

Effect of Internal Control, Accounting Information System, and Employee Performance on Financial Reporting Quality at Public Works Department of Muara Enim Regency

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ABSTRACT

This study aims to analyze the influence of Internal Control, Accounting Information Systems, and Employee Performance on the Quality of Financial Reports at the Public Works and Spatial Planning Agency of Muara Enim Regency. The approach used is a quantitative method with data collection techniques through questionnaires distributed to employees directly involved in the process of preparing financial reports and internal auditors or inspectorates. Data analysis was conducted using multiple linear regression to test the influence of each variable partially and simultaneously. The results of the study indicate that partially, Internal Control, Accounting Information Systems, and Employee Performance have a positive and significant effect on the Quality of Financial Reports. Simultaneously, these three variables also have a significant effect on the Quality of Financial Reports. These findings indicate that the implementation of effective internal controls, optimal use of accounting information systems, and good employee performance can improve the quality of government agency financial reports. This study provides practical implications for government agencies to continue to strengthen internal control systems, maximize the use of accounting information technology, and increase human resource capacity to realize quality financial reports.

Keywords: Internal Control, Accounting Information System, Employee Performance, Quality of Financial Reports.

I. Introduction

In today's era, government institutions are increasingly required to have effective and efficient financial management, characterized by advances in information technology and the need for accurate data. In this regard, internal control plays a crucial role as a tool to maintain the accuracy and security of financial data reports. This internal control serves to ensure that all financial procedures and activities comply with applicable standards and policies. According to COSO (The Committee of Sponsoring Organizations of the Treadway Commission), internal control is a process designed to provide reasonable assurance in achieving organizational objectives. This framework is divided into five components consisting of: control environment, risk assessment, control activities, information and communication, and monitoring. With an internal control system in place, managers can ensure that the information in financial reports is truly accurate and reliable,

because internal control oversees all financial activities that occur in the company and helps implement controls efficiently (Hendarmin et al., 2024). Internal control within the government environment is regulated through Government Regulation Number 60 of 2008 concerning the Government Internal Control System (SPIP). This regulation explains that internal control is a process carried out continuously by leaders and all employees to ensure that organizational goals can be achieved through effective and efficient activities, reliable financial reports, security of state assets, and compliance with applicable laws and regulations (Bpk.go.id, 2008). Government Regulation No. 60 of 2008 is an implementation of Article 58 paragraph (1) of Law Number 1 of 2004 concerning state treasury, which states that in order to improve performance, transparency, and accountability in managing state finances, the president as head of government has the responsibility to regulate and implement (SPIP) the government internal control system throughout the government environment (Pitaloka et al., 2020).

Furthermore, based on the financial statements in Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP), which is still in effect, it states that structured reports explaining the financial position and transactions carried out by a reporting entity must be presented appropriately in the financial statements to provide an accurate picture of the entity's financial condition. Financial statements are considered qualified if the financial information presented by the entity complies with applicable accounting standards and meets four characteristic qualities: understandable, relevant, reliable, and comparable (Mahfuz & Hanum, 2022). The importance of an internal control system in ensuring the quality of financial reports is that this system helps reduce the possibility of errors and fraud that can affect the accountability and transparency of local government financial reports. The information and audit opinions of the Supreme Audit Agency (BPK) can be better if there is good internal control. An internal control system is defined as a procedure used to ensure the fulfillment of local government objectives, such as compliance with laws and regulations, the efficiency and effectiveness of program and activity implementation, and the reliability of financial reporting (Sakdiah, 2023).

In addition to internal control, the implementation of a reliable accounting information system is needed to prepare structured and accurate financial reports. An accounting information system collects, records, and processes accounting and other data to provide information to decision-makers (Sakdiah, 2023). In addition to understanding accounting to create good financial reports, an accounting information system where financial reporting is created uses sound inputs, procedures, and outputs. An accounting information system not only processes financial data, but also captures non-financial information about situations and circumstances that can be considered when making decisions (Putri et al., 2024). This accounting information system is intended to produce useful financial reports. These reports provide information about an organization's financial condition, including its assets, liabilities, and net worth. This information can be used to assess the organization's financial health and provide an overview of its overall financial condition.

