



Determinants of Government Financial Statement Quality Likelihood in Indonesian

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ABSTRACT

This research aims to analyze the factors determining the quality of local government financial report information during the pandemic, with its interaction with external pressure, environmental uncertainty, internal control and technology implementation on financial statement quality. The data was obtained within the Central Java Provincial Government from 20 October 2021 to 15 February 2022 using a survey method. The questionnaire responses were 257 from 35 Regional Government Organizations—data analysis technique using Structural Equation Modeling-Partial Least Square (SEM-PLS). The research results show that HR competency, compliance with accounting standards, information technology, internal pressure, environmental uncertainty and internal control directly affect the quality of financial report information during the pandemic. It was also found that external pressure and internal control were mediating variables that increased the relationship between variables. The greater the external pressure and the better the implementation of internal control, the better the quality of financial report information will be, as evidenced by an increase in R-square of 20 per cent. Theoretical implications confirm stewardship theory and can be used practically as material for government consideration to improve the quality of financial report information. The novelty of our research also lies in the use of environmental and economic uncertainty variables that occurred in Indonesia during the COVID-19 period. Hence, this research discusses the quality of financial reports comprehensively by combining various elements related to government regulations, company factors and psychological factors of accountants who are research respondents.

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1. INTRODUCTION

The quality of financial information is an important issue, especially during the COVID-19 pandemic, where the government is refocusing the budget for economic recovery due to COVID-19 based on Presidential Decrees 54 and 72 of 2020. The government is increasing state spending by 2.7 trillion, which is allocated to Direct Cash Assistance (BLT), so there is potential for increased fraud because local governments are given direct authority (<https://www.ekon.go.id>). Various budget use authorities have triggered increased fraud at the central and regional levels, as evidenced by corruption in social assistance funds by the Minister of Social Affairs (Pareira, 2021). Therefore, the COVID-19 pandemic has resulted in a decline in the quality of financial information, especially in the public sector. Therefore, through its various instruments, the government needs to maintain the quality of the financial information reported (Sama et al., 2022). The quality of financial reports is essential for stakeholders because it will influence economic growth and public trust (Pratolo et al., 2022). The quality of financial reports describes government performance that is accountable, transparent and accountable to minimize acts of fraud and misappropriation of the state budget (Overman et al., 2021).

The increasing potential for frustration due to budget refocusing causes a decrease in public confidence in state financial management. The decline in the quality of financial reports during the COVID-19 pandemic was proven by the discovery of misuse of social assistance funds by the BPK. In addition, several studies revealed that during COVID-19, the instruments for assessing company performance and accountability were not only financial reports because they had the potential to be manipulated so that stakeholders need to pay attention to various other aspects (Albulescu, 2021; Bostan et al., 2022; Goodell, 2020; Joshi and Dotzlaw, 2020; Nurcahyono et al., 2021). In the context of government organizations, accountability in managing the state budget for handling the pandemic has become a matter of great concern to the public due to corruption in social assistance funds carried out by the minister of social affairs (Bostan et al., 2022). Corruption and various frauds cause people to increasingly distrust the government because it is irresponsible in managing state finances. Therefore, to increase public trust, it is necessary to implement corporate governance (Jašková and Havierníková, 2020).

Accountable financial reports can be achieved if they have good competency (Asmawanti et al., 2020; Saputra et al., 2021). Government accounting standards (Nurcahyono et al., 2021; Yaya and Pawestri, 2021). Information technology (Hanifah et al., 2020; Sarwono and Handayani, 2021). Internal control systems (Anggriawan and Yudianto, 2018). Environmental uncertainty (Nurcahyono et al., 2021; Shava, 2021). Internal control (Jatmiko and Setiawan, 2020; Ratiko and Setiyawati, 2022). External pressure (Pasko et al., 2021; Schubert and Boenigk, 2021). Previous research research has been conducted on the quality of financial reports, but most research is directed at large companies and uses secondary data. This research focuses on the quality of public sector financial reports, which have yet to be widely researched. Some studies focus on companies that have gone public. Several factors that influence the quality of financial reports are the characteristics of top management (Habib and Hossain (2013), Huang and Lai (2012), Huang et al., 2019) and the effectiveness of the audit committee and board of directors (Badolato et al., 2014; Bansal and Sharma, 2016; Velte, 2017; Zhou et al., 2018; Zraiq and Fadzil, 2018).

