

Utilization of Information Technology and Organizational Commitment to the Reliability of Financial Statements with Internal Control Moderation

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Abstract: This study aims to provide empirical evidence of the influence of Information Technology Utilization on the Reliability of Local Government Financial Reports; the effect of Organizational Commitment on the Reliability of Regional Financial Reports; the moderating effect of Internal Control on the Relationship between Organizational Commitment and the Reliability of Local Government Financial Reports; the moderating effect of Internal Control on the relationship between the Utilization of Information Technology and the Reliability of Local Government Financial Reports. The sample of this research is financial administration officials at SKPD in North Maluku Province and consists of 39 respondents. Hypothesis testing using Partial Least Square (PLS) Program. The study results found that information technology did not affect the reliability of local government financial statements. Meanwhile, Organizational Commitment affects the Reliability of Local Government Financial Reports. Internal Control cannot moderate the effect of the Utilization of Information Technology on the Reliability of Local Government Financial Reports. Internal Control is also unable to moderate the effect of Organizational Commitment on the Reliability of Local Government Financial Reports.

Keywords: Reliability, Information Technology, Financial Statements, Organizational Commitment, Internal Control

INTRODUCTION

Government financial reports are an essential component in realizing financial management accountability to the public (Rahim et al., 2020). In practice, financial reports have implications for local government management related to trust in the government's authority to use public funds. Financial statement information must be reliable as a legitimate value in realizing accountability for public financial management by Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP) to provide information related to the decision-making of various parties. Local governments that get an unqualified opinion do not necessarily mean that their regional financial management is without problems. The North Maluku provincial government, which in 2019 received a WTP opinion (unqualified) on its financial statements, but in its financial management has obstacles in the internal control system. North Maluku BPK, on January 11, 2020, expects the North Maluku government to strengthen internal control. In BPK's records, there are nine findings related to internal control and ten findings related to compliance. In 2019 managed to save indications of state financial losses of Rp 41,280,427,296 (Antara, January 31, 2020 edition).

Research conducted by Prasetyo, (2014) shows that the accounting internal control system affects the reliability of regional financial reports. Other research conducted by (Azlan et al., 2015; Putra, 2017) supports previous research, showing that the accounting internal control system affects the reliability of regional financial reports. In addition to the Internal Control System, several other factors also affect the Reliability of Financial Reports from local government agencies, including the Utilization of Information Technology and Organizational Commitment. Accrual-based Government Accounting Standards require accountable and timely financial management. It forces local governments to direct all financial management activities to the current technological era through information technology systems. Information technology is helpful for information processing and storage and information dissemination/communication.

Today, information technology is used by the public sector to process various financial and non-financial information for decision-making purposes. Information technology should be integrated and ensure the needs related to local government financial reports (Nasution & Nasution, 2019). The results of research support this by (Switriansyah, Basuki & Pituringsih, 2015; Miharja, Handajani & Furkan, 2020; Agung & Gayatri, 2018), which found that the use of information technology has a positive effect on the reliability of financial statements. However, research results related to the effect of information technology on the reliability of financial statements are relatively inconsistent. Several studies have shown different results, including research by (Ala, 2020; Sari & Suryanti, 2019; Tawakkal, 2017) which found that the use of information technology had no significant effect on the reliability of financial reporting.

Organizational commitment is also an important thing that needs to be implemented in the government to produce reliable financial reports. Organizational commitment is how each employee sided with a particular organization and its goals and intends to maintain membership in the organization. With a solid commitment to each employee in managing finances, the preparation and presentation of local government financial reports can achieve the stated goal of presenting reliable information in financial statements. The results of research support this by (Yanto, 201.; Kuntadi, 2019; Sari, 2018) which found that organizational commitment has a significant effect on the reliability of financial statements. However, the research results related to the effect of organizational commitment on the reliability of financial statements also show relatively inconsistent results.

The inconsistency of research results on the effect of the use of information technology and organizational commitment on the reliability of financial statements indicates that there are other moderating factors. In this study, the factor that is thought to moderate the effect of the use of information technology and organizational commitment on the reliability of financial statements is the internal control system. It is supported by the results of previous studies on the effect of the internal control system on the reliability of financial statements, which are relatively consistent, showing a significant effect.

LITERATURE REVIEW

Agency Theory

Agency theory is used to solve two problems in agency relationships that usually occur, and the first is a problem that arises when: (a). Conflict of goals or desires of the principal and agent, (b). The difficulty of the principal in verifying what is done by the agent. The second is about the risk sharing problem that arises when the principal and agent have different attitudes towards risk. Both choose different actions from the accepted risk preferences. Agency theory explains a conflict of interest between the principal and the agent, where stakeholders act as principals and company management as agents. Jensen & Meckling, (1976) suggested that agency theory makes a contractual model between two or more people. One party is called the agent, and the other party is called the principal.