This accounting information system is intended to produce useful financial reports. These reports provide information about an organization's financial condition, including its assets, liabilities, and net worth. This information can be used to assess the organization's financial health and provide an overview of its overall financial condition. Meanwhile, employee performance is one of the important factors that determine the quality and effectiveness of an organization, both in the public and private sectors. Good employee performance will help the organization achieve its goals more efficiently and effectively, thus making a significant contribution to improving the quality of services produced by the organization (Meilisa Amalia et al., 2023). Recently, a phenomenon has emerged that has led to potential corruption in spending at the PUPR Department of Ogan Ilir Regency in the 2023 budget year. FITRA (Indonesian Forum for Budget Transparency) Coordinator for South Sumatra, Nunik Handayani, stated that the Ogan Ilir Regency Government has budgeted Rp. 532,529,307,177.00 for Capital Expenditure with realization as of October 31, 2023, amounting to Rp. 142,609,818,885.00 or 26.78% of the total regional capital expenditure budget, indicating obstacles in the effectiveness of project implementation. This problem involves a mismatch between the quality of work and the agreed contract, which causes regional losses of up to Rp. 12.2 billion due to inappropriate work volumes and inadequate quality results. Among them has been allocated for capital expenditure of the PUPR

Department for infrastructure development in the Ogan Ilir Regency area. Due to this issue, FITRA South Sumatra urges the immediate repayment of the overpayment of Rp. 12,237,885,469.55 to the Regional Treasury. Strict sanctions should be imposed by blacklisting or removing the contractor from future cooperation contracts to prevent further detrimental actions to state finances. The Regional Inspectorate and relevant law enforcement agencies should immediately take legal action against the parties involved (Sumselnews.co.id, 2024).

The Public Works and Spatial Planning Agency of Muara Enim Regency has 10 organizational structures including the head of the agency, secretariat, road and bridge construction division, road and bridge preservation division, building planning and construction services division, drinking water and environmental sanitation division, water resources division, spatial planning division, technical implementation unit (UPT), and functional position groups (Regent Regulation, 2022). With the organizational structure in the Public Works and Spatial Planning Agency of Muara Enim Regency, the financial reporting process must be carried out simultaneously for each division, but the focus remains on the financial section, namely the master report at the Public Works and Spatial Planning Agency of Muara Enim Regency. The relationship between internal control, accounting information systems, and employee performance is crucial because all three are necessary for an institution or agency to carry out its duties. The phenomenon at the Public Works and Spatial Planning Agency in Muara Enim Regency includes delays in infrastructure projects resulting in billions of rupiah in fines, weaknesses in internal control in contract supervision, and potential overpayments discovered by the Supreme Audit Agency (BPK) (BeritaSIP.com, 2024). The Muara Enim District Attorney's Office (Kejari) assessed that there was alleged corruption worth Rp. 379,365,349 in the Muara Enim Public Works and Spatial Planning Agency (PUPR) project, and a budget value of Rp. 1.2 billion in 2020 for alleged corruption in the widening of the Pulau Panggung-Segamit Village road (Sripoku.com, 2022).

All of these incidents demonstrate the importance of improving employee performance, conducting stricter supervision, and building an accurate accounting information system to ensure good financial reporting. This research focuses on how internal controls, accounting information systems, and employee performance impact the quality of financial reports, and proposes solutions to improve accountability within local government. Furthermore, Maulana (2021) found that accounting information systems and employee performance significantly influence and play a significant role in the quality of financial reports at the Public Works and Spatial Planning Office of Cianjur Regency. This is supported by research by Sakdiah (2023), whose results show that, partially or simultaneously, the variables of accounting information systems, internal control systems, and employee performance have been proven to have an influence on the characteristics of financial reports at the Jambi Province Public Works and Public Housing Agency. The better the employee's performance, the easier it is to understand and be responsible for completing the tasks required to produce financial reports that comply with the characteristics of financial reports. However, the results of research by Sakdiah (2023) and Maulana (2021) do not necessarily match or align with the findings in this study, due to differences in the years of implementation, research locations, and different phenomena.

II. Literature Review and Hypothesis Development

2.1. Theory Fraud Hexagon

Many theories can describe the motivation of fraud perpetrators to commit fraud, but the Fraud Triangle theory is also used in the practice of Public Accountants through the Statement of Auditing Standards (SAS). Donald R. Cressey (1953), one of the founders of the ACFE (Association of Certified Fraud Examiners), is the originator of the Fraud Triangle Theory. This theory explains the existence of three factors that cause individuals to commit fraud in financial statements, namely: opportunity, pressure, and rationalization (Setyono et al., 2023). The Fraud Hexagon discussed by Vousinas, (2019), in the Fraud Hexagon theory Vousinas added the factor of collusion, the addition of the collusion factor is based on the high level of violations committed by more than one party who forms a group and works together to commit fraud, so that

the collusion factor is determined as a factor that influences fraud on financial statements. In this study, the fraud hexagon theory has relevant relationships, such as opportunity, pressure, rationalization, capability, collusion, and ego/greed, in explaining potential weaknesses that have the potential to influence the quality of financial reports (Setyono et al., 2023).