Other studies found that company-specific factors such as Onoja et al. (2021) audit quality, capital structure, and business setup (Ngatno et al., (2021), employee quality (Martins (2021), Nguyen et al., (2021) company reputation, and incentive reporting (Onoja et al. (2021) have a significant influence on the quality of financial reporting. Institutional factors such as investor

protection, culture, and financial reporting standards/regulations also influence FRQ (Barth et al., 2013; Houqe et al., 2012; Nabar and Boonlert U Thai, 2007; Wijayana and Gray, 2019). There is still little research related to the quality of financial reports of public organizations so that this research can fill the gap related to the quality of financial reports of public sector organizations. This research emphasizes the psychological aspects of accountants who prepare financial reports using external pressure variables. The novelty of our research also lies in the use of environmental and economic uncertainty variables that occurred in Indonesia during the Covid-19 period. Hence, this research discusses the quality of financial reports comprehensively by combining various elements related to government regulations, company factors and psychological factors of accountants who are research respondents. Therefore, the theory used is stewardship theory (Jatmiko and Setiawan, 2020; Syahputra and Saraswati, 2020)

This research aims to empirically prove the factors that can improve the quality of financial reports in public sector organizations. Thus, the implications of this research can theoretically confirm stewardship theory in Indonesia and practically can be used by regulators to develop adequate regulations to increase public trust in government management. Regulators can also pay attention to the psychological aspects of accountants directly involved in preparing financial reports.

2. METHODS

A positivist research paradigm with quantitative methodology is used to test research hypotheses. The type of research data is primary data obtained by a survey with an instrument in the form of a questionnaire sent to respondents. Questionnaires are distributed directly through each office's general or research sector and will then be sent to research respondents using Google media. The research population was Regional Apparatus Organizations (OPD) employees within the Central Java provincial government. The side method is chosen using particular prerequisites or criteria, the main requirements are (1) being an employee in the finance department, (2) having experience in using IT, and (3) having worked in the same department for at least two years. Based on these criteria, the sample consisted of 350 respondents spread across 35 districts or cities in Central Java. Variables were measured using instruments on a Likert scale of 1 to 5. Data analysis used Structural Equation Modeling (SEM) with the help of WarpPLS 8.0. We use the SEM model because the type of research variable is unobservable, so it is more potent if tested using SEM (Hair et al., 2019). In addition, SEM is a powerful analytical technique because it considers interaction modelling, nonlinearity, exogenous construct correlation, measurement error, and the form of latent variables (Ratmono and Sholihin, 2013).

The research latent variables use endogenous and exogenous construct models. Endogenous constructs from unobserved variables are HR competency, GAS compliance, information technology, external pressure, internal control and environmental uncertainty due to COVID-19. Data analysis using the SEM approach requires researchers to carry out several stages, firstly testing the outer model to ensure that the research data is good and meets statistical tests using validity testing (discriminant and convergent) and reliability testing using Cronbach alpha and composite reliability values. Then, the inner model is tested to see whether the research model is good or robust, and finally, this test is used to prove the research hypothesis empirically.

Equations for testing this research hypothesis:

$$QFSI_a : \alpha + \beta_1HRC + \beta_2AS + \beta_3IT + \beta_4EPU + \beta_5IC + \beta_5EP + \varepsilon \dots\dots\dots (1)$$

Multiple Regression Analysis equation;

$$QFSI_b : \alpha + \beta_1HRC + \beta_2AS + \beta_2IT + \beta_3EPU + \beta_4EP*HRC*AS*IT*EPU+ \epsilon \dots\dots\dots (2)$$

$$QFSI_c : \alpha + \beta_1HRC + \beta_2AS + \beta_2IT + \beta_3EPU + \beta_4IC*HRC*AS*IT*EPU + \epsilon \dots\dots\dots (3)$$

Description: QFSI; is the quality of financial statement information. HRC: is the quality of human resources, IT: is information technology, US: is compliance with government accounting standards, IC: is internal control systems, EP: is external pressure, EPU: is environmental uncertainty, α : is value constants in the research model, is the regression coefficient and: is the error value in the research model.

