (2014), Alharbi (2017)), Andriani, Suasa, Yuniati (2019), Palalangan (2020), Aditya & Surjono (2017), Mohammadi & Shirzad (2015), and Ibrahim et al. (2017) proves that effective internal control has a significant influence on the quality of financial reports. The more effective internal control, the better the quality of financial reports. In addition, research conducted by King et al. (2019) proves that the effectiveness of the internal control system affects the achievement of auditor's opinion. This shows that an effective internal control system has a positive relationship with the quality of financial reports.

H5: Internal Control System has a positive effect on the Quality of Financial Reports

Research Framework

Based on the discussion regarding theoretical basis and previous research, the following is a framework of thought according to the following diagram:

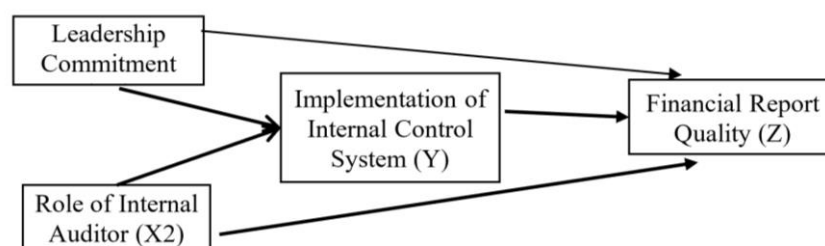


Figure 1. Framework of Thought

METHOD

Subjects and Objects of Research

Research Subject

The subject of the study is a person, place, or object observed in the context of the study. In this study, the subject of the study was the respondent who was a Functional Audit Officer in the State Financial Auditorate III (AKN III) of the Audit Board of the Republic of Indonesia (BPK RI). The respondent was an external auditor who was responsible for conducting audits at government agencies.



Research Object

The object of research is the thing that is the target of the research. According to Supriati (2012:38), the object of research is the variable studied at the place where the research is conducted. In this study, the objects of research are Leadership Commitment, the Role of Internal Auditors, Implementation of Internal Control Systems, and the Quality of Financial Reports in the government agency environment that is the responsibility of the audit at AKN III BPK RI.

Research Design

The research approach is quantitative research that prioritizes the collection and analysis of numerical data to answer research questions related to research variables.

Types and Sources of Research Data

The type of research conducted in this study is causal associative research with quantitative techniques. According to Sugiyono (2016:55), causal associative research is research that aims to determine the relationship between two or more variables. Research data is primary data collected directly by researchers from respondents for research purposes.

Population and Sample

The population in this study were the Auditors working at the State Financial Auditorate III at the BPK RI, namely the auditor who has the task of examining the management and accountability of state finances in 40 audit entities totaling 160 employees. The sample is part of all the characteristics possessed by the population (Sugiyono, 2015:81).

The determination of the sample in this study used a purposive sampling technique where the criteria for determining the sample were employees who already had a minimum position of Junior Expert Examiner. This is because employees with the position of Junior Expert Examiner already have a minimum of 10 years of experience in conducting examinations, have led an examination team, and are responsible for the results of the examination team. The number of employees with these criteria and who are respondents in this study is 80 employees.

Data Analysis Methods

Data analysis method is a way to answer the problem formulation or test the hypothesis in a study. Data analysis is done by the Partial Least Square (PLS) method using SmartPLS software. PLS is one of the Structural Equation Modeling (SEM) solution methods.

RESULT AND DISCUSSION

Respondent Identity Based on Functional Position

The description of the characteristics of the respondents in this study is divided into three levels of functional positions, namely Junior Expert Examiner, Middle Expert

Examiner, and Main Expert Examiner. The description of the characteristics of the respondents can be seen in the table below.

Table 2. Overview of Respondent Characteristics

Category	Frequency	Percentage
Junior Expert Examiner	60	75%
Associate Expert Examiner	14	17.5%
Principal Expert Examiner	6	7.5%
Amount	80	100%

Measurement Model or Outer Model

Validity Test

Several stages of testing carried out through validity tests are convergent validity, average variance extracted (AVE), and discriminant validity. The explanation of each test is as follows.

a) *Convergent Validity*

The statement item is considered convergently valid if its loading factor is greater than 0.70 (Ghozali, 2018). The results of the Convergent Validity test for this study can be seen in the following table and figure.

