

## **The influence of accounting information systems, internal control systems and human resource competencies on the quality of financial reports with regional government leadership style as a moderation variable (Case study of regency/city regional government in North Sulawesi Province)**

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Received 12 July 2024

Revised 31 July 2024

Accepted 1 August 2024

Published online 1 August 2024

DOI: 10.58784/cfabr.163

### **ABSTRACT**

The purpose of this research is to examine the relationship between the quality of financial statements and factors such as accounting information systems, internal control systems, and human resource competencies. The study will use district and city local governments in North Sulawesi province as a case study to examine this relationship, with leadership styles in local governments serving as moderating variables. Using a sample of 170 respondents in the year 2024, this study draws on primary sources to examine all the local governments in North Sulawesi Province. Multiple linear regression analysis is employed for the analysis. Accounting information systems, HR competencies, and internal control systems all positively affect financial report quality, according to multiple linear regression testing. Leadership styles moderate the effect of ICS on report quality. This means that competent human resources, an effective internal control system, and an accounting information system all contribute to higher-quality financial reports, and that a leadership style in local government that links a solid control system to strong financial reporting is also important. Accounting information systems and human resource capabilities are negatively impacted by leadership styles in local governments, according to this study. Leadership style has little effect on accounting information systems and human resource capabilities in terms of producing high-quality financial reports, according to the study's implications. There is no statistical evidence that a leader's style can influence the accuracy of financial reports, even while it moderates the accounting information system and HR competencies. Superior financial reporting is more likely to result from a management style that keeps the internal control system in check.

**Keywords:** accounting information systems; internal control systems; human resource competencies; leadership style; financial statement quality

**JEL Classification:** H11; H83; O15

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## 1. Introduction

Financial reports are information that is expected to be able to provide assistance to users in making financial economic decisions (Harahap, 2018). As a form of accountability for regional government performance, Regional Heads have the obligation to submit financial reports to stakeholders, including the Regional People's Representative Assembly (or DPRD) and the general public. Law No. 17 of 2003 concerning State Finances in Article 31 paragraph (1), at the end of the fiscal year, the Governor, Regent or Mayor must submit to the DPRD, in the form of a financial report that has been examined by the Financial Audit Agency, proposed regional regulations regarding responsibility implementation of Regional Revenue and Expenditure Budget (or APBD).

Local Government Financial Report (or LKPD) must be able to fulfill its objectives and comply with user requirements (Rosadi & Okfitasari, 2019). The LKPD annually receives an opinion from the BPK which functions as evaluation material. There is no guarantee that the government's financial reports are free from fraud or other fraudulent acts implied in the unqualified opinion by BPK, namely the auditor's professional comments regarding the fairness of the financial report presentation. Conformity with Government Accounting Standards, adequacy of disclosure, compliance with

statutory provisions, and the effectiveness of the internal control system are among the criteria used to assess the fairness of financial reports. Unqualified Opinion (or WTP), No Opinion (or TMP), Unqualified Opinion (or TW), and Unqualified Opinion with exceptions (or WDP) are four possible assessments carried out by the examiner.

Due to the large number of officials involved in legal cases, the financial sector is vulnerable to irregularities and errors due to the phenomenon of low quality information on regional financial reports which can cause losses for the state and regions. When reviewing the LKPD of district and city governments in North Sulawesi, the BPK still found many problems that showed that regional financial managers were less than accountable. The North Sulawesi Regency/City Regional Government Financial Report for the 2020 - 2022 Fiscal Year has been examined and approved by the BPK with an WTP. The 2022 North Sulawesi Regency/City Regional Government Financial Report is presented fairly, however, the BPK still identifies deficiencies in internal control as well as problems related to non-compliance with statutory provisions. Table 1 shows the issues in financial statements of Regency/City Regional Governments in North Sulawesi Province for three consecutive years.