The research respondents were Central Java OPD employees in the finance department. The comparison of male and female respondents is quite balanced, with three per cent more male respondents. Based on education level, 65% of respondents had undergraduate education, and 35% had postgraduate education. Furthermore, the average work experience is less than five years in their line of work (see in **Table 1**).

Table 1. Characteristics of respondents

Characteristics	Total Respondents	Percentage
Gender		
Male	121	47%
Female	136	53%
Education		
High School/BSc	167	65%
Master	85	33%
Doctoral	5	2%
Experiance		
Below 5 years	185	72%
6-10- years	18	7%
11-20 years	46	17%
over 20 years	8	3%

Source: Data processed by author

3. RESULTS AND DISCUSSION

3.1. Data and Respondents

Respondents of this study were employees who carried out financial administration at OPD Cities throughout Central Java. Questionnaires were sent to 350 respondents spread over 35 cities in Central Java, 272 questionnaires were returned, but only 257 returned questionnaires that met the criteria for testing the data. Thus, the number of questionnaires that can be used for data testing is 71%, and the other 29% did not return and did not meet the test criteria. The number of unprocessed questionnaires exceeds 20%, so it is feared that the results of this study will be biased, so it is necessary to ensure that the results of this study are free from bias. One way to ensure that the results are unbiased, a non-response bias test must be carried out using an independent t-test, namely by comparing the questionnaire that was first returned to be associated as a representation of the returned questionnaire and the questionnaire received at the end associated with the representation of the questionnaire that did not return. The study's results will not be biased if it has a significant value above 0.05 (p-value > 0.05).

The non-response bias test in **Table 2** shows that all variables have a significant value above 0.05, so it can be concluded that all variables are not significant. Thus, there is no difference in the results of the answers of respondents who returned the questionnaire and respondents who did not return the questionnaire. Based on this test, it can be concluded that this research is free from bias. Therefore it can be continued with the inner model and outer model tests.

Table 2. Bias nonresponse test

Variable	Independent t Test						
	Sig	Mean_fr	Mean_ls	Average Difference	Standard Error Difference	90% Int convince	
						Uper	Lower
Hrc_fr - Hrc_ls	0.061	26.100	27.490	-1.394	0.411	-2.20	-0.58
AS_fr - AS_ls	0.321	34.440	36.780	-2.333	0.492	-3.30	-1.36
IT_fr - IT_ls	0.063	30.740	31.540	-0.800	0.429	-1.64	0.04
EPC_fr - EPC_ls	0.073	25.490	25.640	-0.150	0.437	-2.67	-0.29
IC_fr - IC_ls	0.094	19.490	20.440	-0.950	0.227	-1.39	-0.50
EP_fr - EP_ls	0.052	23.430	28.240	-4.810	0.251	-3.33	-0.43
Qfs_fr - Qfs_ls	0.443	45.410	61.040	-15.630	0.882	-5.77	0.47

Source: SPSS output result

3.2. Descriptive statistics

The measurement of latent variables uses a Likert scale of 1 to 5, referring to social science research Likert ([I. Ghozali and Lantan, 2018](#)). **Table 3** describes the average HR competency answer of 4,288 and the maximum score of 4, so the respondents' perception of competency is vital in improving financial reports' quality. Accounting standards and information technology can improve the quality of financial reports, as indicated by respondents' answers, which are, on average, 4. Internal control and external pressure have a mean of 4 and a mode of 3, indicating that during COVID-19, internal control is less effective due to external pressure, which will reduce the quality of reports finance. Environmental uncertainty will reduce the quality of financial reports during the pandemic if they do not comply with government accounting standards. Finally, respondents' perceptions of the quality of financial reports are pretty good, as evidenced by mode 3.

