

Aspects Of The Quality Of Financial Reports

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Abstract

This research is important to study because it looks at the phenomena and results of previous research, so this study aims to examine the effect of applying PSAK 101, the internal control system and the performance of internal auditors on the quality of financial reports. The population in this study is a limited population, namely the internal auditors from 13 Indonesian Sharia Bank Branch Offices in Makassar city as many as 39 auditors. The sample technique is the saturated sample technique. Data were analyzed by multiple linear regression analysis. The results of the study found that the application of PSAK 101, the internal control system and the performance of the internal auditors have a significant effect on the quality of financial reports.

INTRODUCTION

The development of sharia accounting is mutually supportive with the sharia banking system. The sharia accounting system is part of the general accounting system, which provides information to interested parties (stakeholders) about the company's performance results and financial situation (Ilyas, 2020). Financial reports are the output of the abstract method of recording and business summaries that are used to connect company activities to stakeholders (Amin & Anwar, 2020). For sharia banking, financial reporting plays an important role in building public confidence in the level of bank financial soundness and compliance with sharia principles (Amin et al., 2022). Therefore, the quality of financial information plays a role in gaining public trust (Setiadi et al., 2021).

Financial statements are part of the financial reporting procedures carried out by accountants, audits, government agencies and other agencies in confirming

rigor, financing, investment and tax purposes (Weygandt et al., 2018). Financial reports are an important tool for an entity, both business entities and the public sector, because the information presented in financial reports is needed in making company decisions.(Merantika & Heriyanto, 2017).

Islamic banking not only requires financial reports, but also requires guidelines regarding the basic framework for its preparation, namely PSAK 101. Financial reports as explained on PSAK 101 is a structured presentation according to financial position and financial performance of an Islamic entity (Karamoy & Afandy, 2018).

PSAK 101 has targets to regulate presentation and disclosure of sharia entity financial reports so that all sharia entities have standard standards (Amin & Hamid, 2022). This standard is expected to be a guideline for accountants so as to present quality financial reports. It is also supported by Yunita (2019) and Rahmadieni (2019), which states that the Statement of Islamic Accounting Standards has a positive effect on the quality of financial reports.

The control system is also important in the preparation of financial reports. The internal control system is a concept that includes the organizational structure and procedures used in the company to achieve the goal of protecting assets, overseeing the accuracy and suitability of accounting data, increasing accuracy, and fostering compliance with management policies.(Mualifu et al., 2019).

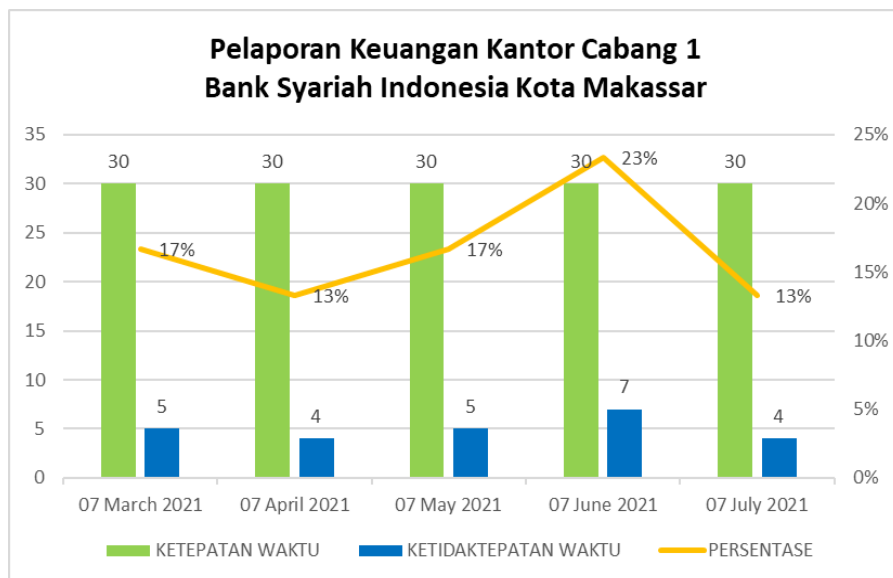
Internal control objectives will be achieved if the company's resources are able to increase optimization by encouraging resource users effectively and efficiently to optimize the company's goals.(Nisa et al., 2022). Especially at this time, all conventional banks and Islamic banks that have gone public access financial reports through official websites and other media.Lagat & Okelo (2016)stated that the components of internal control described by COSO (The Committee of Sponsoring Organization of the Tradeway Commission) in the executive summary, namely the control environment, risk assessment, control activities, information and communication, monitoring. This is different in every institution. For example, internal control in local government is different from internal control in banks. Weak bank internal controls result in a lot of fraud.