**Table 1. The issues in financial statements**

No	Account issues	The amount of finding (in fiscal year)		
		2020	2021	2022
1	Cash	14	15	9
2	Account receivable	4	1	5
3	Supplies	10	13	6
4	Fixed assets	10	7	11
5	Other assets	2	2	3
6	Capital inclusion	3	3	2
7	Revenue	14	16	13
8	Staff expenditure	7	11	12
9	Goods and service expenditure	9	15	14
10	Capital expenditure	16	16	16
11	Grant expenditure	11	8	2
12	Social assistance expenditure	6	5	14

Utilization of regional accounting information system in regional financial management is possible through the implementation of IT programs that support regional financial information systems. Because accounting information systems are the spearhead of high-quality financial reports—reports that are the product of processes that rely on solid input, procedures and results—their implementation in local governments (or Pemda) is a phenomenon that shows the weakness of internal control system (or SPI). A solid financial reporting system is based on these three pillars, which must be stable and interdependent (Mubarok et al., 2020). The government's internal control system is also user-centric (people oriented system). Consequently, financial reporting results are also influenced by competent human resources. An effective worker will utilize his skills to perform tasks with ease, speed, intuition, and experience, while minimizing the possibility of errors (Sweetenia et al., 2019). According to Nurbaya (2020), a company's human resources are more than just the current workforce; they are the total number of people who work there.

Human resources, as a whole, is best understood as a system, where each employee plays an integral, complementary role and helps the company achieve its goals. The results of the research: The internal accountant's competences have a positive effect on the quality of financial reporting. Human capital is a resource that is unique among assets because it has sentiment, desire, ability, information, motivation, authority, and efforts such as ratio, taste, and intention (Frederica et al., 2023). The Human Resources Development Agency (or BPSDM) of the Government of North Sulawesi Province is one of the agencies that has the task of carrying out employee education and training (see <https://www.bpsdm.sulut.go.id>). BPSDM's mission is to develop human resource capabilities with a global perspective and competitiveness; carry out competency development and certification according to current needs and demands; improving international standard facilities and infrastructure; establishing synergy and solidarity within the organization; increasing cross-sector cooperation at home and abroad. Human resources (HR) development is also regulated in the

Governor of North Sulawesi Province Regulation No. 110 of 2017 concerning the Implementation of Competency Development and Professional Certification of Human Resources (Frederica et al., 2023).

Arfismanda et al. (2021), and Lutfia & Kuraesin (2021) find that accounting information systems influence the quality of financial reporting. Leiwakabessy (2020) states that the accounting information system does not affect the quality of financial reporting. Admaja and Wahyundaru (2020), Imran (2023), and Shanti et al. (2024) state that the internal control system influences the quality of financial reporting. However, Wardani and Andriyani (2017), and Leiwakabessy (2020) state that the internal control system does not affect the quality of financial reporting. Yendrawati (2013) states that the internal control system influences the quality of financial reports in a significantly negative way. Sumaryati et al. (2020) find that HR competency influences the quality of financial reports. This is in line with Indrayani and Widiastuti (2020) state that HR competency influences the quality of financial reports. In contrast, Animah et al. (2020) find that HR competency does not significantly influence the quality of financial reports. Leadership style is one of the efforts that can be made to minimize information asymmetry by monitoring costs. So, having the leadership style variable can minimize the information asymmetry that occurs (Bird & Germain, 1986). The attitudes and behavior of members of an organization are shaped by the leadership style of its members, which in turn influences how well these members carry out their duties. Veliani (2021) shows that leadership style positively influences the quality of local government financial reports. Thus, the quality of a company's financial reporting is directly proportional to the competence of its leadership. However, Pradipa et al. (2016)

confirm that leadership style is not a moderating variable between internal control systems and the quality of local government financial reports and does not influence the quality of financial reports directly.

## **2. Literature review**

### *Goal setting theory*

Refers to the model by Locke and Latham (2019), goal setting theory has four mechanisms for motivating individuals to achieve performance. First, goal setting can direct an individual's attention to focus more on achieving that goal. Second, goals can help regulate the effort exerted by individuals to achieve goals. Third, having a goal can increase individual persistence in achieving that goal. Fourth, goals help individuals to set strategies and carry out actions as planned. Thus, setting goals can improve individual performance which will ultimately improve company performance. Commitment must be present in goal setting. Commitment to goals appears to directly and indirectly influence performance. If the person's goal is high, then high commitment will lead to higher performance compared to low commitment. However, if goals are low, high commitment limits performance. Goal commitment has an impact on the goal setting process which will decrease if there is a goal conflict. Goal commitment is positively related to goal directed behavior, and goal directed behavior is positively related to performance (Jeong et al., 2023). The reason researchers use goal setting theory in this research is that the existence of goal setting theory in motivating individuals to achieve individual performance can improve the quality of local government financial reports. Individual behavior is controlled by their internal ideas and intentions, according to goal setting theory. A person's ability to learn grows in direct proportion to his or her familiarity with the

organization's goals. According to this idea, employee performance, especially in producing high-quality financial reports, is directly correlated with the level of commitment they have to the company (Aziyah & Yanto, 2022).