Tabel 3. Descriptive statistics

Variable	Minimum	Maximum	Mean	Modus	Std. Deviation
HR Competence	1	5	4.288	4	0.8135
Accounting standard compliance	1	5	4.069	4	0.7840
Information Technology	3	5	4.048	4	0.4795
Internal control	3	5	4.016	3	0.4795
External Pressure	2	5	4.135	3	0.5755
Environmental uncertainty	3	5	4.214	4	0.4551
Quality of financial statement	3	5	4.014	3	0.3937

Source: SPSS output result

3.3. Outer Model Test

Before testing the hypothesis with the inner model, testing the validity and reliability with the outer model is necessary to get more robust results. The outer model test is used to assess the accuracy and validity of the instruments used in the study. The validity test used is the convergent and discriminant validity test. **Table 4** shows the results of the convergent and discriminant validity tests assessed from the loading factor value and the AVE value. The loading factor value in **Table 4** has been above 0.5, and the AVE value is above 0.5 and is greater than the correlation between variables, so it has met the prerequisites for convergent and discriminant validity, which means that the instrument used has high accuracy (Hair et al., 2014).

Tabel 4. Validity test

Variable	Indicator	Loading Factor	AVE
HR Competence	Adequate knowledge in the field of work	0.842	0.728
	Able to complete work with the right method	0.840	
	Have the appropriate expertise and skills	0.855	
	Have interpersonal and teamwork skills	0.876	
	Discipline and obey the rules and norms at work	0.847	
Accounting standards	The recording of assets, inventories and expenses refers to accounting standards	0.762	0.582
	Recording of liabilities based on accounting standards	0.818	
	Equity listing based on accounting standards	0.883	
	Presentation of financial statements based on accounting standards	0.814	
	Quality of information as required by accounting standards	0.917	
Information Technology	IT supports work more effectively	0.826	0.689
	IT makes it easier to present financial statements	0.835	
	IT can improve the quality of financial reports	0.841	
	SIMDA facilitates financial administration	0.819	
Internal control	Control environment	0.762	0.598
	Risk assessment	0.780	
	Control activities	0.739	
	Monitoring information and communication	0.749	
External Pressure	Law demands to make LK more qualified	0.841	0.740
	Central government demands for increased transparency	0.873	
	There are demands from the public and other organizations due to the corruption of Covid-19 funds	0.866	
Environment uncertainty	Maintain a stable relationship with the environment where my OPD is located.	0.831	0.592
	Improve the legitimacy of OPD to gain support from the community.	0.830	
	Provide financial information that only has a positive impact on OPD.	0.730	
	Applying the concept of transparency that has been widely applied by other OPDs.	0.771	
Quality of financial reports	Financial information in accordance with accounting standards	0.727	0.697
	financial statements are not misleading and meet the needs of users	0.727	
	Easy-to-understand financial reports	0.903	
	Financial statements can be compared	0.902	
	Financial statements are presented on time	0.893	

Source: Warp-PLS 7.0 output result

In addition, reliability testing is measured by the value of Cronbach's alpha, and composite reliability must be greater than 0.6 and 0.7, respectively (Hair et al., 2014). Based on **Table 5**, the value of Cronbach's alpha and composite reliability has been above the prerequisite rule of thumb, so the instrument is reliable. Therefore, if testing the outer model has met all the prerequisites that have been determined, then hypothesis testing can be carried out.

Table 5. Reliability test

Variable	Composite Reliability	Cronbach Alpha
HR Competence	0.930	0.906
Accounting standard compliance	0.861	0.785
Information Technology	0.799	0.850
Internal control	0.831	0.744
External Pressure	0.895	0.824
Environmental uncertainty	0.811	0.748
Quality of financial statement	0.919	0.888

Source: Warp-PLS 7.0 output result

3.4. Inner model test

The inner model tests research hypotheses by examining the relationship between endogenous and exogenous variables through direct and indirect influences. **Table 6**, model 1 displays the direct influence hypothesis. The data shows that the quality of financial statements is significantly affected by seven exogenous variables with a significance of less than 0.05 (5%) as follows: HR competence ($\beta = 0.77$, $P = <0.01$), SAP Compliance ($\beta = 0.22$, $P = <0.01$), Information Technology ($\beta = 0.01$, $P = <0.05$), EU ($\beta = -0.44$, $P = 0.01$), Internal control system ($\beta = -0.95$, $P = 0.049$), and External Pressure ($\beta = 0.35$, $P = 0.02$) it can be concluded that the hypothesis H1, H2, H3, H4, H5, and H6 are accepted. Thus, through model 1, it can be seen that the variance is 0.70 (70%), meaning that the six variables as a whole affect 70% of endogenous variables, and other variables influence 30%.