2.2. Quality of Financial Reports

Government Regulation (PP) Number 71 of 2010 concerning Government Accounting Standards (SAP) states that government financial reports are designed to meet or realize general financial reporting objectives, but not to meet the specific needs of its users. Compliance with accounting regulations and the existence of a solid accounting system significantly impact the quality of government financial reports. Based on Government Regulation No. 71 of 2010, "The qualitative characteristics of financial reports are normative measures that must be realized in accounting information so that financial reporting objectives can be achieved." Government financial reports must have four standard qualities, namely: relevance, reliability, comparability, and understandability (Putri et al., 2021).

- a. Relevant, if the information presented in the financial report can influence the decisions of users by facilitating the evaluation of events that have occurred in the past or currently, and predicting future events, as well as confirming or correcting the results of previous evaluations.
- b. Reliable, all facts are presented clearly and reliably if the financial statements are free from errors and misrepresentations.
- c. Comparability means that the information in the financial statements would be more useful if compared with the financial statements of prior periods or with the financial statements of other reporting entities taken as a whole. Comparisons between internal and external sources are possible. If a government entity adopts a better preparation policy than the current one, the change will be announced during the relevant financial reporting period.
- d. Understandable, if the information contained in the financial report can be understood or comprehended by users and is presented in a format and with terms that are adapted to the users' limitations in understanding it.

Based on Government Regulation No. 71 of 2010, government financial reports consist of several main components, including:

- a. Budget Realization Report (LRA)
- b. Report of Changes in Budget Surplus Balance (SAL)
- c. Balance Sheet
- d. Operational Report (LO)
- e. Cash Flow Statement (CAS)
- f. Statement of Changes in Equity (LPE)
- g. Notes to Financial Statements (CaLK)

Financial report quality is the condition in which the information presented is relevant to the financial position and all transactions occurring at the reporting entity during a specific time period. (Mahfuz & Hanum, 2022). Financial report quality can be considered good if the information is understandable, meets the decision-making needs of users, and can be compared with previous periods. Meanwhile, IPSAS (International Public Sector Accounting Standards) are accounting standards designed to improve the quality, transparency, and accountability of financial reports in the public sector. IPSAS were developed by the IPSASB (International Public Sector Accounting Standards Board) and implemented by many countries as part of public sector accounting reforms to standardize and improve the quality of government financial reports. IPSAS is expected to improve the quality of public sector financial reports by improving the reliability and relevance of financial data, ultimately increasing public confidence in state financial management. These standards guide how public entities accurately record, manage, and report their finances in accordance with accrual-based

accounting principles. In this accrual-based system, revenues and expenses are recorded when incurred, rather than only when cash is received or disbursed, thus better reflecting the entity's accrual-based financial condition.

2.3. Internal Control System

An internal control system is a process required by a company to carry out the duties of both leaders and employees. This is done to foster trust so that company goals can be achieved (Samita & Hasan, 2023). All activities can be properly monitored with an internal control system. The reason is that an internal control system provides confidence that the company's targets will be achieved through policies regarding accounting system controls that have been created by management. According to Hertati et al. (2021), an internal control system is a process that includes the implementation of work that has been done, evaluation of its implementation, and corrections to ensure that the work is carried out according to the original plan. To improve the competence of good human resources, the effectiveness of employee performance can be measured by assessing the results achieved and the behavior displayed according to their duties. This work effectiveness begins with the level of target achievement, initiative, inspiration, and good cooperation in groups with an awareness of self-development.

According to COSO (Committee of Sponsoring Organizations of The Treadway Commission), internal control is a series of actions consisting of various organizational procedures. According to research by Zamzami et al. (2021:32), COSO was formed to study existing problems and produce a report on an integrated internal control framework (Zamzami et al., 2021:32). Planning, implementation, and monitoring are essential parts of the management process. The internal control system encompasses various methods, rules, and practices that companies use to build an effective and reliable accounting information system. This can assist management in planning and supervising business activities and safeguarding company assets (Tetra et al., 2024). The importance of an internal control system in ensuring the quality of financial reporting. This system detects and reduces the possibility of errors or fraud that could impact the accountability and transparency of local government financial reports. The information and audit opinions of the Supreme Audit Agency (BPK) can be better if there are sound internal controls.