#### *Contingency theory*

To determine whether someone is more task-oriented or relationship-oriented, the Least Liked Coworker (LPC) test asks them to rate their basic leadership style. Robbins and Judge (2013) define the factors of leader-member relationships, structure duties and position power as the main situational factors that determine leadership effectiveness. Contingency theory assumes that a leader's effectiveness depends on whether his leadership style is suitable or not for a particular situation. According to this theory, an individual can be an effective leader in one situation and an ineffective leader in another situation. In creating quality financial reports, leader effectiveness is required, namely leaders have functions covering various aspects including planning, organizing, directing and controlling. A leader must be able to formulate strategies, manage resources, provide clear direction, and measure performance results.

#### *Quality of financial reports*

An indication of good regional financial management, including adherence to administrative principles and systematics, namely the high quality of regional government financial reports. Financial reports prepared by local governments are considered to be of high quality if they meet criteria such as being relevant, reliable, comparable and easy to understand (Permadi et al., 2024). So, reliable financial reports show that regional heads carry out managerial duties according to their authority. According to Admaja and Wahyundaru (2020),

indicators and dimensions of financial report quality consist of:

1. Relevant
  - a. Prepared according to SAP;
  - b. Able to evaluate past work;
  - c. Information generated for the future;
  - d. On time; and
  - e. Can be used in decision making.
2. Reliable
  - a. Presented honestly;
  - b. Free from misleading information;
  - c. Tested to be true; and
  - d. Not for personal gain.
3. Comparable
  - a. Can be compared with previous periods; and
  - b. Can be used to make financial predictions in the future.
4. Easy to understand
  - a. The financial information presented clearly; and
  - b. The financial information presented can be understood by users.

#### *Accounting information system*

The term "accounting information system" refers to a network of interconnected computers, servers, and other hardware and software components that work together to organize and process various types of data, including financial records. After that, the decision maker reviews the financial data. Either computers or manual systems are used to carry out procedures through accounting information systems (Paniran, 2020). Widyanita and Ilham (2023) confirm that information system factors positively influence operational performance which means that if the accounting information system factors are better, operational performance will increase. According to Petter et al. (2008) and Sari et al. (2023) indicators and dimensions of accounting information systems consist of:

1. Adaptability: (a) able to make changes in relation to meeting user needs; and

- (b) easy to adapt within the company organization and easy to adapt by users.
- 2. Availability: available to operate and use by stating the service level statement or agreement.
- 3. System reliability: (a) reliable; (b) resilience of the information system from damage and errors.
- 4. Response time: fast or timely system response to requests for information
- 5. Usability: can be studied, operated, prepared input, and interpreted output from the software.

#### *Internal control system*

In context of internal control system, according to Romney et al. (2021) is "the implementation of an accounting system aims to minimize fraud in carrying out the operations of an organization". The Committee of Sponsoring Organizations of the Treadway Commissioner states that internal control provides reasonable assurance that reporting, operational and compliance objectives will be met through the implementation of a process by an entity's board of directors, management and other people. Supported by Saptapradipta (2013), dimensions and indicators of the internal control system based on Government Regulations (or PP) No. 60 of 2008 are as follow.

1. Control environment
  - a. Implementation of standard procedures or SOP;
  - b. Leaders demonstrate following standard operating procedures; and
  - c. Authority is determined by the organizational structure.
2. Risk Assessment
  - a. Risk analysis has been carried out; and
  - b. Accountants and leaders can find solutions to client risks.
3. Control activities
  - a. Authorized transactions have been entered;

- b. Different task functions are separated; and
  - c. Serial numbers are used to record monetary expenditures.
4. Information and communication
  - a. Delivery of accountability in a timely manner; and
  - b. There is an audit inspection.
5. Monitoring
  - a. There are inspections; and
  - b. Evaluation of the inspectorate's findings.

According to the Financial Audit Implementation Guidelines (Financial Audit Board Decision No. 04/K/I-XII.2/5/2008), the auditor evaluates whether the SPI has been designed adequately and can relatively minimize misstatements and fraud.