Predictions of models 2 and 3 in **Table 6** using external pressure moderating variables and internal control systems. Model 2 explains the role of the external variable pressure as a moderating variable. External pressure can moderate the relationship between variables, as evidenced by an increase in R-square 0.92 (92%) or an increase of 22% compared to model 1. External pressure can encourage local governments to present better financial reports. The higher external pressure faced by financial administration employees will motivate them to improve the quality of financial statement information disseminated to stakeholders. Model 3 conducted a moderation test with the internal control system; the results showed that the internal control system could weaken the relationship between endogenous and exogenous variables. The internal control system variable can moderate the relationship between variables, as evidenced by the r-square value of 83% or an increase of 13% compared to direct

testing. These results indicate that better implementing the internal control system will significantly reduce the quality of financial statements.

Table 6. Hypothesis test results

Variable	Model 1			Model 2			Model 3		
	Path Coef	p-value	R ²	Total effect	p-value	R ²	Total effect	p-value	R ²
HR Competence	0.77	<0.01	0.7	0.77	<0.01	0.92	0.633	<0.01	0.83
Accounting standard compliance (ASC)	0.22	<0.01		0.217	<0.01		0.207	<0.01	
Information Technology (IT)	0.01	0.05		0.004	0.047		0.004	0.037	
Environmental uncertainty	-0.44	0.01		-0,016	0.040		-0.011	0.033	
External Pressure (EP)	0.35	0.02							
Internal Control (IC)	0.95	0.049							
HR Competence*EP				0.002	0.048				
ASC* EP				0.004	0.044				
IT *EP				0.009	0.021				
HR Competence *SPI							0.003	0.047	
ASC* SPI							0.033	0.020	
IT *SPI							0.001	0.049	

Source: Warp-PLS 7.0 output result

3.5. The Effect of HR Competence on Quality of Financial Statement

Based on the hypothesis testing results, HR competence positively influences the quality of government financial reports. This study's results align with research conducted by (Bostan et al., 2022; Huang and Lai, 2012; Jatmiko and Setiawan, 2020; Saputra et al., 2021), report on HR competence is a predictor that can be used to improve the quality of financial statement information. Therefore, human resources are competent and understand accounting standards and financial reporting capabilities, so the quality of the information displayed in financial statements will increase. HR competencies can be seen in education, training, and experience in financial reporting. The higher the level of education a person has, the more knowledge in accounting and finance, so it will be easier to complete the work. One's training and experience also play an essential role in producing quality financial reports. A person's training and experience will increase technical knowledge and accounting logic skills in preparing financial statements. The ability of accounting logic is essential for employees who carry out financial administration to produce quality financial reports through compliance with accounting standards, fairness assessment and determination of estimates, and accuracy in the presentation of financial statements.

Competence also affects one's responsibility in preparing financial statements. Financial statements will be prepared properly if the employees have good knowledge of financial reporting and accuracy to minimize errors (Bostan et al., 2022; Overman et al., 2021; Usman et al., 2021). Quality human resources will support the organisation's success with knowledge,

skills, attitudes and experience. In addition to the direct effect, models 2 and 3 explain the influence between variables with moderating variables. External pressure can strengthen the relationship between HR competency variables and the quality of financial reports. This shows that the greater the demands of stakeholders on financial statements will encourage the apparatus to improve the quality of published financial information supported by qualified human resources (Bagjana and Rachman, 2021; Fuad and Winarsih, 2021). The internal control system variable also strengthens the relationship between HR competencies and the quality of financial reports. The internal control system can encourage someone to behave by following the rules and complying with accounting standards in financial reporting.

3.6. The Effect of Compliance with accounting standards on Quality of Financial Statement

Accounting standards were formed to make it easier to prepare financial reports and for inspectors or auditors to ensure the company presents all information. So, the quality of financial reports can be assessed by the level of compliance with government accounting standards that have been implemented mandatorily. Therefore, the government must continue to increase compliance with government accounting standards to improve the quality of reported information, meet public expectations and provide assurance that the government works in the public interest and not for personal interests. Several studies also explain that compliance with accounting standards will improve the quality of financial reports (Nurcahyono et al., 2021; Yaya and Pawestri, 2021). Government Accounting Standards (GAS) is an indicator in assessing the quality of information presented by organizations (Anggriawan and Yudianto, 2018).