Table 3. Convergent Validity Test Results

Statement	Implementation of Internal Control System	Quality of Financial Reports	Leadership Commitment	The Role of Internal Auditor
Y.1	0.835			
Y.2	0.757			
Y.3	0.731			
Y.4	0.807			
Y.5	0.737			
Y.6	0.761			
Y.7	0.713			
Y.8	0.793			
Y.9	0.725			
Y.10	0.861			
Y.11	0.747			
Y.12	0.714			
Z.1		0.787		
Z.2		0.759		
Z.3		0.704		
Z.4		0.778		
Z.5		0.866		
Z.6		0.871		



Statement	Implementation of Internal Control System	Quality of Financial Reports	Leadership Commitment	The Role of Internal Auditor
Z.7		0.820		
Z.8		0.854		
Z.9		0.819		
Z.10		0.821		
Z.11		0.811		
X1.1			0.884	
X1.2			0.854	
X1.3			0.920	
X1.4			0.884	
X1.5			0.843	
X1.6			0.897	
X1.7			0.919	
X2.1				0.710
X2.2				0.783
X2.3				0.735
X2.4				0.780
X2.5				0.740
X2.6				0.785
X2.7				0.808
X2.8				0.754
X2.9				0.764
X2.10				0.811
X2.11				0.805

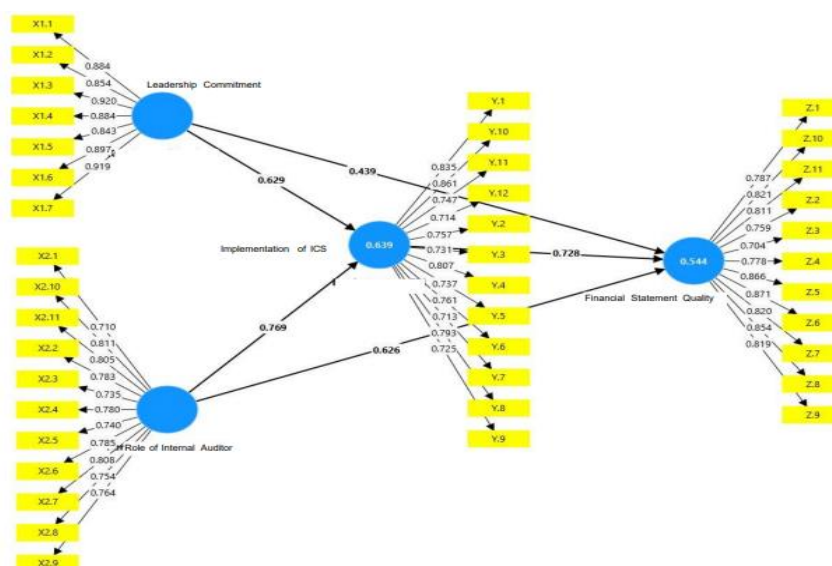


Figure 2. Algorithm Results

b) *Average Variance Extracted (AVE)*

Average Variance Extracted (AVE) where the instrument is considered convergently valid if the AVE value is > 0.50 (Ghozali, 2018). The results of the AVE test for this study can be seen in the following table.

Table 4. Average Variance Extracted (AVE) Test Results

Variables	Average Variance Extracted (AVE)	Conclusion
Implementation of Internal Control System	0.587	Valid
LK Quality	0.655	Valid
Leadership Commitment	0.786	Valid
The Role of Internal Auditor	0.595	Valid

Source: Researcher's Processed Results, 2023

Table 4 shows that all statement items submitted in the questionnaire for the research variables, namely Internal Control System Implementation, Financial Report Quality, Leadership Commitment, and the Role of Internal Auditors, are valid because their values are greater than 0.50.

Reliability Test

A group of indicators that measure a variable has good composite reliability if it has Cronbach Alpha and composite reliability ≥ 0.70 (Ghozali, 2018). The results of the reliability test for this study can be seen in the following table.