#### *HR competency*

The ability of a local government accountant to carry out his duties well is reflected in terms of knowledge, skills, and attitudes as suggested by Mathis et al. (2016). Accountant competency standards for newly appointed accounting graduates which means that high-quality human resources, including education, training, and experience, are essential for government agency systems to function. According to Sedarmayanti (2016) the indicators and dimensions of human resource competence are:

1. Intellectual competency
  - a. Mastery of information; and
  - b. Practical skills.
2. Emotional competence
  - a. Self-control; and
  - b. Be confident
3. Social competence
  - a. Organizational awareness; and
  - b. Building working relationships.

#### *Leadership style*

Leadership style according to Robbins and Judge (2013), the right leadership style is able to reflect the magnitude of the boss's responsibility to his employees.

When employees receive an example of appropriate leadership from superiors, this can encourage employees to be disciplined in implementing occupational safety and health. Therefore, it is hoped that leaders will be able to set the right example for their employees or employees. According to Robbins and Judge (2013), there are three indicators of leadership, which are:

1. Influence
  - a. Good relationships between superiors and subordinates; and
  - b. Leaders set a good example in complying with company regulations.
2. Legitimacy
  - a. Leaders can delegate authority well; and
  - b. Leaders have legitimacy and have strong influence in the company.
3. Objectives
  - a. Responsibility for tasks;
  - b. Providing guidance, direction and encouragement to employees; and
  - c. Providing freedom for employees to give opinions.

#### *Hypotesis development*

- ***Accounting information systems and quality of financial reports.*** In the context of goal setting theory, a good accounting information system helps in setting clear goals related to the preparation and presentation of accurate and relevant financial reports. The objectives set in this context include the accuracy, sustainability, relevance and readability of information in financial reports. Accounting information systems can play a role in increasing the motivation and responsibility of individuals or teams responsible for preparing financial reports. According to goal setting theory, individuals have several goals, choose goals, and they are motivated to achieve these goals (Locke & Latham, 2019). The findings of Chairina and Wehartaty (2019)

show that the use of accounting information systems influences the quality of financial reports. However, Aisah et al. (2022) find that the accounting information system does not affect the quality of financial reporting. Based on the explanation above, the hypothesis in this research is:

*H1: accounting information systems influence the quality of financial reports*

- ***The internal control system and quality of financial reports.*** The basic principles of goal setting theory are goals and intentions, both of which are responsible for human behavior (Locke & Latham, 2019). Goal setting theory emphasizes the importance of setting specific and measurable goals. In this case, the internal control system helps organizations set goals related to the quality of financial reports they want to achieve, such as accuracy, sustainability and readability of information. The internal control system helps identify and manage risks that can affect the quality of financial reports. Shanti et al. (2024), Imran (2023), and Admaja and Wahyundaru (2020) state that the internal control system influences the quality of financial reporting. Based on the description above, this research hypothesis is formulated, namely:

*H2: the internal control system influences the quality of financial reports*

- ***HR competency and quality of financial reports.*** HR competency includes the knowledge, skills and experience needed to carry out the processes required to prepare financial reports. Competent human resources can ensure that the process of data collection, information processing and report preparation is carried out with high quality in accordance with applicable accounting standards. Good

HR competency and the application of goal setting theory help improve the quality of financial reports by providing a skilled team, high motivation, and the ability to respond effectively to changes and challenges. Sumaryati et al. (2020), Indrayani and Widiastuti (2020), and Admaja and Wahyundaru (2020) find that HR Competency positively influences the quality of financial reports. However, Kalumata et al. (2016) find that HR competency does not have a significant effect on the quality of financial reports. Based on the explanation above, the hypothesis of this research is:

*H3: HR competency influences the quality of financial reports*

- ***Leadership style and quality of financial reports.*** Kartono (2009) explains that leadership style is a form of behavior of a leader when interacting with his colleagues. Alfitriady et al. (2020), and Veliani (2021) prove that improving the quality of leadership style can improve the quality of financial reports. Consistently, Budiman and Daito (2022) find that a good leadership style can improve the quality of financial statements from Regional Apparatus Organizations in Serang City. The same finding was also found by Fatah and Wibowo (2022) in the Regional Government of the Ex-Residential of Surakarta. Based on the description above, this research hypothesis is formulated, namely:

