Research Paper

The Effect of the Utilization of Information Technology, Human Resources Capacity, and Internal Control Systems on the Quality of Financial Reports for the Local Government of Serdang Bedagai District with Leadership Style as a Moderating Variable

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ABSTRACT

This study aims to determine the effect of the utilization of information technology, human resource capacity, and internal control systems on the quality of financial reports for the local government of Serdang Bedagai District. In addition, this study also examines whether leadership style can be used as a moderating variable in this research model.

This research is causal associative research. The population of this research is all OPD (Regional Apparatus Organizations) in the local government of the Serdang Bedagai District. Based on the purposive sampling technique, the number of samples used in this study was 90 respondents. Data collection techniques in this study were carried out using questionnaires, documentation, and observation techniques. The data analysis technique used in this study is the PLS (Partial Least Square) technique using the SmartPLS software, which is run on computer media.

The results obtained in this study indicate that the utilization of information technology and internal control systems has a positive and significant influence on the quality of the financial statements of the local government of the Serdang Bedagai District. Meanwhile, the capacity of human resources proved to have no significant effect on the quality of the local government's financial reports in the Serdang Bedagai District. Meanwhile, other results in this study indicate that the leadership style can moderate the influence of the internal control system on the quality of the financial statements of the local government of the Serdang Bedagai District.

Keywords: Utilization of Information Technology, Human Resource Capacity, Internal Control System, Leadership Style, Quality of LKPD

INTRODUCTION

Delegation of authority is accompanied by the transfer of funding, facilities and infrastructure, as well as related human resources within the fiscal decentralization framework. As a result of the delegation of authority and the transfer of funds, there is a need for accountability for local government financial management. PP No. 12 of 2019 concerning regional financial management explains that "regional financial management is the entire activity that includes planning, budgeting, implementation, administration, reporting, accountability and supervision of Regional Finance." Meanwhile, "local government financial reporting is the process of preparing and presenting Regional Government Financial

Statements (LKPD) by reporting entities as a result of the consolidation of the financial statements of SKPD as accounting entities."

Users use LKPD in making and evaluating decisions about allocating available resources. Therefore, the local government financial reports presented are expected to have quality with an adequate level of characteristics. Suppose the local government financial reports do not match adequate characteristics. In that case, it will result in errors in decision-making regarding resource allocation, which will impact regional losses, lack of revenue, administrative weakness, inefficiency, inefficiency, and ineffectiveness of resources.

LKPD must follow government accounting standards per Government Regulation 71 of 2010. This implementation aims to make it more accountable and improve the quality of financial reports. Quality LKPD can be seen from the Financial Supervisory Agency (BPK) opinion as the body that examines and assesses LKPD. When the BPK provides an unqualified opinion on the financial statements, it means that an organization's financial statements are presented and disclosed fairly and with quality (Setyowati and Wikan, 2014).

The results of BPK's examination of 541 LKPDs in 2019 found 1,108 problems with weaknesses in the internal control structure which were part of the case of SPI weaknesses in LKPDs (BPK RI, 2020). In addition, in 2020, there will also be a similar phenomenon. Namely, there are still many problems with the weakness of the internal control structure, as presented in the table below.

Table 1.Cases of SPI Weakness in LKPD

No	Description	Total Cases
1	SOPs/policies/regulations have not been prepared/incomplete	455 (241 local government)
2	SOPs/policies/regulations have not run optimally or not obeyed	564 (339 local government)
3	Problems with the weakness of other internal control structures. (For example: there is no internal supervisory unit, the internal supervisory unit is not optimal, and there is no adequate segregation of duties and functions)	151 (104 local government)
	Total cases of weaknesses in the internal control structure of local governments.	**1,170 (418 local government)**

Source: IHPS Semester I 2021 (BPK RI)

The table above shows that until 2020, out of a total of 541 LKPDs examined. There were still many weaknesses in the internal control system that occurred in 418 local governments (77.26%). These results indicate that there are still many weaknesses in the internal control system at LKPD, especially regarding the internal control structure of the local government. It means that if viewed from the indicator of the quality of the Financial Statements, namely reliability, this situation indicates that the quality of the LKPD is still not optimal in terms of reliability.

