

## FACTORS AFFECTING THE QUALITY OF REGIONAL FINANCIAL INFORMATION IN THE PIDIE ACEH REGENCY GOVERNMENT

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### Abstract

The purpose of this study is to determine the variables that affect the accuracy of data in financial reports from local governments. Government Regulation No. 71 of 2010 states that central and local government financial reports must provide material that satisfies specific qualitative requirements. Internal control systems, information technology use, and human resource quality are among the variables examined. Financial authorities who oversee local government financial reports and carry out accounting tasks made up the study's population. Thirty respondents in all were sampled via purposive sampling. Using SPSS 25, multiple linear regression was used to analyze the data. The study's findings show that the following factors affect the quality of regional financial information in Pidie Regency: human resources (X1), internal control systems (X2), and the application of government accounting standards (X3). The quality of regional financial information in Pidie is simultaneously impacted by the Human Resources (X1), Internal Control System (X2), and the Application of Government Accounting Standards (X3).

**Keywords:** *Human Resources, Internal Control System, Implementation of Government Accounting Standards, Quality of Regional Financial Information.*

### INTRODUCTION

Regarding the caliber of financial data handled in the various regions, the Indonesian government's dedication and unwavering support for local governments is crucial. This can help bring about a government that successfully fulfills its responsibilities to develop the area in line with the predetermined goals. According to Government Regulation No. 71 of 2010, government financial reports must be prepared in compliance with Government Accounting Standards and follow the timeliness principles (Herawati & Nopianti, 2017). According to (Anggriawan, 2018) in his statement, the factors that influence the quality of Local Government Financial Reports (LKPD) include internal control systems, human resource competencies, and the implementation of Government Accounting Standards (SAP). These factors must be fulfilled in order to produce good quality local financial information. The commitment and steadfast support of the Indonesian government for local governments is essential in terms of the quality of financial data handled in the various regions. This can contribute to the establishment of a government that effectively carries out its duties to develop the region in accordance with the established objectives. Government financial reporting must adhere to timeliness principles and Government Accounting Standards, as mandated by Government Regulation No. 71 of 2010 (Herawati & Nopianti, 2017).

Regarding the caliber of financial data handled in the various regions, the Indonesian government's dedication and unwavering support for local governments is crucial. This can aid in the formation of a government that efficiently fulfills its responsibilities to advance the area in line with the predetermined goals. Government Regulation No. 71 of 2010 requires that government financial reporting follow Government Accounting Standards and timeliness standards (Herawati & Nopianti, 2017). In reality, problems in regional financial reports, which are a form of government accountability to the public, still raise serious doubts and issues. One of the main issues is the delay in the submission of financial reports by work units. This is triggered by various obstacles, including documentation problems and a lack of synergy between work units. As reported on the official website of the Indonesian Audit Board (BPK), there were 2,525 cases of non-compliance that caused losses amounting to Rp113 trillion. One of these cases involved Pidie Regency, where government agencies were late in submitting their financial reports (BPK RI, 2017).

However, according to (<https://liputangampongnews.id>), Pidie Regency has gotten a Unqualified Opinion

(WTP) from the Indonesian Audit Board (BPK RI) for the fourth time in a row. This accomplishment is predicated on four criteria for the audit opinion: the efficacy of internal control systems, compliance with financial statement laws and regulations, the conformance of financial statements with Government Accounting Standards, and the adequacy of financial information disclosure in accordance with Government Accounting Standards. An interesting occurrence deserving of more research is the Pidie Regency local government's four-year streak of consistently achieving the WTP opinion.

## **LITERATURE REVIEW**

### **Human Resources**

Human resources are the people within an organization who work to achieve the organization's goals. According to Marnis and Priyono (2008). According to Taufiqurokhman (2009), human resources are people who work in an organization, often referred to as employees. Civil Service Personnel (ASN), consisting of Civil Servants (PNS) and Government Employees with Work Contracts (PPPK), are a form of human resources within government organizations, where the abilities and skills possessed by these individuals significantly influence the organization's effectiveness in achieving its objectives. As explained in the theory of Mathis & Jackson (2001), the level of effectiveness of human resource management is seen as influencing the performance of an organization, regardless of its size.

### **Utilization of Information Technology**

Information technology is defined by Aziz (2012) as a technology that produces, stores, processes, and distributes information in a variety of mediums and formats (text, voice, images, movies, etc.). Data processing technology includes gathering, organizing, storing, processing, and manipulating data in different ways to create high-quality information that is timely, accurate, and relevant. This type of information is used for government, business, and personal purposes and is used as strategic information for decision-making.