The elements of internal control are basically the parts formed to achieve satisfactory internal control, the elements. An organizational structure that clearly separates functional responsibilities. An organizational structure is a framework that divides functional tasks into organizational units, designed to carry out the company's core activities effectively. A system of authority and record-keeping procedures that provides adequate protection for assets, liabilities, revenues, and expenses. A system of authority and bookkeeping procedures helps management oversee operations and transactions. Each procedure involves documents that serve as evidence of the transaction and as the basis for recording the transaction. Internal control includes organizational structures, techniques, and measures planned to safeguard organizational assets. According to Mulyadi (2016:129) in Gaol's research (2024), the purpose of internal control is to maintain or protect organizational assets, check the accuracy and reliability of accounting data, encourage efficiency, and ensure compliance with management policies.

2.4. Accounting Information System

A system is a collection of components that form a whole. According to Krismiaji (2010:4), in research by Pramesti et al. (2021), an accounting information system is a system that processes data and transactions to produce useful information for planning, monitoring, and managing company operations. An accounting information system consists of various subsystems or components, both physical and non-physical, that work together to process financial transaction data into financial information. Furthermore, accounting information systems are used to make decisions regarding company transactions (Lubis et al., 2022). According to Marshall B. Romney (2019), an Accounting Information System is a system designed to collect, record, store, and

process accounting data to produce useful information for decision makers. The accounting information system consists of the revenue, expenditure, production, human resources, finance, and general ledger and reporting cycles (Sakdiah, 2023).

The revenue cycle involves the activity of selling goods or services and receiving cash from sales, the production cycle involves calculating the costs required to produce goods or services, the human resources cycle involves payroll, and the financial cycle involves the activity of selling goods or services and receiving cash from those sales, the reporting system and general ledger process data from each accounting cycle into useful information for decision makers (Bernadus, 2020). Hama et al. (2021). One of the important functions of an accounting information system is internal control. The weakness of the internal control system in several cooperatives in Payangan District also results in employees having the opportunity to commit fraud, which can be detrimental to the company. Performance is the work results achieved by employees in carrying out tasks according to their responsibilities. Through the achievements of each individual, the company can produce complete performance and achieve success according to what the company expects. To improve cooperative performance, it is very important to determine the effect of implementing an accounting information system and internal control on improving company performance and increasing company productivity. The population in this study was 531 cooperative members who work at cooperatives in Payangan District. Sampling used a purposive sampling method, and the test tool used was multiple linear regression analysis. The results of this study prove that the accounting information system has no effect on company performance, while the internal control structure has a positive effect on company performance. Keywords: accounting information system, internal control structure. According to Marshall B. Romney (2019), the functions of the accounting information system are:

- a. Collecting and storing information about the actions, resources, and personnel performed by the organization.
- b. Transforming data into information so management can plan, implement, monitor, and evaluate the organization's actions, resources, and personnel.
- c. Provide appropriate controls to protect organizational assets and information.

2.5. Employee Performance

Employee performance is the result of an employee's work over a specific time or period. This assessment is compared to mutually agreed-upon goals or targets. Good performance will undoubtedly benefit both parties, the company and the employee (Meilisa Amalia et al., 2023). If achieved, it will create harmony, and it is expected that organizational productivity will increase in line with the level of employee performance. Performance is a measure of how successfully an employee carries out their responsibilities. Their responsibility is a measure of work results that shows how much effort a person makes to achieve the goals that have been set. Performance measurement is the process of recording and assessing the level of achievement of an activity aimed at achieving an organization's mission through demonstrated results, such as products, services, or processes. This means that every organizational activity must be measurable and explain how it relates to achieving the organization's future goals, as outlined in its vision and mission (Laoli & Ndraha, 2022). However, measurements are often imprecise. Many factors can lead to inaccurate performance measurement. Some of these factors include a misconception about the meaning of implemented performance, a misconception about expected performance, inaccurate instruments for measuring performance, and a lack of concern for performance management by organizational leaders.