Table 5. Reliability Test Results

Variables	Cronbach's Alpha	Composite Reliability	Conclusion
Implementation of Internal Control System	0.936	0.945	Reliable
Quality of Financial Reports	0.947	0.954	Reliable
Leadership Commitment	0.954	0.962	Reliable
The Role of Internal Auditor	0.932	0.942	Reliable

Source: Researcher's Processed Results, 2023

Implementation of Internal Control System, Quality of Financial Reports, Management Commitment, and the Role of Internal Auditors are reliable because they have Cronbach's alpha and composite reliability values > 0.70 for each variable.



Structural Model or Inner Model

a) Determination Coefficient Test (Adjusted R²)

The R² results of 0.67, 0.33, and 0.19 indicate that the model is "good", "moderate", and "weak" (Ghozali, 2018). The results of the Determination Coefficient test in this study can be seen in the following table.

Table 6. Results of Determination Coefficient Test

Variables	Adjusted R ²
Implementation of Internal Control System	0.630
LK Quality	0.526

Source: Researcher's Processed Results, 2023

Table 6 shows that the coefficient of determination (Adjusted R²) is 0.630, which means that the variable Implementation of Internal Control System is simultaneously influenced by the variables of Leadership Commitment and the Role of Internal Auditors by 63%, while the remaining 37% is explained by other constructs. The coefficient of determination (Adjusted R²) is 0.526, which means that the variable Quality of Financial Reports is simultaneously influenced by the variables of Leadership Commitment, the Role of Internal Auditors, and Implementation of Internal Control Systems by 52.6%, while the remaining 47.4% is explained by other constructs. The coefficient of determination (Adjusted R²) value of less than 67% indicates that the influence of all exogenous constructs X1 and X2 on Y and X1, X2, and Y on Z is moderate.

b) Test (Goodness of Fit)

The statistical model describes how well the model formed fits a series of observations. If the Standardized Root Mean Square Residual (SRMR) value is <0.10, then the model will be considered suitable (Ghozali, 2018). The results of the F Test in this study can be seen in the following table.

Table 7. Results of the F (Goodness of Fit) Test

Information	Saturated model	Estimated model
SRMR	0.081	0.081
NFI	0.587	0.587

Table 7 shows that the SRMR value is 0.081 where the value is <0.10. This means that the model built in the study is Fit or suitable. The NFI value also shows 0.587 which is close to 1 so that the model built is Fit or suitable.

c) t test

These values can be seen from the bootstrapping results. The rules of thumb used in this study are t-statistics >1.96 with a significance level of p-value 0.05 (5%) and a positive beta coefficient. The value of the hypothesis testing of this study is as follows.

Table 8. Results of Hypothesis Testing through Path Coefficients

Hypothesis	Variables	T Statistics	P Values
X1 => Y	Leadership Commitment -> SPI Implementation	3.618	0.000
X2 => Y	Role of Internal Auditor -> SPI Implementation	8.162	0.000
X1 => Z	Leadership Commitment -> LK Quality	0.620	0.535
X2 => Z	Role of Internal Auditor -> Financial Accounting Quality	1,336	0.181
Y => Z	SPI Implementation -> LK Quality	4.630	0.000

Source: Researcher's Processed Results, 2023

Table 8 statistical test results are explained as follows:

- a) The first hypothesis tests whether leadership commitment has a positive effect on the implementation of the internal control system. The test results show that there is a significant effect stated by the t-statistic value >1.96 and p-value <0.05 (5%) so that the first hypothesis is accepted. This proves that leadership commitment has an effect on the implementation of the internal control system.
- b) The second hypothesis tests whether the role of internal auditors has a positive effect on the implementation of internal control systems. The test results show that there is a significant effect stated by the t-statistic value >1.96 and p-value <0.05 (5%) so that the second hypothesis is accepted. This proves that the role of internal auditors has an effect on the implementation of internal control systems.
- c) The third hypothesis tests whether leadership commitment has a positive effect on the quality of financial reports. The test results show that there is no significant effect as stated by the t-statistic value <1.96 and p-value >0.05 (5%) so that the third hypothesis is rejected. This proves that leadership commitment does not have a positive effect on the quality of financial reports.
- d) The fourth hypothesis tests whether the role of internal auditors has a positive effect on the quality of financial reports. The test results show that there is no significant effect as stated by the t-statistic value <1.96 and p-value >0.05 (5%) so that the fourth hypothesis is rejected. This proves that the role of internal auditors does not affect the quality of financial reports.
- e) The fifth hypothesis tests whether the implementation of the internal control system has a positive effect on the quality of financial reports. The test results show that there is a significant effect as stated by the t-statistic value >1.96 and the significance level of p-value <0.05 (5%) so that the fifth hypothesis is accepted. This proves that the implementation of the internal control system has a positive effect on the quality of financial reports.