In terms of relevance, the general purpose of making financial statements is to present information about the financial position, budget realization, cash flow, and financial performance of a reporting entity that is useful for users in making and evaluating decisions regarding resource allocation (Adhi and Suhardjo, 2013). In order to provide valuable and helpful information for interested parties, the information presented in financial reporting must meet the relevant qualitative characteristics. Financial statements can be relevant if the information presented in the financial statements has benefits, according to the actions that users of financial statements will take so that the information in the financial statements must honestly describe all transactions and other events in the entity.

It is related to the phenomenon found by the BPK on the examination of 541 LKPD in 2019, which revealed 485 (90%) LKPD Unqualified Opinions (UO), 50 (9%) LKPD Qualified Opinions (QO), and 6 Disclaimer of Opinion (DO). (1%) LKPD. LKPDs that received QO as many as 50 (9%) LKPDs, and DO as many as 6 (1%) LKPDs indicated that local governments should pay more attention to the process of preparing financial reports so that the information generated from LKPDs can be beneficial for those who need it. Even until the first semester of 2020, one local government still has not submitted its financial report (IHPS BPK RI, 2021).

The quality of financial statements is not only measured by reliability and relevance but also must meet other characteristics, namely comparability. Comparability here means that the information in the financial statements will be more useful if it can be compared with the financial statements of the previous period or the financial statements of other reporting entities. Until now, the phenomenon is that every local government must submit its financial statements while still displaying the results in the financial statements of the previous period. It is comparative where the financial statements are expected so that the financial statements presented can be directly compared with the previous period.

The last financial report quality indicator is understandable. Financial statements are said to be of good quality if the information presented in the financial statements is understandable, meets users' needs in making decisions, is free from misleading notions and material errors,

and is reliable. Therefore, the financial statements can be compared with previous periods (Manimpurung et al., 2018).

Information in financial statements is said to be understandable if all users understand and understand the content or information in the financial statements. Thus, one of the benefits of making financial statements is that it helps make decisions. Financial statements must be prepared based on generally accepted guidelines and standards to prepare comparable financial statements.

Phenomena related to financial statement indicators that must be understood at this time can be seen based on the Audit Results reported to local governments. The report explains that there are still accounts in local government financial statements that are presented not the following SAP and are not supported by sufficient evidence. The problem of discrepancies in presenting accounts with SAP and insufficient evidence found in this 2020 LKPD relates to accounts:

Table 2. LKPD Compliance With SAP

No.	Account Presented Was Not Compliant with SAP and Supported by Sufficient Evidence	
1.	Current assets Shortage/lack of cash at the Expenditure Treasurer has not been recovered by depositing it into the regional treasury. The inventory presentation does not reflect the true value and is not supported by sufficient detail. Rural and Urban Land and Building Tax Receivables (PBB-P2) presented do not reflect the actual value because it has not been validated, and the recording is not based on details per Tax Object Number (NOP) and per year.	Problems with the presentation of current asset accounts occurred in 25 local governments
2.	Fixed assets Fixed assets, equipment, and machinery are not supported/completed with a detailed list of assets, proof of ownership, and the identity of the goods. The recording of fixed assets of land, equipment and machinery, buildings and structures, and irrigation roads and networks (JIJ) has not been carried out or is inaccurate. Fixed assets of buildings and buildings and JIJ not yet attributed to parent assets.	Problems with the presentation of fixed assets occurred in 31 local governments.
3.	Other Assets Other Assets originating from the use of stock money for the 2009-2014 financial year and from overpaid bills to service providers for the 2013-2016 fiscal year are not accounted for or deposited into the treasury. They have not been processed with the regional compensation settlement mechanism by the Regional Loss Settlement Advisory Council. (MP-PKD). Other Assets in the form of cash in the Expenditure Treasurer that has not been accounted for and followed up by submitting evidence of accountability or depositing it to the regional treasury. Other Assets originating from cash reclassification at the Expenditure Treasurer have not been accounted for and have not processed the treasury claims. Fixed assets whose whereabouts are not known have not been inventoried.	Other asset presentation problems occurred in 16 local governments.
4.	Operation Shopping The realization of expenditure on goods and services has not been supported by accountability documents, is accounted for not under actual evidence, and is indicated to be fictitious. Expenditures originating from DAK funds and tourism grants are used for expenditures that are not under their allocation, and the entity cannot provide details of the value of these funds. Realization of personnel expenditure exceeds the budget, under-presented, and used for expenditures that do not substantially meet the definition of personnel expenditures set out in SAP.	Problems with the presentation of operating expenses occurred in 19 local governments.