III. Research Method

This research is quantitative descriptive research. The object of this research focuses on the Public Works and Spatial Planning (PUPR) Department of Muara Enim Regency as the object of study, with a focus on the influence of internal control, accounting information systems, and employee performance on the quality

of its financial reports. In order for this research effort to focus more on not expanding beyond the intended discussion, this research limits the problems studied to the scope of the influence of internal control, accounting information systems, and employee performance on the quality of financial reports at the Public Works and Spatial Planning Agency of Muara Enim Regency, South Sumatra. The type of data used in this study is primary data, obtained directly from employees of the Public Works and Spatial Planning Department of Muara Enim Regency. Data were collected using a survey method, which consisted of a list of questionnaires filled out or answered by respondents. Respondents in this study were Civil Servants (PNS), Internal Auditors or Inspectorates, and employees working in the finance department at the Public Works and Spatial Planning Agency of Muara Enim Regency.

The data collection techniques used in this research are as follows:

- a. A questionnaire is a data collection technique conducted by providing several written questions to respondents to answer (Sugiyono, 2015). The type of questionnaire in this study is closed, where respondents are asked to answer questions by selecting one of the available answer options. The questionnaire will be distributed directly to employees involved in the financial process, who are the research respondents. The measurement scale used is a Likert scale; this study has 5 points, such as (strongly disagree) = 1, to (strongly agree) = 5.
- b. Observation is an activity carried out by the author by directly observing the work processes and systems implemented at the Public Works and Spatial Planning (PUPR) Department. The required data includes the implementation of internal controls, the use of accounting information systems, employee performance in operational tasks, and the flow of financial reporting.
- c. Library research is a data collection technique that involves understanding and studying theories from various literature relevant to the research. There are four stages to a literature study: preparing the necessary equipment, creating a working bibliography, managing time, and reading or recording research materials. Data collection involves searching for sources and constructing data from various sources, such as books, journals, and previous research studies. The literature collected from various references has been thoroughly researched and must be comprehensive to support the propositions and concepts.

The population in this study consisted of Civil Servants, Internal Auditors or Inspectorates, and Financial Department employees, totaling 72 people. This study uses Non-Probability Sampling. Non-probability sampling is a sampling technique that does not provide equal opportunities or chances for each element or member of the population to be selected as a sample. This study uses saturated purposive sampling, saturated purposive sampling is a sampling technique in which the entire population is used as a sample. In this study, researchers selected employees who have worked for a long time at the Public Works and Spatial Planning Department of Muara Enim Regency. To ensure that the selected respondents are relevant and understand internal control and the quality of financial reporting, the selected respondents included employees of the Public Works and Spatial Planning Agency involved in the preparation of financial reports, State Civil Apparatus (ASN) employees, structural officials such as heads of divisions or sections, accounting information system operators, and internal auditors or inspectorates. This study analyzed the data using the help of Statistical Product and Service Solutions (SPSS) 26 Software. The data analysis carried out was Multiple Linear Regression Analysis, and data quality tests consisted of Validity Tests, Reliability Tests. For hypothesis testing, partial testing (T Test), simultaneous testing (F Test), and Determination Coefficient Test (R²).

IV. Results and Discussion

4.1. Data Quality Test

a. Validity Test

Validity testing aims to assess whether a questionnaire can be said to be valid or not. Validity testing is carried out by comparing the calculated r -value > with- table, testing the significance of the coefficient at a significance level of 5% (0.05), which means that an item can be said to valid if it has a significant correlation.

Table 1. Validity Test Results

Variables	Statement	r-count	r-table	Information
Internal Control (X ₁)	PI.1	0.500	0.229	Valid
	P2.2	0.730	0.229	
	P3.3	0.810	0.229	
	P4.4	0.644	0.229	
	P5.5	0.728	0.229	
Variables	Statement	r-count	r-table	Information
Accounting Information System (X ₂)	SIA.1	0.755	0.229	Valid
	SIA.2	0.678	0.229	
	SIA.3	0.763	0.229	
	SIA.4	0.747	0.229	
	SIA.5	0.419	0.229	
Variables	Statement	r-count	r-table	Information
Employee Performance (X ₃)	KP.1	0.727	0.229	Valid
	KP.2	0.698	0.229	
	KP.3	0.553	0.229	
	KP.4	0.756	0.229	
	KP.5	0.250	0.229	
Variables	Statement	r-count	r-table	Information
Financial Report Quality (Y)	KLK.1	0.817	0.250	Valid
	KLK.2	0.657	0.250	
	KLK.3	0.738	0.250	
	KLK.4	0.772	0.250	
	KLK.5	0.580	0.250	

Based on Table 1, all question items show a *calculated r value* > *r table* at a significance level of 5 percent. This shows that all statement items from each indicator in this study have fulfilled validity, so that they can be declared valid and suitable for further testing.