### **Internal Control System**

The internal control system is a crucial process in the actions and activities carried out continuously by leaders and all employees to provide adequate assurance of the achievement of organizational goals through effective and efficient activities, reliable financial reporting, security of state assets, and compliance with laws and regulations, according to Government Regulation No. 60 of 2008 concerning the Internal Control System of Government. The internal control framework serves as a watchdog. The form of control can be in the form of implementing Standard Operating Procedures (SOPs) that are useful for preventing deviations from duties and functions by employees of the agency, as well as helping to discipline employees by imposing sanctions if there are violations in the performance of functions and duties. There are Regional Financial Information Systems (SKID), Regional Financial Management Information Systems (SIKPD), or Regional Management Information Systems (SIMDA) to prevent the loss of important data that may be needed at any time, ensuring that procedures are carried out correctly and that the preparation of Regional Government Financial Reports meets the qualitative characteristics specified in Government Regulation No. 71 of 2010.

### **Government Accounting Standards**

According to Article 32 of Law No. 17 of 2003, which deals with state finances, APBN/APBD accountability reports must be created and delivered using Government Accounting Standards (SAP). In order to accomplish the goals of accountability and transparency, SAP serves as the legal foundation for central and local government authorities to manage revenue and spending in an open, effective, and responsible manner (Azlim et al., 2012). SAP employed a cash basis until 2003, and then a cash toward accrual basis from 2004 to 2014. This cash toward accrual-based SAP records assets, liabilities, and equity on an accrual basis in addition to revenue, expenses, and financing on a cash basis. Indonesia has been using accrual-based SAP since 2015. Basis of Accrual Regardless of when money is received or paid, economic transactions or accounting events are recognized, documented, and shown in financial statements at the time of the transaction according to accounting standards. When the right is acquired, revenue is recorded; when the responsibility materializes or resources are used up, expenses are recorded (Angga Kusumah, 2016). For the State Budget/Local Budget to be implemented, SAP must be used to prepare accountability reports in the form of financial statements. These reports include the Budget Implementation Report (LRA), the Budget Surplus Balance Change Report (Laporan Perubahan SAL), the balance sheet, the Operational Report (LO), and the Cash Flow Statement (LAK). Notes to the Financial Statements (CaLK) and Statement of Changes in Equity (LPE) (Azlim et al., 2012). The

Government Accounting System is a methodical set of processes, administrators, tools, and other components used in government entities to carry out accounting tasks ranging from financial reporting to transaction analysis (Fauziah, 2018).

### Quality of Financial Information

Accounting information is a type of quantitative information expressed in monetary units (Schroeder et al., 2020). Accounting information is the output of a finance-oriented accounting information system. According to Wilkinson (2000), accounting information is measured. The influence of accounting information system quality is expressed in monetary units (Belkaoui, 2000:165). Based on the statements of the experts above, accounting information is the output of an accounting information system expressed in monetary units (Darma & Sagala, 2020). Information quality is a subjective measure of the necessity, objectivity, and integrity of the information collected (Sopiansyah Deni et al., 2022). Information quality is a concept related to the quality of information system outputs that are useful for business actors, relevant to decision-making, and easy to understand as outputs that meet user needs (Darma & Sagala, 2020). High-quality information must have certain characteristics, including: accuracy, timeliness, and completeness (Susanto, 2013). The principles of Financial Accounting Information Quality according to Rudianto (2012:21) are understandability, relevance, reliability, comparability, completeness, and timeliness.

## METHODOLOGY

This study employs quantitative research methodologies because the data is presented in the form of numbers. According to Sugiyono (2017:14), the data in this study is primary data gathered via a survey approach in which the researcher distributed questionnaires directly to respondents with no middlemen. The researcher gathered information from respondents in the form of questionnaire replies, opinions, attitudes, and experiences. The population of this study includes all institutions and agencies within the Pidie Regency Office, as defined in Article 11 of Law No. 23 of 2014. The Pidie Regency government's official website contains related information for 20 agencies. In this study, the sample was selected using purposive sampling, which is a sampling strategy that considers certain criteria. The type of data collected was quantitative data, obtained through the use of questionnaires as the main data source. The purposive sampling technique was used in sampling, where the selection of samples was based on certain criteria or considerations.

Respondents were selected based on the following criteria:

1. Only employees working in the finance department.
2. Respondents were directly involved in the preparation, implementation, and accountability of the budget in each agency.

The independent variables in this study's setting include those thought to affect the caliber of financial reports produced by government agencies. This study uses three independent variables: human resources data (X1), internal control system (X2), and government accounting standards (X3) from Pidie Regency agencies. The quality of local financial information is one of the study's dependent variables.

## RESULTS AND DISCUSSION

### Descriptive Statistical Analysis

Data on the minimum, maximum, average, and standard deviation values of the variables under study are analyzed using descriptive statistical methods. Quality of Local Financial Information (QFI), Human Resources (HR), Internal Control System (ICS), and Government Accounting Standards (GAS) are the variables employed in this study's descriptive analysis.