Table 2 To Be Continued…		
5.	Capital Expenditure The overpayment of capital expenditures for the lack of physical volume, non-compliance with job specifications, and indications of price overruns has not been recovered by depositing to the treasury. Recording of capital expenditures without a physical inspection to test the conformity between the specifications of the work and the contract. Realization of capital expenditures for land, buildings, and buildings, and JIJ is not supported by complete evidence of accountability.	Problems with the presentation of capital expenditures occurred in 20 local governments.

Source: IHPS Semester I 2021 (BPK RI)

Suppose the information contained in the Regional Government Financial Statements meets the criteria for the qualitative characteristics of government financial statements as required in Government Regulation No. 71 of 2010 which is relevant, reliable, comparable, and understandable. In that case, the local government has realized transparency and accountability in managing regional finance. The information contained in the financial statements must comply with the information value criteria required by laws and regulations. If it is not following the legislation, it will result in regional losses, potential shortages of regional revenues, administrative weaknesses, ineffectiveness, inefficiency, and ineffectiveness (Yuliani, 2010).

The phenomenon found in Serdang Bedagai District shows that in the last 7 (seven) years, Serdang Bedagai District has succeeded in obtaining UO 4 times, namely in 2014, 2018, 2019, and 2020 and 3 times QO, namely in 2015, 2016 and 2017.
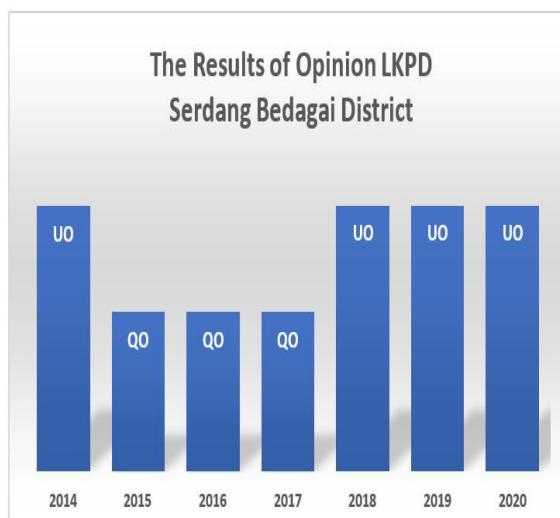
Source: BPK, 2020

This phenomenon shows that in 2018 the local government of Serdang Bedagai District was able to compile financial reports following established accounting standards and obtain a UO until 2020. Obtaining this UO is a good achievement and can be used as an image. Optimistic that the wheels of government have been managed accountable (Teri and Darmawan, 2017). As seen from the graph above, the local government of Serdang Bedagai District 2014 also received a UO. However, in the next three years, 2015, 2016, and 2017, Serdang Bedagai District received a QO. So the Serdang Bedagai District must maintain its consistency to continue obtaining a UO and anticipate so as not to obtain a QO as was obtained in 2015, 2016, and 2017.

LITERATURE REVIEW
Several results from empirical research prove that the quality of LKPD can be influenced by various variables, including the utilization of information technology (IT), human resource capacity, internal control system, and leadership style.

Utilization of Information Technology
The utilization of information technology plays an essential role in increasing the reliability and timeliness of the presentation of financial statements. Therefore, the value of information in a financial report will increase. Setiawan (2009), in his book, states that technology used to process data, including processing, obtaining, compiling, storing, and manipulating data, can be used in various ways to produce higher quality information. This relevant, accurate and

timely information will later be used for decision-making.

Suppose the utilization of information technology is carried out correctly. In that case, preparing financial reports will be carried out more quickly and efficiently, so the quality of financial reports will also improve.

The results of research conducted by Maksyur et al. (2015) and Furry et al. (2018) stated that using information technology will have a positive and significant effect on the quality of LKPD. The results of this study are in line with Anwar & Mukadarul, (2016); Susilatri (2018); and Afnany, et al. (2018). These results are not in line with Muda et al. (2017), Irvan et al. (2017), and Nurlis & Yadiati (2017) stated that the utilization of information technology does not affect the quality of LKPD.