b. Reliability Test

This reliability test is used to verify the accuracy and accuracy of the measurements. A reliable instrument uses a Cronbach's Alpha threshold of 0.60. A reliability value > 0.60 is considered reliable or consistent. A value < 0.60 is considered unreliable. The results of the reliability test are shown in the table below:

Table 2. Reliability Test Results

Variables	Cronbach's Alpha	N of Items	Information
Internal Control (X ₁)	0.718	5	Reliable
Accounting Information System (X ₂)	0.705	5	
Employee Performance (X ₃)	0.606	5	
Financial Report Quality (Y)	0.763	5	

Based on the output results above, it shows that the Cronbach's Alpha for the Internal Control variable is $0.718 > 0.60$, Accounting Information System is $0.705 > 0.60$, Employee Performance is $0.606 > 0.60$, and Financial Report Quality is $0.763 > 0.60$. This indicates that all statement items in this study are declared reliable or consistent.

c. Multiple Linear Analysis

Multiple linear regression analysis techniques are used to analyze the influence of more than one independent variable on the dependent variable. Based on the multiple linear regression test obtained in this study using the SPSS 26 application, the following results are presented:

Table 3. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2,061	1,990		-1.035	.304
	Internal Control	.259	.091	.252	2,841	.006
	Accounting Information System	.502	.097	.451	5,188	.000
	Employee Performance	.319	.106	.273	3,023	.004

Data Table 3. The multiple linear regression equation is obtained as follows:

$$Y = -2.061 + 0.259 X_1 + 0.502X_2 + 0.319X_3 + e$$

- 1) A constant value of -2.061 means that if the variables of internal control, accounting information systems, and employee performance are equal to zero, then the quality of the financial statements is -2.061. This means that the value of -2.061 is a constant or a state when the financial statement quality variable is not affected by other variables, namely internal control, accounting information systems, and employee performance. If the independent variable is absent, the financial statement quality variable does not change.
- 2) The beta coefficient for the internal control variable is 0.259, indicating a positive trend. This means that for every 1% increase in internal control, the quality of financial reporting will increase by 0.259.
- 3) The beta coefficient value for the accounting information system variable is 0.502, indicating a positive trend. This means that for every 1% increase in the accounting information system, the quality of financial reports will increase by 0.502.
- 4) The beta coefficient for the employee performance variable is 0.319, indicating a positive trend. This means that for every 1% increase in employee performance, the quality of financial reports will increase by 0.319%.

4.2. Hypothesis Testing

a. Partial Test (t-Test)

This test aims to determine the partial influence of each independent variable on the dependent variable. The basis for decision-making is that if the sig value is < 0.05 , it can be said that variable X has a significant partial influence on variable Y.

Table 4. Partial Test Results (t-Test)

	<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1	<i>(Constant)</i>	-2,061	1,990		-1.035	.304
	TOTAL.PI	.259	.091	.252	2,841	.006
	TOTAL.SIA	.502	.097	.451	5,188	.000
	TOTAL.KP	.319	.106	.273	3,023	.004

Source: Processed Data (2025)

Based on Table 4 above, the partial test results can be explained as follows:

- 1) Internal Control (X_1): The test results for the Internal Control variable (X_1) on the Quality of Financial Reports (Y) obtained a t-value of 2.841 and a sig. Value of $0.006 < 0.05$, so H_0 is rejected and H_{1is} accepted. This means that Internal Control has a significant effect on the Quality of Financial Reports.
- 2) Accounting Information System (X_2): The test results for the Accounting Information System variable (X_2) on the Quality of Financial Reports (Y) obtained a t-value of 5.178 and a sig. Value of $0.000 < 0.05$, so H_0 is rejected and H_{2is} accepted. This means that the Accounting Information System has a significant effect on the Quality of Financial Reports.
- 3) Employee Performance (X_3): The test results for the Employee Performance variable (X_3) on the Quality of Financial Reports (Y) obtained a t-value of 2.406 and a sig. Value of $0.004 < 0.05$, so H_0 is rejected and H_{3is} accepted. This means that Employee Performance has a significant effect on the Quality of Financial Reports.

b. Simultaneous Test (F Test)

This test aims to determine how all independent variables simultaneously (together) influence the dependent variable. The basis for decision-making is that if the sig value is < 0.05 , it can be said that variable X simultaneously has a significant effect on variable Y . The following are the results of the F test in this regression:

Table 5. Simultaneous Test Results (F Test)