*H4: leadership style influences the quality of financial reports*

- ***Accounting information systems and quality of financial reports with leadership style as moderator.*** Systems thinking is a primary method in the field of contingency theory. The success of accounting information systems can be proven by the use of contingency theory. The impact on

technology, the environment, and organizational structure are all interconnected with the adoption of accounting information systems. According to Fernández-Robin et al. (2019), the resources offered by leaders to their employees, as well as organizational structure, environment, and information technology, are three interrelated aspects that contribute to organizational performance and effectiveness. Leadership style apparently depends on company procedures and the skills of its personnel. Based on the explanation above, the hypothesis in this research is:

*H5: leadership style moderates the influence of accounting information systems on the quality of financial reports*

- ***The internal control system and quality of financial reports with leadership style as moderator.*** Contingency theory states that the design and use of an internal control system depends on the company setting in which this control is operated. Leaders want an internal control system in the accounting and financial reporting process in accordance with PP No. 71 of 2010, so that their agency will obtain an adequate fairness opinion. This is in line with the transactional leadership style, namely leaders who can motivate their followers to achieve set company goals by clarifying employee duties and responsibilities. Based on the explanation above, the hypothesis in this research is:

*H6: leadership style moderates the influence of the internal control system on the quality of financial reports*

- ***HR competency and quality of financial reports with leadership style as moderator.*** In this example, proper financial reporting is an organizational goal, and this coaching leadership style



will support and encourage employees to achieve it. Leadership is about empowering followers to take control of their own development by providing the tools, knowledge, and encouragement they need to reach their full potential (Clegg et al., 2021). According to contingency theory, human resource competencies are a set of interrelated traits that a person possesses, such as knowledge, skills, and behavior, that collectively improve performance. As workers' skill levels increase, they will be better able to perform their tasks without sacrificing quality or efficiency. Based on the explanation above, the hypothesis in this research is:

*H7: leadership style moderates the influence of human resource competence on the quality of financial reports*

### 3. Research method

This research uses a quantitative approach in the form of an associative with a causal type. According to Paramita et al. (2021), the associative approach includes approaches that examine the influence between two or more research variables, where through the relationships formed, researchers can build a theory that functions to explain, predict and control a single phenomenon. By using a case study of the Regency/City Regional Government of North Sulawesi Province, this research aims to test the hypothesis that the accounting information system, internal control system, and human resource competency all influence the quality of financial reports with the leadership style as a moderating variable.

The population of this research is financial industry personnel involved in preparing financial reports for the Regional Government in North Sulawesi Province (which consists of sixteen districts and cities) and Regency/City Regional Governments. Sugiyono (2021)

explains that the sample is part of the number and characteristics of the population. The total population includes the entire sample with a population of 170 employees, considering the relatively small population, the sample selection method used in this research uses the census method by using all members of the population as samples. The data source used in this research is primary data.

For this research, researchers used a questionnaire to collect data; specifically, they gave participants a list of prepared statements and asked them to rate these statements based on their personal views. An ordinal Likert scale, ranging from 1 to 5, was used by all instruments. Based on research, there are five possible ratings for each statement: 1) Strongly Disagree, 2) Disagree, 3) Agree, and 4) Strongly Agree. To answer the main research problem, the researcher's approach uses quantitative methods. The quantitative approach is defined by Sugiyono (2021) as a process of finding knowledge that uses data in the form of numbers as a tool to analyze information about what you want to know. Another understanding from Moleong (2017) is that research with a quantitative approach is research by obtaining data in the form of numbers or qualitative data in numbers. Meanwhile, causal studies include the core of the scientific approach to research which tests whether one variable causes another variable to change or not (Sekaran & Bougie, 2016). The data source in this research uses a survey approach via a questionnaire which according to Sekaran and Bougie (2016) is a list of questions arranged in writing which will be answered by the respondent and with alternatives that have been defined quite clearly. This research analysis uses Smart-PLS where it does not rely on many assumptions, making it an effective analysis tool. As the multivariate model combines indicators with theoretical, ordinal, interval, and ratio scales, the data does not need to be

normally distributed, and a large sample size is not required. Prediction is the ultimate goal of implementing PLS. Apart from helping researchers in obtaining latent variable values with the aim of creating predictions, these predictions also function to predict the nature of the relationships between various constructs. The relationship between latent variables can be explained using PLS, which is useful for testing hypotheses and confirming them. Model misspecification has little impact on parameter estimates due to its data-centric focus and limited estimation process.