Human Resources Capacity

Another factor that is thought to affect the quality of local government financial reports is the capacity of human resources (Human Resources) (Artika, 2016). This variable plays an essential role in realizing quality financial reports. Human Resources (HR), as the technical implementer, plays a role, from preparing documents to reporting financial information to stakeholders.

The management of local government financial statements does not escape the role of employees who directly carry out or make these financial reports, so employees are said to be human resources who must have good capacity and follow what they are doing. The capacity of human resources is also a factor in achieving quality financial reports. Human resource capacity is the ability of a person or individual in an organization or a system to carry out their functions or authorities to achieve goals effectively and efficiently (Emilda, 2014).

Human resources as system users are required to have an adequate level of accounting expertise or at least have the ability to continue to learn and hone skills in the field of accounting. Here the capacity of human resources is instrumental in producing quality financial reports. The failure of local government human resources in understanding and implementing the accounting system will have an impact on errors in financial statements made and inconsistency of reports with standards set by the government so that the resulting financial reports are of poor quality (Yoseprinaldi, 2013).

It is reinforced by the results of research conducted by Yoseprinaldi (2013), Furry et al. (2018), and Pilipus et al. (2020), which states that the capacity of the apparatus has a positive and significant influence on the quality of LKPD. This result is supported by Yendrawati (2013), Sari and Banu (2014), and Idward et al. (2020. This result is not in line with Manimpurung et al. (2018); Ponamon (2014) states that human resource capacity does not affect the quality of LKPD.

Internal Control System

The last factor that is thought to be able to influence the quality of local government financial reports is the internal control system. Internal control is part of risk management that every institution or organization must implement to achieve the goals of the institution or organization. Implementing adequate internal control will provide adequate assurance of the quality or reliability of financial statements and will increase stakeholder confidence.

Internal control is a process that is influenced by management which is created to provide adequate confidence in achieving effectiveness, efficiency, compliance with applicable laws and regulations, and the reliability of the presentation of government financial statements. This control activity ensures that all government accounting and financial records follow applicable procedures and regulations so that the objectives of a financial report will be achieved and meet quality aspects.

Suppose the internal control system can be implemented properly. In that case, all activities in the context of implementing and managing regional finances will run well to provide accountability reports in the form of quality financial reports (Rahmadani, 2015).

It follows the results of research by Nagor et al. (2015); and Kewo & Afiah (2017), who found that the internal control system significantly influenced the quality of LKPD. This result is in line with Yendrawati (2013), Furry et al. (2018), Yusoff et al. (2019), and Artika (2016). This result is not in line with Sari & Banu (2014); Budiawan and Purnomo (2014) stated that the internal control system did not affect the quality of the LKPD.

Leadership Style
In this study, leadership style is used as a moderating variable. Leadership style is the ability of a leader to direct, influence, encourage and control subordinates to do some work on their consciousness and voluntarily in achieving a certain goal. So that with the better application of leadership styles by leaders, they will be able to strengthen the influence of the utilization of information technology, human resource capacity, and internal control systems on the quality of financial reports in local governments.

Good leadership will be able to act as supervisors and controllers in all activities carried out in local governments. Leaders with a good leadership style will be able to regulate the workings of their subordinates in order to increase the utilization of information technology further, increase human resource capacity, and improve the internal control system. Therefore the leadership style will strengthen the influence the utilization of IT, human resource capacity, and internal control systems on the quality of local government financial reports.
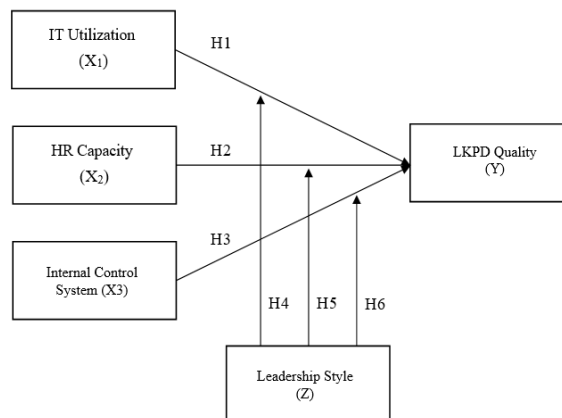
Framework

Figure 1. Framework

H1: The utilization of IT has a positive effect on the quality of LKPD
H2: Human resources capacity has a positive effect on the quality of LKPD
H3: The internal control system has a positive effect on the quality of LKPD
H4: Leadership style can strengthen the influence of the utilization of IT on the quality of LKPD
H5: Leadership style can strengthen the influence of human resources capacity on the quality of LKPD
H6: Leadership style can strengthen the influence of the internal control system on the quality of LKPD

MATERIALS & METHODS
The research design in this study is causal associative, namely research that aims to determine the causal relationship between various variables (Erlina, 2011). This study uses independent variables, namely the utilization of IT (X1), human resources capacity (X2), and internal control system (X3). The quality of local government financial reports is the dependent variable (Y) and a moderating variable, namely leadership style (Z).