**Table 1. Descriptive Statistical Analysis**

	N	Min	Max	Mean	Std. Dev.
HR	30	15	20	17,2	1,270
ICS	30	18,05	26,16	21,5667	1,768
GAS	30	19,02	29,88	23,1333	2,596
QFI	30	20	28	24	1,838
Valid N	30				

Based on Table 1, it can be seen that the number of respondents in this study was 30 SKPDs in Pidie Regency.

1. A minimum value of 15 is displayed for the Human Resources variable. In the meantime, 20 is the maximum

- value. 17.20 is the average Human Resources indicator. The Human Resources indicator has a level of data variation of 1.270, which is described by the standard deviation.
2. A minimum value of 18 is displayed for the internal control system variable. In the meantime, 26 is the highest value. The average indication for the internal control system is 21.57. The internal control system indicator data has a level of variation of 1.768, which is described by the standard deviation.
  3. A minimum value of 19 is displayed for the Government Accounting Standards Implementation variable. In the meanwhile, 30 is the maximum value. Indicator for Accounting Standards Implementation is 23 on average. Since the standard deviation describes the degree of data variation, the accounting standards implementation indicator has a level of data variation of 2.596.
  4. A minimum value of 20 is displayed for the regional financial information quality characteristic. In the meanwhile, 28 is the maximum value. The quality of regional financial data averages 24. Since the standard deviation describes the degree of data variance, the regional financial report quality level of variation is 1.838.

**Test For Multicollinearity**

The regression model satisfies the multicollinearity assumption test, and there is no multicollinearity among the independent variables, according to the data processing findings using SPSS, which show that the variables have a VIF value < 10 and a tolerance value > 0.1. Table 2 below displays the test results:

**Table 2. Multicollinearity Test**

Model	Collinearity Tolerance	Statistics VIF
HR	0,913	1,096
ICS	0,865	1,156
GAS	0,864	1,158

The results of the Human Resources, internal control system, and Government Accounting Standards are shown in Table 2, with VIF results not exceeding 10, which means that the independent variables are free from multicollinearity.

**Analysis of Multiple Linear Regressions**

The evaluation of multiple linear regression necessitates the presence of two independent variables. Three independent variables—human resources, internal control systems, and the use of government accounting standards—are examined in this study. SPSS software version 25 was used for data processing in order to conduct multiple linear regression analysis. Table three displays the outcomes of the computations.

**Table 3. Multiple Linear Regression**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
1	(Constant)	11.560	.199		58.171	.001
	HR	.600	.008	.923	70.903	.001
	ICS	.027	.007	.047	3.782	.001
	GAS	.067	.005	.156	12.435	.001
a. Dependent Variabel : QFI						

Based on Table 3, the results of multiple linear regression analysis, the following regression equation was obtained:

$$Y = 11.560 + 0.600 X1 + 0.027 X2 + 0.067 X3 + e$$

The interpretation of this regression equation is as follows:

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1. If the independent variables (X1, X2, and X3) are regarded as constant or unaltered, the average Regional Financial Information Quality is 11.560, as indicated by the constant value of 11.560.
2. Human Resources' (X1) regression coefficient value is 0.600, indicating a favorable result. This indicates that Regional Financial Information Quality (Y) rises by 0.600 for every unit increase in Human Resources (X1).
3. As for the Internal Control System (X2) variable, its regression coefficient value is 0.027, which is positive. This implies that the Quality of Local Government Financial Reports (Y) tends to rise by 0.027 for every unit increase in the Internal Control System (X2).
4. A negative regression coefficient of 0.067 is found for the Government Accounting Standards Implementation (X3) variable. This indicates that Regional Financial Statement Quality (Y) tends to rise by 0.067 for every unit increase in Government Accounting Standards Implementation (X3).

## Determination Coefficient Test (R<sup>2</sup>)

According to the coefficient of determination test results, the R Square value is 0.659, meaning that internal control systems, human resources, and the use of government accounting standards account for 65.9% of the regional financial information quality variable, with other variables not included in this study accounting for the remaining 34.1%. Table 4 displays the test results.

**Table 4. Determination Coefficient Test (R<sup>2</sup>)**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.812 <sup>a</sup>	.659	.620	1.133

a. Predictors: (Constant), X3.1, Kualitas SDM, X2.1

## Simultaneous Significance Test (F Statistical Test)

The simultaneous significance test indicates that the significance level (0.000) is less than 0.05. The factors of Human Resources, Internal Control Systems, and the Implementation of Government Accounting Standards all have a substantial impact on the quality of local financial information at the same time, as demonstrated by the rejection of H<sub>0</sub> and the acceptance of H<sub>1</sub>. Table 5 displays the test results.