Table 9. Hypothesis Testing Results

No.	Hypothesis	Hypothesis Results		Result Decision Testing
		t-statistic value	P Value	
1.	Leadership Commitment has a positive influence on the Implementation of Internal Control Systems	3,618	0,000	Accepted
2.	The role of internal auditors has a positive influence on the implementation of internal control systems	8,162	0,000	Accepted
3.	Leadership Commitment Has a Positive Influence on the Quality of Financial Reports	0.620	0.535	Rejected
4.	The role of internal auditors has a positive influence on the quality of financial reports	1,336	0.181	Rejected
5.	Implementation of Internal Control System has a positive effect on the Quality of Financial Reports	4,630	0,000	Accepted

Source: Researcher's Processed Results, 2023

The Influence of Leadership Commitment on the Implementation of Internal Control Systems

The test results prove that leadership commitment has a significant influence on the implementation of internal control systems. Leaders who are committed to implementing the right internal control system will encourage a strong organizational culture. Thus, management will provide the necessary resources, including employees, technology, and systems to support the implementation of the right internal control system.

The results of this test are in line with the Contingency Theory which states that leaders act as a liaison between environmental conditions and the internal structure and processes of the organization. A leader who has a high commitment to the agency and wants the agency to run well, will pay attention to its internal control system by analyzing and understanding the risks faced by the agency, adjusting the internal control system owned to manage these risks, establishing policies and procedures that are in accordance with the environment, ensuring that all employees understand the importance of the internal control system and their role in implementing it, and monitoring the effectiveness of the internal control system and making adjustments if there are changes in the environment and organizational culture.

The researcher found a significant influence between leadership commitment and the implementation of internal control systems in this study and strengthened the findings of

previous studies. The findings in this study are in line with the research of Iriyadi and Yadiati (2017), Kibtiyah et al. (2017), and Suryatin, Anugerah, and Indrawati (2019) which stated that leadership commitment has an effect on the implementation of internal control systems. Similar research results were also found in the study Aisyah et al., (2019) And Artafaziah, Riffany, Arifin, Kiagus Zainal, Indriasari, (2022) and (Herawati & Apollo, 2019).

The Influence of the Role of Internal Auditors on the Implementation of Internal Control Systems

The test results prove that the role of internal auditors has a positive effect on the implementation of internal control systems. This effect shows that the better the role of internal auditors in an institutions, the more effectively its internal control system will be implemented.

The results of this test are in line with the Contingency Theory which emphasizes that there is no single approach that is effective for all situations, instead effectiveness depends on the fit between the various elements of the organization and the environment it faces. Internal auditors must be flexible, adaptive, able to assess changing situations and provide relevant recommendations to improve and strengthen the internal control system. Thus, the role of internal auditors who can ensure that the internal control built is in accordance with the needs of their institutions.

The results of this test are also in line with the Goal Setting Theory which states that internal auditors play an important role in helping agencies set their internal control objectives clearly and specifically and are responsible for evaluating the extent to which the objectives of internal control are achieved. Periodic audits can help assess the effectiveness of internal control and provide feedback to management on the achievement of established objectives.

The researcher found a significant influence between the role of internal auditors on the implementation of internal control systems in this study and strengthened the findings of previous studies. The findings of the study are in line with research Kuncoro (2019), Akhmad Syarifudin & Syarifudin (2014) And Saputra et al. (2020) which states that the role of internal auditors influences the implementation of internal control systems.

The Influence of Leadership Commitment on the Quality of Financial Reports

The test results prove that leadership commitment has no effect on the quality of financial reports. This is because the quality of financial reports is the result of various factors that work synergistically. Leadership commitment is an important factor, but it is not enough to ensure a quality financial report.

The results of this test are in line with the Contingency Theory which states that management effectiveness depends on various factors both internal and external. Leadership commitment, as a single factor, cannot directly affect the quality of financial reports, additional factors are needed to be able to influence it, including a strong internal control system, organizational culture, and employee competence in the financial staff who prepare the financial reports.