The population is the totality of a certain characteristic determined by the author to be studied and concluded (Sudarmanto, 2013). The population in this study were all OPDs in the Regional Government of Serdang Bedagai District. At the same time, the sample is part of the population that is used to estimate the characteristics

of the population (Erlina, 2011). Sampling in this study was conducted using the purposive sampling technique. That is the technique of determining the sample using specific criteria or considerations (Erlina, 2011). The considerations used in determining the sample are:

1. The sample agencies of this research are OPD within the Regional Government of Serdang Bedagai District.
2. Three research respondents were taken in each of these agencies: the Head of the Agency, the Secretary, and the Finance Section.

Based on the above criteria, the sample in this study was 90 people.

This study uses primary data from respondents' answers to the questionnaires distributed to measure the various variables studied. The data analysis technique used is Smart PLS software.

RESULT
1. Outer Model Analysis
a) Convergent Validity Test

The outer loading or loading factor values are used to test the convergent validity. The following is an image of the calculation results of the SEM model using SmartPLS, which shows the loading factor value of the indicator on each variable.
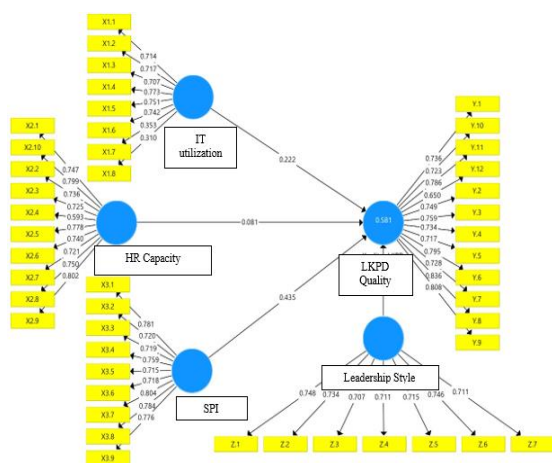
Source: Data processing with SmartPLS (2021)
Figure 2. Initial Research Model

In general, the higher the loading factor value, the better. The data processing results

with SmartPLS in the table above show that the indicators of the utilization of IT in this study have a loading value smaller than 0.7. That is found in the X1.7 indicator of 0.353 and X1.8 of 0.310. It shows that the indicator has a low level of validity, so the X1.7 and X1.8 indicators in the IT utilization variable must be excluded from the research model because they do not meet convergent validity. Meanwhile, other indicators in the utilization of IT variable already have a high level of validity (> 0.7).

This study's human resource capacity variable has an indicator whose loading value is less than 0.7. That is found in the X2.4 indicator of 0.593. It shows that the indicator has a low level of validity, so the X2.4 indicator in the human resources capacity variable must be removed from the research model because it does not meet convergent validity. Meanwhile, other indicators in the human resources capacity variable already have a high level of validity (> 0.7).

This study's internal control system variable has a loading value greater than 0.7. It shows that all indicators of the internal control system variables have a high level of validity so that the indicators in the internal control system variables can meet convergent validity.

On the leadership style variable, it can be seen that all indicators on the leadership style variable in this study have a loading value greater than 0.7. It shows that all indicators of the leadership style variable have a high level of validity, so the indicators in the leadership style variable can meet convergent validity.

All indicators on the LKPD Quality variable in this study also have a loading value greater than 0.7 except Y.12, which has a loading value of 0.650. It indicates that Y.12 should also be excluded from the research model. Meanwhile, other indicators on the LKPD quality variable have a high level of validity.

The results of the convergent validity test that has been carried out show that 4 (four) indicators have a loading value below 0.7.