ANOVA^a						
	<i>Model</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	<i>Regression</i>	279,008	3	93,003	43,171	.000 ^b
	<i>Residual</i>	146,492	68	2,154		
	<i>Total</i>	425,500	71			
a. <i>Dependent Variable:</i> Quality of Financial Reports						
b. <i>Predictors:</i> (<i>Constant</i>), Internal Control, Accounting Information System, Employee Performance						

Based on Table 5, the F-count is 43.171 with a significance level of $0.000 < 0.05$, so the conclusion is that the internal control variables, accounting information systems, and employee performance have a simultaneous effect on the quality of financial reports.

c. Correlation Coefficient Test (R^2)

The coefficient of determination (R^2) test aims to determine the extent to which the independent variable can explain the dependent variable. A good Adjusted R^2 value is considered good if it is above 0.5 because the Adjusted R^2 is between zero and one.

Table 6. Results of the Determination Coefficient Test (R^2)

Model Summary^b				
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Standard Error of the Estimate</i>
1	.810 ^a	.656	.641	1,468

Based on the results of Table 6, it can be said that the Adjusted R Square has a value of 0.641, meaning that the variables of internal control, accounting information systems, and employee performance on the quality of financial reports influence 64.1% and the remaining 35.9% is influenced by variables not examined in this study.

4.3. Discussion

a. The Influence of Internal Control on the Quality of Financial Reports

The test results for the Internal Control variable (X1) on the Quality of Financial Reports (Y) obtained a t-value of 2.841 and a sig. value of 0.006 < 0.05, so H0 is rejected and H1 is accepted. This means that Internal Control has a significant effect on the Quality of Financial Reports. The implementation of internal control strategies at the Public Works and Spatial Planning Office of Muara Enim Regency can refer to the Muara Enim Regent Regulation Number 25 of 2024 concerning fraud control strategies, such as:

- 1) Anti-fraud policy
- 2) Fraud risk assessment
- 3) Human Resource Management
- 4) Fraud control task force
- 5) Whistleblowing system and whistleblower protection
- 6) Proactive detection
- 7) Investigation
- 8) Monitoring and evaluation

The results of this study align with previous research conducted by Samita & Hasan (2023), which stated a positive relationship between internal control and financial reporting quality. Therefore, internal control needs to optimize all its components to improve financial reporting quality, while also considering the financial reporting targets set by the Muara Enim Regency Public Works and Spatial Planning Agency. Next is the relationship with the Theory Fraud Hexagon. Internal Control is key in preventing and detecting fraud in financial reporting, thereby increasing the accuracy and reliability of financial reporting. The fraud hexagon theory relates that the effectiveness of internal control can vary depending on the situation or context. In the context of the fraud hexagon theory, internal control plays a role in reducing the opportunity and pressure factors to commit fraud, which ultimately contributes to improving the quality of financial reports.

b. The Influence of Accounting Information Systems on the Quality of Financial Reports

Based on the test results, the Accounting Information System variable (X2) on the Quality of Financial Reports (Y) shows a t-value of 5.188 with a sig. Value of 0.000 < 0.05. Thus, H0 is rejected and H2 is accepted, which means that the Accounting Information System has a significant effect on the Quality of Financial Reports at the Public Works and Spatial Planning Agency of Muara Enim Regency. The research results revealed that the accounting information system has a positive and significant influence, which shows that the higher the implementation of the Accounting Information System in the Public Works and Spatial Planning Service of Muara Enim Regency, the higher the quality of the financial reports produced according to the established standards, namely accountable, comparable, easy to understand, and relevant.

The results of this study are consistent with previous research conducted by Jenny Maulany Indrasari & Ismunawan (2022), Which found a positive relationship between accounting information systems and financial report quality. A good accounting information system can improve the transparency and accuracy of financial data. The following is a link to the Fraud Hexagon Theory: Accounting Information Systems play a crucial role in improving the quality of financial reports by minimizing the potential for fraud through the implementation of strict controls, strengthening oversight of financial transactions, and providing accurate and timely data. Furthermore, accounting information systems promote employee integrity and ethics by

building a culture of transparency, while also supporting more effective reporting and analysis processes. Thus, accounting information systems contribute to addressing the elements of the fraud hexagon theory, resulting in more reliable and accurate financial reports.

c. The Influence of Employee Performance on the Quality of Financial Reports

The test results for the Employee Performance variable (X3) on the Quality of Financial Reports (Y) obtained a t-value of 3.023 and a sig. value of $0.004 < 0.05$, so H_0 is rejected and H_3 is accepted . This means that Employee Performance has a significant effect on the Quality of Financial Reports at the Public Works and Spatial Planning Agency of Muara Enim Regency. An agency must have qualified employees to manage its finances. Qualified employees must perform well in carrying out their assigned tasks related to financial reporting. Therefore, good employee performance will result in high-quality financial reports. When employees perform optimally, they are more likely to comply with established procedures and policies, thereby reducing the risk of errors and irregularities in financial reporting. The results of this study are in line with previous research conducted by Mahfuz & Hanum (2022), which stated that employee performance has a significant effect on the quality of financial reports.