Financial Report Reliability

Reliability is the ability of information to provide confidence that the information is accurate or can be accounted for. Information will be reduced in value if users doubt the truth or validity of the information (Setianingrum, 2016). Reliability is the quality of information that causes users of accounting information to depend on the truth of the information produced. According to Government

Regulation No. 71 of 2010, information is reliable if the financial statements are free from misleading notions of material error, present every fact honestly, and can be verified. Many parties will rely on information in financial reports published by local governments as a basis for decision-making. These parties include the community; people's representatives, supervisory agencies, and inspection agencies; parties who give or play a role in the process of donations, investments, and loans; and government.

Utilization of Information Technology

Kombong, (2017) explains that the use of information technology can be viewed from (a) the use of equipment (equipment that supports the implementation of the use of information technology including hardware, software, and network systems); (b) processing and storage (utilization of information technology for financial data management as well as systematic and comprehensive); and (c) maintenance (there is a schedule for regular maintenance of information technology equipment to support the smooth running of the work). Based on Government Regulation No. 56 of 2005 concerning Regional Financial Information Systems, it is stated that the site is a way to display local government profiles on the internet with the aim of, among others, delivering announcements or notifications, providing services to the community, and receiving input from the public. 56 of 2005, the presentation of budget information, budget execution, and regional financial reporting was produced through the official local government website. The purpose of doing this is to deliver announcements or notifications, provide services to the community, and receive input from the community.

Organizational Commitment

Organizational commitment is an individual's attitude and behavior in maintaining his desire to remain a member of the organization. Commitment is the basis of individuals in their organizational attitudes related to duties and loyalty to the organization. Kalbers (1995) explains organizational commitment using two views: Affective, an emotional commitment to the organization, and belief in its values. The measurement of this commitment is the emotional connection in the organization and agrees with the organization's goals and values. Moreover, continuance, which is a desire to remain a member of the organization, this continuance commitment can be seen in the individual's awareness of the costs associated with leaving the organization.

Internal Control

Based on Government Regulation (PP) Number 60 of 2008 concerning the Government's Internal Control System that the internal control system is a necessary process for actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through activities that effective and efficient financial reporting reliability, safeguarding state assets, and compliance with laws and regulations. Internal control (internal control) issued by the Committee of Sponsoring Organizations (COSO) serves as an internal control framework outlining five components of internal control designed to be implemented by management to provide reasonable assurance that its control objectives will be achieved (Rahim et al., 2018; Muslim et al., 2019).

Hypothesis Development

The Effect of Information Technology Utilization on the Reliability of Financial Statements

The utilization of information technology is an act of information technology users related to improving their financial performance. PP No. 56 of 2005 on Financial Information Systems is required for the Central Government and Regional Governments to develop and utilize advances in information technology in improving the ability to manage finances and distribute financial information to public services. Based on the description above, the hypotheses made are:

H1: Utilization of information technology affects the reliability of local government financial reports.

High employee performance will produce reliable financial reports (Yokki, 2018). Commitment makes the attitudes and behavior of members encourage others to achieve organizational goals. One of

the organization's goals is to create public participation and trust through reliable financial reporting. Putra, (2017) explained that the reliability of financial reporting in the long term requires a commitment from management to continue learning to understand and adapt its practice to the new regulations. Based on the description above, the hypotheses made are:

H2: Organizational commitment affects the reliability of local government financial reports.

The use of information technology by employees with high organizational commitment can produce reliable financial reports. Organizational commitment contains elements of loyalty to the organization in government performance to achieve organizational goals. However, many studies related to information technology and organizational commitment in producing quality financial reports have been carried out with varying results (Mutiana, 2017; Tawakkal, 2017), suggesting the use of information technology organizational commitment affects the reliability of the report. In contrast to (Diani 2014; Ihsanti 2014), financial statements show different results that information technology does not affect the quality of financial statements. The difference in research can be explained through a contingency approach that the relationship between the use of information technology and organizational commitment is mediated by internal control. Based on the description above, the hypotheses made are:

H3: Internal control moderates the effect of information technology on the reliability of financial statements.

H4: Internal control moderates the effect of commitment on the reliability of financial statements.