Those are indicators X1.7 and X1.8 on the utilization of IT variable, X2.4 on the human resources capacity variable, and Y.12 on the LKPD quality variable. So that the four indicators must be eliminated or excluded from the research model because they have a low level of validity.

After the indicators are removed from the research model, the convergent validity test is carried out again to see if the research model has met convergent validity after modifications to the research model. The following are the results of the convergent validity test after modifying the model.
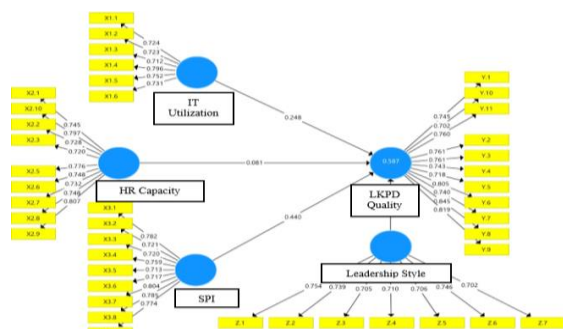
Source: Data processing with SmartPLS (2021)
Figure 3. Research Model After Modification

b) Discriminant Validity Test

The discriminant validity test is carried out by paying attention to the cross-loading value. The following are the results of discriminant validity testing in this study.

Table 3. Cross Loading Value

	X1	X2	X3	Z	Y
X1.1	**0.724***	0.311	0.269	0.303	0.428
X1.2	**0.723***	0.348	0.332	0.233	0.433
X1.3	**0.712***	0.187	0.268	0.257	0.411
X1.4	**0.796***	0.388	0.453	0.445	0.520
X1.5	**0.762***	0.433	0.432	0.375	0.410
X1.6	**0.731***	0.351	0.487	0.454	0.434
X2.1	0.348	**0.745***	0.227	0.322	0.342
X2.2	0.175	**0.728***	0.103	0.352	0.221
X2.3	0.305	**0.720***	0.300	0.386	0.368
X2.5	0.367	**0.776***	0.400	0.325	0.315
X2.6	0.423	**0.748***	0.309	0.352	0.303
X2.7	0.567	**0.732***	0.386	0.368	0.424
X2.8	0.239	**0.748***	0.303	0.340	0.375
X2.9	0.368	**0.807***	0.368	0.389	0.394
X2.10	0.201	**0.797***	0.249	0.373	0.299
X3.1	0.210	0.166	**0.782***	0.259	0.382
X3.2	0.249	0.207	**0.721***	0.385	0.384
X3.3	0.492	0.399	**0.720***	0.468	0.526
X3.4	0.302	0.161	**0.769***	0.266	0.427
X3.5	0.393	0.415	**0.713***	0.456	0.523
X3.6	0.361	0.296	**0.717***	0.280	0.630
X3.7	0.380	0.324	**0.804***	0.351	0.525
X3.8	0.520	0.266	**0.788***	0.239	0.588
X3.9	0.424	0.474	**0.774***	0.353	0.522
Z.1	0.481	0.254	0.522	**0.784***	0.525
Z.2	0.305	0.393	0.311	**0.739***	0.482
Z.3	0.332	0.358	0.284	**0.706***	0.414
Z.4	0.341	0.328	0.377	**0.710***	0.344
Z.5	0.177	0.315	0.138	**0.706***	0.261
Z.6	0.401	0.461	0.294	**0.746***	0.272
Z.7	0.235	0.335	0.186	**0.702***	0.235
Y.1	0.406	0.291	0.459	0.424	**0.745***
Y.2	0.404	0.337	0.571	0.368	**0.761***
Y.3	0.442	0.388	0.647	0.291	**0.761***
Y.4	0.345	0.167	0.511	0.285	**0.743***
Y.5	0.455	0.364	0.501	0.337	**0.718***
Y.6	0.490	0.349	0.600	0.424	**0.805***
Y.7	0.502	0.248	0.522	0.500	**0.740***
Y.8	0.536	0.402	0.521	0.389	**0.845***
Y.9	0.470	0.352	0.541	0.421	**0.819***
Y.10	0.465	0.428	0.400	0.516	**0.702***
Y.11	0.475	0.509	0.448	0.579	**0.760***

* The value of cross loading on each of the variables formed
Source: Data processing with SmartPLS (2021)

An indicator is declared to meet discriminant validity if it has the largest cross-loading value in its variable compared to other variables. The table above shows that all indicators in each research variable have a cross-loading value, the largest value in the variable it forms compared to the cross-loading value on other variables. So it can be stated that the indicators used in this study have good discriminant validity in compiling their respective variables. In addition to observing the value of cross loading, discriminant validity can also be known through other methods, namely by looking at the AVE value.