#### 4. Result and discussion

##### Result

According to Hair et al. (2019), the effect is said to be good if the  $R^2$  more than 0.67, otherwise if the  $R^2$  is 0.33 to 0.67 then it is included in the medium category and if the result is 0.19 to 0.33 then it is included in the weak category. Table 2 shows that the  $R^2$  is 77.4% of the financial report quality (Y) can be influenced by the accounting information system (X1), internal control system (X2) and HR competency (X3). Table 2 shows that the interaction of accounting information system (X1) with leadership style (X4) is insignificant. Other finding shows that the interaction of leadership style (X4) with HR competency (X3) also insignificant.

**Tabel 2. Hypothesis testing**

	O	M	STDEV	O/STDEV	Sig.
X1 => Y	0.169	0.167	0.067	2.508	0.012
X2 => Y	0.190	0.190	0.059	3.206	0.001
X3 => Y	0.283	0.293	0.100	2.818	0.005
X4 => Y	0.304	0.295	0.094	3.232	0.001
X4*X1 => Y	-0.119	-0.113	0.081	1.480	0.140
X4*X2 => Y	0.167	0.163	0.073	2.279	0.023
X4*X3 => Y	-0.105	-0.116	0.088	1.203	0.230
$R^2$	0.774				
$R^2$ adjusted	0.764				

Y is financial report quality; X1 is accounting information system; X2 is internal control system; X3 is HR competency; X4 is leadership style; O is original sample; M is sample mean; STDEV is standard deviation; and |O/STDEV| is t statistic.

##### Discussion

- **Accounting information systems and quality of financial reports.** The result shows that the accounting information system influences the quality of financial reports in a significantly positive way. This shows that the accounting information system ensures that the data used in preparing financial reports is accurate, complete and reliable, and the process of collecting, processing and reporting

financial reports can be done more quickly and allows management to make better decisions. Goal setting theory by Locke and Latham (2019) emphasizes the importance of the relationship between goals and the resulting performance. In this research, goal setting theory implies that an individual is committed to a goal. Accounting information systems have an important role in evaluating goal achievement. With the availability of

complete and accurate data, local governments can evaluate the extent to which goals have been achieved and the strategic changes needed to achieve the set goals. This theory explains efforts to achieve goals in order to prevent tendencies towards accounting fraud so that the financial reports presented truly reflect actual financial conditions. The result is consistent with Chairina and Wehartaty (2019), Ikriyati and Aprila (2019), and Gusherinsya and Samukri (2020) where the use of accounting information systems affects the quality of financial reports. This shows that the implementation of a good and correct accounting information system can improve the quality of financial reports.

- ***The internal control system and quality of financial reports.*** The result shows that the internal control system influences the quality of financial reports in a significantly positive way. This indicates that the internal control system is achieved through a control and supervision process that ensures that financial transactions are recorded accurately and thoroughly and that financial reporting reflects actual conditions. This is closely related to the basic principles of goal setting theory, namely goals and intentions, both of which are responsible for human behavior (Locke & Latham, 2019). Goal setting theory emphasizes the importance of setting specific and measurable goals. In this case, the internal control system helps organizations set goals related to the quality of financial reports they want to achieve, such as accuracy, sustainability and readability of information. The internal control system helps identify and manage risks that can affect the quality of financial reports. Through a systematic and measurable approach, organizations

can establish appropriate controls to reduce the risk of errors or fraud that could harm the quality of financial reports. The result is consistent with Wulandari and Octaviani (2020), Shanti et al. (2024), Imran (2023), and Admaja and Wahyundaru (2020) where the internal control system influences the quality of financial reporting. In order to achieve efficacy, efficiency and prevention of abnormalities, it is very important to pay attention to the internal control system for financial reports.

- ***HR competency and quality of financial reports.*** The result shows that HR competency influences the quality of financial reports in a significantly positive way. This shows that human resources who are competent in accounting and finance will be able to compile and present financial report information reliably and accurately which is useful for decision making. HR competencies are critical to producing high-quality financial reports, as these skills directly correlate with effective performance. In this research, human resource competency is one of the internal aspects of local government. The application of goal setting theory in this research is correlated with employee competency, because if the competency is high then it becomes added value for the organization in producing more output. Goal setting theory has four mechanisms for motivating individuals to achieve performance.
- ***The leadership style and the quality of financial reports.*** The result shows that leadership style influences the quality of financial reports in a significantly positive way. Following Kartono (2009), the finding indicates that employees tasked with preparing financial reports are in comfortable working conditions. The finding also

indicates that a good leadership style is able to create employee motivation to work. As an impact, conditions are able to improve the quality of financial reports. Empirically, this finding is consistent with the findings of Alfitriady et al. (2020), Veliani (2021), Budiman and Daito (2022), and Fatah and Wibowo (2022).