From the research results, the average respondent stated that they agreed that leadership commitment is important, where leaders feel responsible for the agency and feel obliged to remain loyal to the organization. However, loyalty and emotional closeness to the agency do not directly affect their responsibility regarding the quality of financial reports, systematic efforts are needed from all parts of the organization.

The researchers found that leadership commitment had no influence on the quality of financial reports in this study and strengthened the findings of previous studies. The findings of this study are in line with research Setiyawati (2013), Nurmi (2019), Rinie, Pranata, and Rapina (2019), Hernanda (2020), (King, Setiyawati, & Mappanyuki, 2019) and Rajagukguk (2020) who stated that leadership commitment does not affect the quality of financial reports.

The Influence of the Role of Internal Auditors on the Quality of Financial Reports

The test results prove that the role of internal auditors does not have a significant influence on the quality of financial reports. This shows that the role of internal auditors in government agencies does not participate directly in the presentation of quality financial reports.

The results of this test are in line with the Contingency Theory which states that the quality of financial reports is influenced by many factors, so that the role of internal auditors, as a single factor, is not enough to influence financial reports to be of quality. Other factors are needed such as a strong internal control system, management policies, and others adjusted to the needs of the organization.

The results of this test are in line with the Goal Setting Theory which states that the performance of an organization is influenced by clear and specific goals. The role of internal auditors does not affect the quality of financial reports if the goals set are not clear and specific. There needs to be collaboration between internal auditors and the finance department to improve the quality of financial reports.

The results of this study indicate that internal auditors have conducted audits of the entity's financial statements, but the competence and capacity of these auditors are not sufficient to identify non-compliance, errors, and deviations from the financial statements presented so that they are not sufficient to make the entity's financial statements of high quality. This is indicated by the findings of the audit by the BPK RI that have never been found by government internal auditors. Internal auditors have the function of supervising and assessing the accounting process, but the direct impact on the quality of financial statements must be followed by the commitment of the leadership in supporting internal control carried out by internal supervisors in the internal supervisory work unit or inspectorate (Sumito, Setiyawati, & Mappanyukki, 2021).

The researcher found that the role of internal auditors had no influence on the quality of financial reports in this study and confirmed the findings of previous studies. The findings in this study are in line with studies conducted by Syarifudin (2014), Suyono (2016), and Fikri (2016) which stated that the role of internal auditors had no effect on the quality of

financial reports. Similar research results were also found in the studies of Inapty and Martiningsih (2016) and Riyanti (2022).

The Impact of Internal Control System Implementation on the Quality of Financial Reports

The test results prove that there is a significant influence between the implementation of the internal control system on the quality of financial reports. Effective internal control can reduce the risk of errors in the preparation and presentation of financial reports. The implementation of good internal control will improve the ability of the accounting system to deliver accountable, timely, relevant, accurate, and complete accounting information. Thus, the existence of an Internal Control System can help management to achieve the goals that have been set, especially by increasing the reliability of financial reporting.

The results of this test are in line with the Contingency Theory which states that the effectiveness of a system depends on the suitability between the characteristics of the system and the conditions of the organization's environment, both internal and external. Agencies that have strong internal control procedures can ensure that their financial reports meet applicable standards. In addition, a strong organizational culture tends to have good internal control and will have an impact on the quality of the agency's financial reports. The results of the study are also in line with the Goal Setting Theory which explains that a well-implemented internal control system can make the organization's financial goals more measurable and accountable. This reduces the risk of errors and fraud, thereby improving the quality of financial reports.

The researcher found that the implementation of the internal control system has an influence on the quality of financial reports in this study and strengthens the findings of previous studies. The findings of this study are in line with studies conducted by Herawati (2014), Faishol (2016), and Aditya and Surjono (2017) which stated that the implementation of the internal control system has a positive effect on the quality of financial reports. Similar research results were also found in studies conducted by Mokoginta, Lambey, and Pontoh (2017) and Ikyarti and Aprila (2019).

This study has weaknesses, among others, because it is limited to certain government agencies and only focuses on the variables of leadership commitment and the role of internal auditors, and has not considered other factors such as macroeconomic conditions, government policies, and other factors that may have a significant influence on the implementation of internal control systems and the quality of financial reports.