Research result Dariana & Oktavia (2018) and Shohabatussa'adah (2021) found that the internal control system has a positive and significant effect on the

quality of financial reports. The findings are different Septarini & Papilaya (2016) and Mayasari (2022) found that the internal control system has no effect on the quality of financial reports.

The role of human resources performing the accounting system will create report quality. The quality of financial reports increases through the internal audit stage. Internal audit as an audit process carried out by the bank through its internal devices (Basri et al., 2022) namely the Internal Audit Department (SKAI) and led by a department head. Based on research conducted by Lasmara & Rahayu (2016) said that the performance of internal auditors has a significant effect on the quality of the company's financial statements. However, Bonai et al., (2019) found that the performance of internal auditors is not significant to the quality of financial reports.

The phenomenon that the researchers found was that one of the Branch Offices of Bank Syariah Makassar which experienced financial reporting in accuracies in March-July 2021 made the following graph:



Source: Bank Syariah Indonesia Branch Office 1 Makassar (processed)

Figure 1. Financial Reporting of Branch Office 1 BSI Makassar

The graph proves that there was an untimely financial report from April 2021 to July 2021, this means that BSI has not been able to produce financial reports in a timely manner, therefore the quality of the financial reports produced cannot be said to be relevant, this can affect information and performance on Indonesian Sharia Bank. The timeliness of the results of financial reports at Bank

Syariah Indonesia is because the accounting information system at Bank Syariah Indonesia is still in the process of adjusting after the merger and inputting data on the results of financial reports using Accounting Information System technology has not been able to produce results. For this reason, this research regarding the quality of financial reports is very interesting to study.

METHODS

This research uses quantitative methods. using a survey approach through questionnaires in collecting data. The population in this study is a limited population, namely the internal auditors from 13 Indonesian Sharia Bank Branch Offices in Makassar city as many as 39 auditors. The sample technique is the saturated sample technique. This data collection method uses a questionnaire or questionnaire. Questionnaire or questionnaire is a method of collecting data by giving written questions to respondents to answer. The analysis carried out in this study was multiple linear regression analysis using the help of the Statistical Package for the Social Science (SPSS) program.

RESULTS AND DISCUSSION

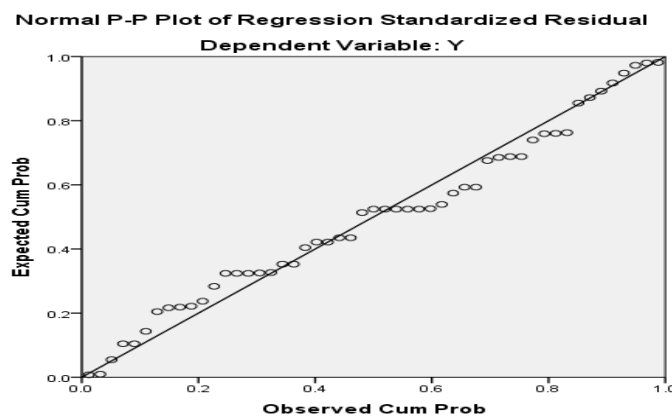


Figure 2. TestNormality

The normal PP plot of the standard regression residuals shown in Figure 2 proves that the points are scattered around the diagonal line and the scattering direction follows the direction of the diagonal line. This proves that the regression model is valid if it meets the assumption of normality.

Test results Multicollinearity

Table 2. Multicollinearity Test Results
Coefficientsa

Model	Collinearity Statistics	
	tolerance	VIF
Application of PSAK 101	.454	2,201
Internal Control System	.946	1,057
Internal Auditor Performance	.472	2,121

Source: SPSS output, 2022

The multicollinearity test results in Table 2 prove that the tolerance value of the variable tolerance for the application of PSAK 101, internal control systems and internal auditor performance is greater than 0.1 and VIF is less than 10, and proves that the regression equation model has no symptoms of multicollinearity, so that the data can be used in this research.