The following is a connection with the Fraud Hexagon Theory. In the context of the fraud hexagon theory, good employee performance is able to overcome several factors that trigger fraud, such as rationalization and pressure. Employees who have a strong work ethic and high integrity tend not to be tempted to manipulate financial reports, even when facing pressure to achieve certain targets. Therefore, improving employee performance can create a more transparent and accountable work environment, which ultimately reduces the risk of fraud. In addition, employees with good performance are better able to adapt to the accounting information system used, so they can produce more accurate and timely financial reports. This capability supports the effectiveness of supervision and increases the reliability of data in financial reports. Thus, optimal employee performance not only impacts improving the quality of financial reports but also strengthens the internal control system, resulting in more reliable reports and minimal fraud.

d. The Influence of Internal Control, Accounting Information Systems, and Employee Performance on the Quality of Financial Reports

The results of the simultaneous test (F-test) showed that the F-count value was 43.171 with a significance level of $0.000 < 0.05$, so it can be concluded that the internal control variables, accounting information systems, and employee performance simultaneously influence the quality of financial reports. This result is also strengthened by the Adjusted R Square value of 0.641, meaning that the internal control variables, accounting information systems, and employee performance affect the quality of financial reports of 64.1% and the remaining 35.9% is influenced by variables not examined in this study. The results of simultaneous tests show that internal control, accounting information systems, and employee performance together have a significant influence on the quality of financial reports. This finding confirms that the synergy between independent variables plays an important role in improving the quality of financial reports.

The results of this study support the findings of Hendarmin et al. (2024), who stated that internal control and accounting information systems have a significant positive effect on the quality of financial reports. This study also aligns with the results of research by Maulana (2021), who stated that accounting information systems and employee performance have a positive effect on the quality of financial reports at the Public Works and Spatial Planning Office of Cianjur Regency. The following is the relationship between the Fraud Hexagon Theory and internal control, accounting information systems, and employee performance on the quality of financial reports. The Fraud Hexagon Theory explains that six factors can trigger fraud in financial reporting: pressure, opportunity, ability, rationalization, collusion, and ego/greed. In the context of the Muara Enim Regency Public Works and Spatial Planning Agency, the implementation of effective internal controls plays a role in suppressing the opportunity and pressure factors that can encourage employees to commit fraud. With strict procedures and optimal supervision, internal control ensures that financial reports are prepared accurately and transparently, thereby improving their quality.

In addition, accounting information systems and employee performance also make an important contribution in this aspect. A reliable accounting information system is able to provide accurate and timely data, thereby supporting better decision-making and reducing the potential for errors in financial reports. Meanwhile, high-performing employees generally have a better level of integrity and are more disciplined in following established procedures, thereby minimizing the risk of fraud. Thus, internal control, accounting information systems, and employee performance complement each other in addressing the factors contained in the Fraud Hexagon Theory, which ultimately contributes to improving the quality of financial reports at the Public Works and Spatial Planning Agency of Muara Enim Regency.

V. Conclusion

Based on the results of research on the Influence of Internal Control, Accounting Information Systems, and Employee Performance on the Quality of Financial Reports at the Public Works and Spatial Planning Service of Muara Enim Regency, the following conclusions can be drawn:

- a. The Internal Control System variable has a positive and significant effect on the Quality of Financial Reports at the Public Works and Spatial Planning Service of Muara Enim Regency.
- b. The Accounting Information System variable has a positive and significant effect on the Quality of Financial Reports at the Public Works and Spatial Planning Service of Muara Enim Regency.
- c. The Employee Performance variable has a positive and significant effect on the Quality of Financial Reports at the Public Works and Spatial Planning Service of Muara Enim Regency.
- d. Internal Control Variables, Accounting Information Systems, and Employee Performance have a simultaneous influence on the Quality of Financial Reports at the Public Works and Spatial Planning Service of Muara Enim Regency.

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