**Table 5. Simultaneous Significance Test (F Statistical Test)**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.618	3	21.539	16.776	.000 <sup>b</sup>
	Residual	33.382	26	1.284		
	Total	98.000	29			

a. Dependent Variable: Kualitas Informasi Keuangan Daerah

b. Predictors: (Constant), Penerapan SAP, Kualitas SDM, SPI

## Partial Significance Test (T-Statistic Test)

The degree to which one independent variable affects the dependent variable is demonstrated by the Partial Significance Test (T-test). The outcomes of the partial test are as follows:

**Table 6. Partial Significance Test (T-Statistic Test)**

Model	Unstandardized	Coef Std Error	Std Coef Beta	T	Sig
(Constant)	11.560	.199		58.171	.001
HR	.600	.008	.923	70.903	.001
ICS	.027	.007	.047	3.782	.001
GAS	.067	.005	.156	12.435	.001

By examining the values in the Sig. column, decisions are formed. In particular, the value is 0.001 for X1 Human Resources, 0.001 for X2 Internal Control System, and 0.001 for X3 Government Accounting Standards Implementation. A significance value (Sig. column) below the predefined significance level indicates that the model is significant or that an independent variable partially influences the dependent variable. The study's significance level was set at 5%, therefore the table above suggests that X1 Human Resources, X2 Internal Control System, and X3 Government Accounting Standards Implementation all have a partial impact on the quality of local financial information. Discussion

**The Influence of Human Resources on the Quality of Regional Financial Information in Pidie Regency**

The quality of regional financial data in Pidie Regency is significantly positively correlated with human resource competency, according to this study. With a computed t-value of X1 = 70.903, the results show that the influence of the Human Resources variable on the Quality of Local Financial Information in Pidie Regency is significantly positive, with a significance value of 0.001 < 0.05. Lilis Setyowati (2016) investigated the factors influencing the quality of local government financial reports in the city of Semarang, and the findings of this study are consistent with that study. The expertise needed to finish activities is referred to as human resources. The informational value of financial reporting from local governments will be improved by having both sufficient human resource competences in terms of quantity and quality. Achieving effective and efficient goals requires high-quality human resource competencies, as well as the capacity to carry out duties and act as the organization's catalyst for achieving its vision and mission.

**The Influence of Internal Control Systems on the Quality of Local Financial Information in Pidie Regency**

This study demonstrates that the Internal Control System variable has a significant impact on the Quality of Regional Financial Information in Pidie Regency, with a calculated t-value of X2 = 3.782 and a significance value of 0.001 < 0.05 on the Quality of Regional Financial Information there. The study's findings are consistent with those of Carolus Askikarno P's (2019) investigation, which found that the quality of local government financial reporting is impacted by the internal control system. The existence of both written and unwritten rules pertaining to standard operating procedures (SOPs) in every local government agency serves as the foundation for the internal control system's impact on the caliber of financial reporting from local governments.

**The Effect of Implementing Government Accounting Standards on the Quality of Local Financial Information in Pidie Regency**

This study's calculated t-value of X3 = 12.435 indicates that the variable of the application of Government Accounting Standards has a significant impact on the Quality of Regional Financial Information in Pidie Regency, with a significance value of 0.001 < 0.05 for the effects of the standards on regional financial information quality. The findings of this study are in line with those of Veranika et al. (2022), Adawiah & Nuryaman (2023), and Ansir Launtu (2021), who determined that the quality of local government financial reports is significantly impacted by the implementation of a financial accounting system. The quality of financial reports is greatly affected by the accounting system, according to prior findings. The study's noteworthy findings suggest that the accounting system used to prepare financial reports is essential to generating high-caliber financial reports.

**The Influence of Human Resources, Internal Control Systems, and Government Accounting Standards on the**

### **Quality of Local Financial Information in Pidie Regency**

The quality of regional financial information in Pidie Regency (Y) was tested simultaneously using Human Resources (X1), Internal Control Systems (X2), and Government Accounting Standards (X3). The results showed that the F-value was 16.776 with a significance value of 0.000, which is less than 0.05. This suggests that the quality of local government financial information in Pidie District is significantly impacted by the variables of government accounting standards, internal control systems, and human resources taken together. The study's findings are in line with those of Arista Dhea Arista et al. (2023), who found that the quality of government financial reports is influenced by the Government Accounting Standards (X1), Human Resource Competency (X2), and Government Internal Control System (X3). All independent factors have an impact on the quality of local government financial data since the accomplishment of government agency goals is supported by sufficient resources.

### **CONCLUSIONS**

1. In Pidie Regency, human resources have a major impact on the caliber of regional financial data.
2. The quality of regional financial data in Pidie Regency is significantly impacted by internal control systems to a partial extent
3. The quality of regional financial data in Pidie Regency is significantly impacted, in part, by the application of government accounting rules.
4. Human Resources, Internal Control Systems, and Government Accounting Standards simultaneously influence the Quality of Regional Financial Information in Pidie Regency.

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