CONCLUSION

The conclusion of this study is as follows.

- a. The respondents of this study were BPK auditors who acted as external auditors of government agencies, namely Ministries/Non-Ministerial Institutions. The answers to the questionnaires given are expected to be more objective and independent based on the assessment of BPK auditors/examiners on each variable (leadership commitment, internal



- auditor role, implementation of internal control systems, and quality of financial reports) when audits are carried out at government agencies.
- b. This study supports the Contingency Theory and Goal Setting Theory and makes an important contribution to internal control and accounting theory by finding that the implementation of internal control systems has an impact on the quality of financial reports.

REFERENCES

- Abdul Halim. 2007. Public Sector Accounting Regional Financial Accounting (Revision). Jakarta: Salemba Empat.
- Aditya, OR, & Surjono, W. (2017). The Influence of Internal Control Systems on the Quality of Financial Reports. *SIKAP Journal*, 2(1), 49-62.
- Aisyah, S. (2019). The Influence of the Audit Committee and Organizational Commitment on Internal Control of PT. Inalum. *JAKK (JOURNAL OF CONTEMPORARY ACCOUNTING AND FINANCE)*, 2(1), 81-98.
- Arel, B., Beaudoi, CA, Cianci, AM, 2011. The Impact of Ethical Leadership and the Internal Audit Function on Financial Reporting Decisions. *Journal of Business Ethics*, 109(3).
- Arfaziah, RF, Arifin, KZ, & Indriasari, D. (2022). The Influence of Leadership Style, Organizational Culture and Organizational Commitment on the Effectiveness of Internal Control Systems. *Journal of Syntax Transformation*, 3(8), 1102-1115.
- Committee of Sponsoring Organizations of the Treadway Commission. 2013. Internal Control Integrated Framework-Executive Summary.
- Committee of Sponsoring Organizations of the Treadway Commission. 2017. Enterprise Risk Management: Integrating with Strategy and Performance.
- Darmawan. 2020. Basics of Understanding Ratios and Financial Reports. Yogyakarta. UNY Press
- Goddess Erowati. 2021. Government Financial Governance. Pasuruan, East Java. Qiara Media Publisher
- Faishol, A. (2016). The Influence of Internal Control Systems on the Quality of Financial Reports (Case Study of Regional Government Work Units of Lamongan Regency). *Journal of Economic and Accounting Research*, 1(3), 205-212.
- Fikri, DA (2016). The Influence of Human Resource Competence, Implementation of Government Internal Control System and Government Accounting Standards on the Quality of Regional Government Financial Reports (Study on Regional Government Work Units of Malang City). *Journal of Accounting Student Research*, 4(2), 1-20.
- Graham, L. 2015. Internal Control Audit and Compliance: Documentation and Testing Under the New COSO Framework. Hoboken, New Jersey, John Wiley&Sons, Inc.
- Ghozali, I. (2018). Concept, Technique, Application Using Smart PLS 3.0 For Empirical Research. Semarang: UNDIP.
- Hadianto, A., Salomo, RV, Panggabean, M. 2018. An Analysis of the Effect of Regional Leadership Commitment on the Effectiveness of Regional Government Internal