Table 4. Average Variance Extracted Results

No.	Research Variable	*Average Variance Extracted* (AVE)
1	IT Utilization	0.523
2	HR Capacity	0.572
3	Internal Control System	0.585
4	Leadership Style	0.548
5	LKPD Quality	0.568

Source: Data processing with SmartPLS (2021)

The table above shows that the AVE value for each variable of the utilization of IT, human resources capacity, internal control system, leadership style, and LKPD quality is greater than 0.5. These results indicate that each variable in this research model has good discriminant validity.

c) Composite Reliability Test

Composite reliability is an index that shows the extent to which a measuring instrument can be trusted to be reliable. The following are the results of composite reliability testing in this study.

Table 5. Composite Reliability Results

No.	Research Variable	*Composite Reliability*
1	IT Utilization	0.885
2	HR Capacity	0.923
3	Internal Control System	0.939
4	Leadership Style	0.879
5	LKPD Quality	0.922

Source: Data processing with SmartPLS (2021)

Table 3 above shows that the composite reliability value of all research variables is > 0.7. These results indicate that each variable

has met composite reliability, so it can be concluded that all variables have a high level of reliability.

Table 6. Cronbach's Alpha Results

No.	Research Variable	Cronbach's Alpha
1	IT Utilization	0.854
2	HR Capacity	0.907
3	Internal Control System	0.929
4	Leadership Style	0.835
5	LKPD Quality	0.905

Source: Data processing with SmartPLS (2021)

A variable can be declared reliable if it has a Cronbach's alpha value > 0.7. The presentation of the data in the table above shows that the Cronbach's alpha value of each research variable is > 0.7. These results indicate that each research variable has a high level of reliability.

2. Inner Model Analysis
a) Path Coefficient Test

Path coefficient evaluation is used to show how strong the effect or influence of the independent variable is on the dependent variable. While coefficient determination (R-Square) is used to measure how much other variables influence the endogenous variables.

Table 7. Path Coefficient Results

No.	Research Variable	Coefficient
1	IT Utilization	0.248
2	HR Capacity	0.081
3	Internal Control System	0.440

Source: Data processing with SmartPLS (2021)

These results show that the utilization of information technology, human resource capacity, and internal control systems in this research model has a path coefficient with a positive number (value). It shows that the greater the path coefficient value on one independent variable on the dependent variable, the stronger the influence between the independent variables on the dependent variable. Meanwhile, if the path coefficient value is negative, it shows the opposite.

b) R-Square Test

Table 8. R-Square Test Results

No.	Research Variable	R-Square	Adjusted R-Square
1	LKPD Quality (Y)	0,587	0,568

Source: Data processing with SmartPLS (2021)

The table above shows that the R-Square value obtained in this research model is 0.587. Obtaining this value means that the large percentage of LKPD quality can be explained by the variation of the independent variable, which is 0.587 (58.7%). At the same time, the other 41.3% is explained by other variables not used in this study. So that the R-Square value obtained in this study of 0.587 is included in the medium category (Ghozali, 2014).

An explanation of the R-Square test can be obtained that the goodness of fit test result show a match between the saturated model (original sample) and the estimated model (sample mean), which has no difference in numbers between the saturated and the estimated model. It indicates that there is a match between Ha and Ho.

Table 9. Fit Model

	Original Sample (O)	Sample Mean (M)
SRMR	0.013	0.013
d_ULS	9.636	9.636
d_G1	6.776	6.776
d_G2	5.937	5.937
Chi-Square	1,997.401	1,997.401

Source: Data processing with SmartPLS (2021)

The table above shows that the SRMR value has met the criteria. The value of the category must be below 0.090. The value in d_ULS must be above 2, indicating the fit model with the data, and the GFI value must be above 0.900, indicating the size of the model suitability descriptively. The data is acceptable, and fit can be concluded that the Alignment model or relationship criteria between constructs can be tested.