METHOD

The design of this research is quantitative research. It aims to determine the effect of human resource capacity, internal control system, and financial control on the value of financial statement information. The variables used in this study are three independent variables: the capacity of human resources, internal control systems, and financial supervision. One dependent variable, namely the value of financial statement information. The types and sources of data used are primary data through questionnaires and secondary data obtained from various sources of information, namely the web, magazines, books, and previous research journals. A population is an object or subject in an area and meets specific requirements related to the research problem. At the same time, the sample is part of the population that has specific characteristics or conditions to be studied (Sugiyono, 2006). The population in this study is civil servants at 32 Regional Work Units (SKPD) in North Maluku Province. The sample used in this study is the financial administration officer of the regional work unit. This study collected data by distributing questionnaires to civil servants in 32 regional work units (SKPD) in North Maluku Province. Furthermore, the answers from each instrument were collected through a tabulation process using a Likert scale.

To test the relationship between the independent variable and the dependent variable in this study, Partial Least Square (PLS) analysis was carried out. Equation model as follows:

$$KLK : \alpha + \beta_1PTI + \beta_1PTI.PI + e$$

$$KKL : \alpha + \beta_1KO + \beta_2KO.PI + e$$

Information:

KLK : Bound Variable (Reliability of Regional Financial Statements)

PTI : Utilization of Information Technology

KO : Organizational Commitment

(PTI.PI) : Interaction of Information Technology Utilization and internal control

(KO.PI) : Interaction of Organizational Commitment and Internal Control

$\beta_1 - \beta_2$: Path coefficient connecting the independent variables

α : Constant

e : error term

RESULT AND DISCUSSION

Result

The structural model is evaluated using R2 for the dependent variable, the path coefficient values or t-values for each path to test the significance between variables in a structural model. The value of R2 is used to measure the level of variation of changes in the independent variable to the dependent variable.

Table 1. Construct Model Test Results

Variable	R-Square
KLK	0,893

Hypothesis testing seen from the path coefficient value or inner model shows the significance level in hypothesis testing. The path coefficient or inner model score indicated by the T-statistic value must be above 1.96 for the two-tailed hypothesis and above 1.64 for the one-tailed hypothesis. This study also tested the moderating effect to see the interaction of the moderating variable with the independent variable (predictor) in influencing the dependent variable. The significance test parameter for testing the moderating effect is seen in the total effect table, not in the coefficient table because the moderating effect does not only test the independent direct effect to the dependent/exogenous to endogenous as well as the interaction relationship between the independent variable and the moderating variable on the dependent variable (indirect effect).

Discussion

These results indicate that information technology does not affect the reliability of local government financial reports. It indicates that information technology has not been used optimally, especially for activities that produce reliable financial reports. Optimizing the use of technology must be supported by adequate human resources because good technology without being supported by qualified human resources is useless. It is necessary to develop the capacity of human resources to improve skills and professionalism. This study supports previous research conducted by (Tawakkal 2017) that the use of technology partially does not affect the reliability of financial statements and (Susilo Prapto 2010) that the use of information technology cannot be carried out optimally.

Financial administration officials in the North Maluku local government work unit are The sub-sections that participate determine the final results of the financial statements from the procedures and financial information that occur in their respective divisions. At this level of involvement, officials with high normative organizational commitment always try to stay with the organization. They do their job as well as possible for moral or ethical reasons. The results of this study are in line with research conducted by (Putra 2017) and (Anggareani 2015) that organizational commitment affects the reliability of financial statements.

These results indicate that employees with a high attitude of organizational commitment believe and want to accept the organization's goals and be loyal to the organization. Employees with a strong understanding of the importance of organizational goals to produce reliable financial reports will strive without being controlled by certain parties or leaders to provide confidence for organizational goals. Employees with high commitment have the same value system as the organization's value system. Organizational commitment to the reliability of financial statements does not depend on the internal control system. This condition explains that employees' committed attitude can express concern for a successful organization and sustainable progress.

CONCLUSIONS AND SUGGESTIONS

The utilization of information technology does not affect the reliability of financial statements. It can be seen from the results that show negative and not significant. It is known that the optimization of

human resource capabilities with a level of professionalism must be optimized again. So that the potential availability of information technology does not become biased. Organizational commitment affects the reliability of financial statements. High organizational commitment will try to produce reliable financial reports by encouraging member participation in the expected goals. Strong organizational commitment believes that the work done has the same value as its belief. Internal control does not moderate the use of information technology on the reliability of financial statements. Utilization of information technology is not optimal, does not have an impact on the good or bad of the internal control system carried out by the government, and control does not require a moderate organizational commitment to the reliability of financial reports. Strong organizational commitment will produce reliable financial reports without having to continuously get directives and actions from the leadership because members have the same belief in the organization's goals.

The sample of this research is very limited to regional financial administration officials who work in the SKPD of North Maluku Province. The sample for further research can be expanded to all SKPD districts and cities in North Maluku. This research was conducted in a pandemic condition. The participation of respondents in filling out and returning questionnaires was not optimal, so it is necessary to consider more effective data collection methods in the future.

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