- Control System: A Case Study on Tegal City and Tegal Regency. *International Journal of Management and Administrative Science*, 5 (04), 01-08.
- Hao, J. M and Yazdanifard, R. 2015. How Effective Leadership can Facilitate Change in Organizations through Improvement and Innovation. *Global Journal of Management and Business Research: A Administration and Management*, 15(9).
- Herawati, T. (2014). The Influence of Internal Control Systems on the Quality of Financial Reports (Survey on Regional Government Organizations of Cianjur). *STAR – Study & Accounting Research*, 11(1), 1-14.
- Herawati, I. D., & Apollo. (2019). Effect Of Organizational Commitment, Organizational Culture, And Implementation Of An International Control System On The Quality Of Financial Statements (Survey On Regional Device Organizational In The Government Of South Tangerang City). *EPRA International Journal Of Research And Development (IJRD)*, 4(7), 124–129.
- Hernanda, LT (2020). The Influence of Organizational Commitment, Budget Implementation and Implementation of Accounting Information Systems on the Quality of Financial Reports (Survey on the Bogor City Regional Government). *Al-Mal: Journal of Islamic Accounting and Finance*, 1(2), 115-129.
- Hery, 2017. *Auditing and Assurance – Accounting Audit Based on International Auditing Standards*. Jakarta. Publisher PT Grasindo
- Hery. 2021. *Financial Statement Analysis – Integrated and Comprehensive Edition*. Jakarta. Publisher PT Grasindo
- Ikyarti, T., & Aprila, N. (2019). The Influence of the Implementation of Government Accounting Standards, Implementation of Regional Management Information Systems, and Government Internal Control Systems on the Quality of Financial Reports of the Seluma Regency Regional Government. *Journal of Accounting*, 9(2), 131-140.
- Imam Ghozali. 2018. *Multivariate Analysis Application with IBM SPSS 21 Update PLS Regression Program*. Semarang: Diponegoro University Publishing Agency.
- Indriani, N., BZ, FS, and Abdullah, S. 2018. The Effect of Effectiveness of Internal Control System, Leadership Style, Conformity Commitment and Law Enforcement on Fraud in Regional Level Work Units of Pidie Jaya. *Accounts and Financial Management Journal*, 3(01), 1234-1239.
- Inapty, MAFBA, & Martiningsih, RSP (2016). The effect of the implementation of government accounting standards, the competence of the apparatus and the role of internal audit on the quality of financial report information with the internal control system as a moderating variable (Empirical study on SKPD in the NTB Provincial Government). *Accountability*, 9(1), 27-42.
- Iriyadi and Yadiati, W. 2017. The Influence of Transformational Leadership, Audit Committees Role and Internal Control Towards Financial Reporting Quality and Its Implications on Investment Efficiency. *International Journal of Applied Business and Economic Research*, 15(6), 1-26.



- Johnstone-Zehms, KM, Gramling, AA, Rittenberg, LE, 2015. Auditing: A Risk Based-Approach to Conducting a Quality Audit. Boston. Cengage Learning.
- Kibtiyah, M., Wirakusuma, MG, Sari, R., & Maria, M. (2017). The Influence of Competence, Organizational Culture and Leadership Style on the Effectiveness of the Internal Control System for Government Procurement of Goods/Services. *E-Journal of Economics and Business*, Udayana University, 1(1), 1877-1908.
- King, M., Setiyawati, H., & Mappanyuki, R. (2019). *the Effect of the Implementation of Government Internal Control Towards Auditor Opinion Using the Application of Government Accounting Standards As a Moderation Variable*. 5(1), 1371–1285.
- Consortium of Internal Audit Professional Organizations. (2004). Audit Professional Standards. Internal. Jakarta: Salemba Empat.
- Government Accounting Standards Committee. 2020. Government Accounting Standards of the Republic of Indonesia.
- Lessambo, FI 2018. Financial Statements: Analysis and Reporting. New Britain, CT, USA. Springer International Publishing.
- Marsam. 2020. The Influence of Leadership Style, Competence, and Commitment on Employee Performance at UPT in YAPIS Environment, Biak Numfor Regency Branch. Pasuruan, East Java. Qiara Media Publisher
- Mokoginta, N., Lambey, L., & Pontoh, W. (2017). The Influence of Internal Control Systems and Regional Financial Accounting Systems on the Quality of Government Financial Reports. *Going Concern Accounting Research Journal*, 12(2), 874-890.
- Nurmi, E. (2019). The Influence of Internal Control System, Human Resources and Leadership Commitment on the Quality of Government Financial Reports in Mandailing Natal Regency, Thesis, University of North Sumatra.
- Nurul Lathifah. 2021. Concepts and Practices of Internal Control Systems. Selayo, West Sumatra. Independent Intellectual Publishers
- Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government Internal Control System.
- Government Regulation of the Republic of Indonesia Number 71 of 2010 concerning Government Accounting Standards.
- Rahmawati, D. (2018). The Influence of the Implementation of Government Accounting Standards, Utilization of Information Technology, and Internal Control Systems on the Quality of Financial Reports of SKPD of South Tangerang City. *Journal of Economics, Business, and Accounting*, 20.
- Rajagukguk, EFC (2020). The Influence of Organizational Culture and Organizational Commitment on the Effectiveness of the Government Internal Control System and Its Impact on the Quality of Financial Reports (Study on the North Sumatra Provincial Government). Thesis, Muhammadiyah University of North Sumatra.
- Rantelangi, C., Affan, N., Deviyanti, D., R., and Sari, W., I., R. 2018. Influence of Organizational Commitment, Auditor Independence, Internal Control, and Ethic Leadership in Good Governance and Organizational Performance. *Advances in*