This research confirms several previous studies which explain a significant positive relationship between compliance with GAS and the quality of financial report information (Nasution, 2021; Nurcahyono et al., 2021; Yaya and Pawestri, 2021). Compliance with standards is intended as a guideline for preparing accountability reports using the APBN and APBD to increase accountability and transparency in financial reporting. Therefore, GAS is one of the most critical factors in efforts to improve the quality of financial information that will be published to the public and other information users (Hanifah et al., 2020; Nurcahyono et al., 2021).

In testing the indirect effects based on models 2 and 3, external pressure and internal control moderate the relationship between GAS compliance and the quality of financial reports. In other words, compliance with financial accounting standards will increase along with increasing public pressure to create more accountable financial reports. In addition, the internal control system, as a component of corporate governance, has a role in increasing compliance with standards, controlling opportunistic employee behaviour, and improving services to the public.

3.7. The Effect of Information Technology on Quality of Financial Statement

The technology used by OPD can increase efficiency and effectiveness in reporting and ensure increased transparency and accountability of the financial information presented by the company. As a steward, the government will strive to optimize information technology so that the general public can access all information relating to public sector performance. Internally, technology will increase connectivity between work elements, making coordinating and sharing district information easier. In addition, using technology will limit the opportunistic behaviour of management or employees, thereby closing the potential for fraud or corruption committed by government employees. Therefore, information technology that is implemented effectively will improve the quality of financial information reported to users. Study Kewo and Afiah (2017), Sarwono and Handayani (2021) explains that the accounting information system is

significantly positive for the quality of local government financial reports because it will increase connectivity between units, cover the potential for abuse of authority and be more transparent.

Information technology also helps process accounting data into information that the public can use to assess government performance in managing public funds. Therefore, information technology developed by the government will be able to increase accountability and transparency to the public. This study's results align with research from (Beauvais et al., 2021; Hanifah et al., 2020; Yaya and Pawestri, 2021), external pressures and internal control systems can moderate the relationship between technology applications and financial reporting quality. The more significant local governments encourage information technology in preparing financial reports, the more errors and fraud will be avoided. The internal control system implemented by local governments will improve the quality of financial reports through information technology. The internal control system ensures that the approach used by the organization is following the needs in preparing financial statements and ensures that the quality of financial report information is increasing.

3.8. The Effect of Environmental Uncertainty on Quality of Financial Statement

The test results show that environmental uncertainty has a negative effect on the quality of financial statements. This indicates that the higher economic, social and government policy uncertainty during the crisis will impact the decline in the quality of regional government financial reports. Environmental uncertainty is caused by various factors that come from outside the organization, for example, the Covid-19 pandemic, which causes changes in regulations quickly, thus encouraging local governments to change structures and patterns in response to these changes (Anisah and Falikhatun, 2021). In conditions of high uncertainty, it is difficult for the government to predict the failure or success of implementing very volatile policies, so that it directly impacts the quality of information presented in financial reports (Inayattulloh and Siswanto, 2020).

Environmental uncertainty cannot improve the implementation of financial reporting transparency. This is because organizations usually have predicted and adjusted to the surrounding environmental conditions. The ability to predict future needs under conditions of low environmental uncertainty can also occur in individuals who participate in financial reporting transparency to make it easier to obtain information from their subordinates. A study conducted by Anisah and Falikhatun (2021), Nurcahyono et al. (2021) which states that environmental uncertainty has a negative effect on the implementation of financial reporting transparency.