Hypothesis Test Results

Table 3. Multiple Linear Regression Test Results
Coefficientsa

Model	Unstandardized		Standardized	t	Sig.
	Coefficients				
	B	std. Error	Betas		
(Constant)	1,433	4,241		4,338	.000
1 Application of PSAK 101	.349	.144	.356	2,423	.019
Internal Control System	.298	.085	.238	2,335	.024
Internal Auditor Performance	.323	.134	.348	2,412	.020

Source: SPSS Output 2022

The results of the multiple linear regression test shown in Table 3 prove that the value of the regression coefficient formed in this test is:

$$Y = 1.433 + 0.349 X1 + 0.198 X2 + 0.323 X3 + e$$

The regression equation above proves a constant value of 1.433 and states, if the independent variable (implementation of PSAK 101, internal control system and performance of internal auditors) is zero (0), then the value of the dependent variable (quality of financial statements) is 1.433 units. The regression coefficient on the variable applying PSAK 101 is 0.349. These results state that if the implementation variable of PSAK 101 increases by one unit, the financial report quality variable will increase by 34.90% assuming other variables are held constant. These results state that there is a direct relationship between the implementation of PSAK 101 (X1) and the variable quality of financial statements (Y). Regression coefficient on variables internal control system of 0.298. This result states if the variable internal control system increase by one

unit, the variable quality of financial statements will increase by 29.80%, provided that other variables are considered constant. These results suggest that there is a direct relationship between internal control system (X2) with the variable quality of financial statements (Y). The regression coefficient on the internal auditor performance variable is 0.323. These results state that if the internal auditor's performance variable increases by one unit, the financial report quality variable will increase by 65.00%, provided that other variables are considered constant. These results state that there is a direct relationship between the performance of internal auditors (X3) and the variable quality of financial statements (Y).

The results above prove that the first hypothesis (H1) is accepted, ie application of PSAK 101 positive effect on the quality of financial reports. This is indicated by the value application of PSAK 101 with a significant level of 0.019 which is less than 0.05. The t value of 2.423 proves that there is a positive influence on the dependent variable. The second hypothesis (H2) is accepted, internal control system positive effect on the quality of financial reports. This is evidenced by the value of the variable internal control system with a significant level of 0.024 which is less than 0.05. The t value of 2.335 proves that there is a positive influence on the dependent variable. The results of testing the third hypothesis (H3) are accepted which states that the performance of internal auditors has a positive effect on the quality of financial statements. This is evidenced by the value of the interaction variable with a significant level of 0.020 which is less than 0.05. The t value of 2.412 proves that there is a positive influence on the dependent variable.

Coefficient of Determination Test

The purpose of this test of the coefficient of determination is to find out how much power the independent variables can explain by these independent variables. The results of the coefficient of determination test are shown in the table below:

Table 4. R2 Test Results

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.735a	.540	.510	1.52920

Source: SPSS output, 2022

The results of the test for the coefficient of determination in table 4 show that the Adjusted R Square score is 0.510, which proves that the relationship between the quality of financial statements and the three independent variables is 51.00%. While the remaining 49.00% can be explained by other variables not present in this study.

Discussion

The results of this study found that the application of PSAK 101 had an effect on the quality of financial reports. This means that the financial statements presented in accordance with the Statement of Sharia Accounting Standards (PSAK) 101 have the goal of producing quality financial reports (Mamun & Sismona, 2020). The application of PSAK as a standard in preparing quality financial reports will have an effect on customer trust in Islamic banking (Apriliansi and Jayanto, 2017). The results of this study support the findings Yunita (2019) and Rahmadieni (2019), which states that the Statement of Islamic Accounting Standards has a positive effect on the quality of financial reports.

The results of this study found that the internal control system affects the quality of financial reports. The internal control system implemented can control fraudulent acts of recording financial statements (Nugroho et al., 2021). In other words, internal control is a strategy used to ensure the accuracy of financial information and foster management policy compliance (Ismail & Sudarmadi, 2019). Research result Dariana & Oktavia (2018) and Shohabatussa'adah (2021) found that the internal control system has a positive and significant effect on the quality of financial reports. However, the findings differ (Septarini & Papilaya, 2016) and (Mayasari, 2022) found that the internal control system has no effect on the quality of financial reports.

Results This study found that internal audit performance has a significant effect on the quality of financial reports. That is, the performance of a good internal auditor will prove the quality of the implementation of the existing accounting and inspection functions (Sudarmanto et al., 2022). The auditor carries out an examination of the accounting stages before the information in the financial statements is examined by external parties (Wardani & Andriyani, 2017). These results support the research conducted by Lasmara & Rahayu (2016) and Afrianti (2021) said that the performance of internal auditors has a significant

effect on the quality of the company's financial statements. However, this does not support the findings Bonai et al., (2019) found that the performance of internal auditors is not significant to the quality of financial reports.

CONCLUSION

Based on the conclusions above, it proves that the application of PSAK no. 101, internal control systems and internal audit performance have a positive and significant effect on the quality of financial reporting. It is hoped that this research can provide an understanding to BSI Makassar City that the application of PSAK no.101, internal control systems and internal auditor performance are parts that function to improve the quality of financial reports. Research is suggested to add other independent variables that do not exist in this study and expand the survey area, so that the research results are more likely to be concluded in general.

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