- Economics, Business and Management Research, 35 (01), Mulawarman International Conference on Economics and Business (MICEB 2017).
- Ria Mardiana Yusuf and Darman Syarif. 2018. Organizational Commitment: Definition, Influenced and Influencing. Makassar. Publisher Nas Media Pustaka.
- Rinie, Pranata, VM, & Rapina. (2019). The Influence of Internal Control and Organizational Commitment on the Quality of Financial Reporting (Survey on Textile Companies in Bandung City and Surrounding Areas. Journal of Accounting, Finance, Taxation, and Auditing (JAFTA), 1(1), 15-30.
- Riyanti, Y. (2022). The Influence of the Implementation of Financial Reporting Standards, the Role of Internal Audit, Competence, Utilization of Accounting Information, Good Government Governance, and the Quality of State Civil Apparatus on the Quality of Financial Reports (Empirical study on OPD Temanggung Regency). Thesis, Muhammadiyah University of Magelang.
- Robinson, TR, Henry, E., Broihahn, MA 2020. International Financial Statement Analysis. Hoboken, New Jersey. John Wiley&Sons, Inc.
- Saputra, JI, Hasan, A., & Rasuli, M. (2020). The Influence of Human Resource Competence, Utilization of Information Technology, Fixed Asset Management and the Role of Internal Audit on the Quality of Financial Report Information with the Internal Control System as a Moderating Variable (Study on the Riau Provincial Government). Pekbis Journal, 12(1), 25-38.
- Setiyawati, H. (2013). The effect of Internal Accountants' Competence, Managers' Commitment to Organizations and the Implementation of the Internal Control System on the Quality of Financial Reporting. International Journal of Business and Management Invention, 2(11), 19-27.
- SriLasting Ratnasari and Yenni Hartati. 2019. Performance Management in Organizations. Pasuruan, East Java. Qiara Media Publisher
- Sugiyono. 2015. Mixed Methods Research Methods. Bandung: Alfabeta.
- Sujana, IW, Widnyana, IW, & Suparsa, IN (2017). The Role of Internal Auditors in Determining the Influence of Internal Control on Good University Governance at Mahasaraswati University, Denpasar. Jurnal Bakti Saraswati (JBS): Media for Publication of Research and Application of Science and Technology, 6(1), 63-72.
- Sumito, N., Setiyawati, H., & Mappanyukki, R. (2021). *Influence of Internal Audit and Internal Control System on Quality of the Financial Statement*. 161(Ciiber 2019), 26–31. <https://doi.org/10.2991/aebmr.k.210121.005>
- Suryatin, Anugerah, R., & Indrawati, N. (2019). The Influence of Human Resources, Infrastructure Availability, Leadership Commitment, and Leadership Exemplars on the Maturity Level of the Government Internal Control System (Study on the Regional Government of Indragiri Hulu Regency). Pekbis Journal, 11(1), 43-54.
- Sutarto Wijono. 2018. Leadership in Organizational Perspective. Jakarta. Prenadamedia Group.



- Suyono, NA (2016). Identification of Factors Affecting the Quality of Regional Government Financial Reports (Empirical Study on Wonosobo Regency Government). *Journal of Research and Community Service UNSIQ*, 3(3), 237-248.
- Syahril Effendi. 2021. *Accrual-Based Government Accounting*. Batam. CV. Batam Publisher.
- Syarifudin, A. (2014). The Influence of HR Competence and the Role of Internal Audit on the Quality of Regional Government Financial Reports with the Intervening Variable of the Government's Internal Control System (empirical study on the Kebumen Regency Government). *Business Focus: Media for Management and Accounting Studies*, 13(2), 26-44.
- The Institute of Internal Auditors. 2016. *International Professional Practices Framework*. Law of the Republic of Indonesia Number 1 of 2004 concerning State Treasury.