3.9. The Effect of Internal Control System on Quality of Financial Statement

Internal control is part of corporate governance and is essential in increasing the transparency and accountability of government financial reports. Internal control plays a role in monitoring and measuring performance at both individual and organizational levels. Therefore, effective internal control can prevent corruption and fraud, which are often committed by management due to information asymmetry. Based on the stewardship theory, internal control ensures that management or OPD is working on behalf of the public and will not violate its contracts. Thus, the impact is to increase the quality of financial reports (Albulescu, 2021). Thus, the better the control system applied, the better the quality of the information. The internal control system can control activities within the organization, by implementing internal control, the procedures carried out run according to what is written so that implementation activities can be controlled with a government focus as expected

(Anggriawan and Yudianto, 2018; Jatmiko and Setiawan, 2020). With regulations, financial statements must be disclosed somewhat based on government accounting standards and compliance with existing laws (Javeed and Lefen, 2019). If the internal control system is sound, accounting procedures can be easily directed, monitored, and detected in case of fraud so that the local government's financial statements follow PP. 24 Year 2005.

Avoid activities that can harm many people, especially the community, who should benefit from the government. In a study by Anggriawan and Yudianto (2018), Joshi and Dotzlaw (2020), Kewo and Afiah (2017), Lind et al. (2020), Sarwono and Handayani (2021), Yaya and Pawestri (2021) reported that the internal control system had a positive effect on the quality of financial reports. The government that runs a good internal control system is evidence of a high commitment to complying with the regulations set for the success of the government in creating good governance through a series of healthy and clean government activities so that it can advance the economy in a prosperous region based on the policies that the government implements.

3.10. The Effect of External Pressure on Quality of Financial Statement

The results statistically show a positive significance between external pressure and the quality of financial reports. Stakeholders who pressure the government to produce high-quality financial information will improve the quality of financial reports. In addition, as a steward, the government will act and work in the interests of stakeholders and the public in general. External pressure is always related to everything related to the environment around the organization (Anisah and Falikhatus, 2021). External pressure results from other organisations' formal and informal pressure exerted on the organization. The organization depends on the cultural expectations of the society in which the organization performs its functions (Vluggen et al., 2019). Study DiMaggio and Powell (2010) explains that external pressures encourage legitimacy or delegitimization from stakeholders regarding financial information presented to the public. In addition, regulators, laws, regulations, or other institutions exert significant pressure, especially in implementing corporate governance (Vluggen et al., 2019).

Increasing pressure from external parties encourages OPD to increase accountability and transparency in financial reporting. Pressure encourages management to be more open and provide assurance on all published information by conducting audits with independent auditors. On the other hand, external pressure can increase transparency and accountability to improve the quality of financial reports (Farouq Ishak, 2021; Syaifudin et al., 2020). Pressure from regulators, such as implementing mandatory accounting standards, will require OPD to enhance the quality of information published in financial reports. Several studies explain that the higher pressure exerted by the public will have an impact on improving the quality of accounting and financial information (Vluggen et al., 2019; Yasmin and Ghafra, 2019). In addition, pressure will increase accounting conservatism, creating efficient information (Bakre et al., 2022; Deddy and Dian, 2021; Wulaningrum et al., 2020).

4. CONCLUSION

This study finds empirical evidence that competence, internal compliance, external pressure, environmental uncertainty, internal control and the effectiveness of using technology positively affect the quality of financial statement information during the pandemic. The better the employee's competence, the better the accounting logic, making it easier to complete the work. Compliance with accounting standards is a demand from corporate governance, impacting the quality of financial reports. The higher the pressure from the government through laws and community demands, the more it pushes the government to comply and fulfil

them. Environmental uncertainty reduces the quality of financial reports because government officials have a potential for fraud. The internal control system is the primary demand for the government through new public management, so internal control is one of the determinants of the company's success. External and internal control pressures encourage organizations to be more compliant so that external forces will encourage HR to improve their competencies, be more obedient to accounting standards, be more effective in the use of information technology and reduce the risk of fraud in the presence of environmental uncertainty so that it will significantly improve the quality of financial information.

First, this research's limitation is the collection of research data, where 29% of the questionnaires distributed were not returned because it was during the Covid-19 pandemic. So researchers must carry out additional testing, namely non-response bias, to avoid bias in testing. Second, the research model's r-square of 70% is still at a moderate but not vigorous level, even though it becomes stronger after adding the moderating variable, Suggestions for future researchers can be to carry out various data collection strategies (survey: Google form, directly to respondents) so that the return rate is 100%. Then, researchers can add several variables of organizational characteristics, BPKP audits, and budget use.

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