- ***Accounting information systems and quality of financial reports with leadership style as moderator.*** The result shows that leadership style does not moderate the influence of accounting information systems on the quality of financial reports. It indicates that financial sector employees in the Regency/City Regional Government and North Sulawesi Province believe that the leadership lacks a participative leadership style for adapting to change and improving the accounting information system which continues to develop. In improving the quality of regional government financial reports, the central government has established an integrated accounting information system, so that regional governments are required to be able to adapt to this system. In this case, the leadership of the Regency/City Regional Government and North Sulawesi Province cannot have a strong influence on the system. However, employee expertise in adjusting the accounting information system situation has a greater impact in improving the quality of financial reports. Contingency theory supports the realization of the effectiveness of accounting information systems. Accounting information systems refer to an approach that states that the design or structure of a system must be adapted to the unique characteristics of the organization, such as size, complexity, external environment, and business strategy. The implementation of accounting information systems is

closely related to technology effects, environmental effects, and organizational structure effects (Gasperz, 2019).

- ***The internal control system and quality of financial reports with leadership style as moderator.*** The result shows that leadership style moderates the influence of the internal control system on the quality of financial reports. This shows that the influence of the control environment, risk assessment, control activities, information and communication and monitoring implemented by leaders in the Regency/City Regional Government and North Sulawesi Province has a big impact on the quality of financial reports. A supportive and proactive leadership style can strengthen the implementation of an internal control system by ensuring that all parts of the organization understand the importance and obligations related to internal control. To ensure effective and efficient operations, reliable financial reporting, and compliance with legislative requirements, an internal control system is implemented. Contingency theory states that the design and use of an internal control system depends on the company setting in which this control is operated. Leaders want an internal control system in the accounting and financial reporting process in accordance with Government Regulation Number 71 of 2010, so that their agency will obtain an adequate fairness opinion.
- ***HR competence and quality of financial reports with leadership style as moderator.*** The result shows that leadership style does not moderate the influence between human resource competence and the quality of financial reports. This is because the leadership's encouragement to increase the

competency of financial agency employees within the Regency/City Regional Government and North Sulawesi Province is still subjective, as is the case in determining educational training participation which is not yet fully intended for employees according to the area of expertise to be improved so that employees assume that guidance, leadership's direction and encouragement to employees does not have a strong influence in improving the quality of financial reports. Apart from that, human resource competency is also closely related to employee expertise in using a system. This is in accordance with the results of previous research which stated that the leadership style of local governments cannot influence the accounting information system used by local governments because the use of the system depends on the expertise of the employees themselves. Based on this explanation, it can be understood that the leadership style which is still subjective is not suited to the situation of human resource competence within financial agency employees in the Regency/City Regional Government and North Sulawesi Province, especially in terms of improving the quality of financial reports.

## 5. Conclusion

This research has been carried out on employees who prepare financial reports in Regency/City Regional Governments City in North Sulawesi Province. Based on discussion, the conclusions can be drawn as follows: (1) accounting information systems have a significant influence on the quality of financial reports; (2) the internal control system has a significant influence on the quality of financial reports; (3) HR competency has a significant influence on the quality of financial reports; (4) leadership style does not moderate the influence of accounting information

systems on the quality of financial reports; (5) leadership style moderates the influence of the internal control system on the quality of financial reports; and (6) leadership style does not moderate the influence between human resource competence and the quality of financial reports.

This research has several limitations as follows: (1) data collection only uses a questionnaire, not accompanied by interviews and documentation, so this questionnaire method has several weaknesses regarding the quality of the information provided; and (2) this research was only carried out limited to the Regency/City and Provincial Governments in North Sulawesi. There are several suggestions that can be developed as follows: (1) the leadership style hypothesis does not moderate the influence of accounting information systems and HR competence on the quality of financial reports. Further research is recommended to find other factors that have a direct influence on the quality of financial reports; (2) use qualitative research to find out other indicators of leadership style that have an impact on the quality of financial reports; and (3) expand the locus to get more comprehensive results.

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