c) Hypothesis Testing

Table 10. Hypothesis Testing Results

Hypothesis	Path	P-Value	Description.
1	IT Utilization → LKPD Quality	0,008	H$_a$ accepted
2	HR Capacity → LKPD Quality	0,291	H$_a$ rejected
3	Internal Control System → LKPD Quality	0,000	H$_a$ accepted

Source: Data processing with SmartPLS (2021)

The table above shows that the utilization of information technology and internal control systems partially affect the quality of LKPD. At the same time, the capacity of human resources does not affect the quality of human resources.

d) Moderating Test

Table 11. Moderating Test Results

Hypothesis	Path	P-Value	Description
4	X1*Z → LKPD Quality	0,406	H$_a$ rejected
5	X2*Z → LKPD Quality	0,840	H$_a$ rejected
6	X3*Z → LKPD Quality	0,036	H$_a$ accepted

Source: Data processing with SmartPLS (2021)

The table above shows that leadership style cannot partially moderate the influence the utilization of IT and human resources capacity on LKPD quality. However, the leadership style can moderate the influence of the internal control system on the quality of the LKPD.

DISCUSSION

The Effect of the Utilization of Information Technology on LKPD Quality

The test results in this study found that the utilization of information technology had a positive and significant influence on the quality of LKPD in the Serdang Bedagai District. The government system is expected to be able to utilize information technology so that it can still meet the demands of development with the times. Information technology processes data, including processing, obtaining, compiling, storing, and manipulating data in various ways to produce quality information. Namely, relevant, accurate, and timely information is used for personal, business, and governance and is strategic information for decision making. Suppose the utilization of information technology is carried out correctly. In that case, preparing financial reports will be carried out more quickly and efficiently so that the quality of financial reports will improve.

The Effect of Human Resources Capacity on LKPD Quality

By the test results in this study, it was found that the capacity of human resources did not significantly affect the quality of LKPD at a significance level of 5%. Good or bad human resource capacity will not affect the quality of the LKPD Serdang Bedagai District. It is because the number of employees with accounting education backgrounds is still small. In addition, the lack of education and training activities for accounting and finance employees in Serdang Bedagai District is also one of the contributing factors. If the human resource capacity has met the appropriate number and educational qualifications to perform work in the presentation of local government financial statements, the quality of local government financial reports will also be better.

The Effect of Internal Control System on LKPD Quality

The test results in this study found that the internal control system had a positive and significant influence on the quality of LKPD in the Serdang Bedagai District. The better the quality of internal control will affect the desire and opportunity to abuse authority, and power is believed to be smaller. So that the integrity of government officials and employees will increase, and in the end, the government's authority in the eyes of the public will be better. If it is associated with the value of information, the cause of the unreliability of financial statements is a

problem related to internal government control. Suppose the internal control system can be implemented properly. In that case, all activities in the context of implementing and managing regional finances will run well to provide accountability reports in the form of quality financial reports (Rahmadani, 2015).

Leadership Style in Moderating the Effect of the Utilization of IT on LKPD Quality

The test results in this study found that leadership style could not moderate the effect of the utilization of IT on the quality of LKPD in Serdang Bedagai District. It is none other because the leadership style possessed by the leaders in Serdang Bedagai District has not shown a good leadership style. A leader can be said to have a good leadership style if he can direct, influence, encourage and control his subordinates to work on his consciousness to achieve a certain goal. Of course, a good leadership style will encourage employees (subordinates) to further use information technology in preparing local government financial reports. The figure of a good leader will be more effective in supervising and controlling his subordinates so that the leader can provide direct direction so that his subordinates can better utilize the IT in completing their tasks.

Leadership Style in Moderating the Effect of Human Resources Capacity on LKPD Quality

The test results in this study found that leadership style could not moderate the influence of human resource capacity on the quality of LKPD in the Serdang Bedagai District. Every leader in carrying out his leadership certainly has a way and style. The leader has unique traits, habits, temperament, character and personality, so his behaviour and style distinguish him from others. The failure or success of the subordinates in carrying out their work shows the failure or success of the leader

himself. Thus, with a good leadership style, the capacity of human resources will be better utilized to improve the quality of the financial reports produced. However, because the leadership style possessed by the leadership in Serdang Bedagai District has not been maximized, this is what causes the results in this study to show that leadership style cannot moderate the influence of human resources capacity on the quality of LKPD.

Leadership Style in Moderating the Effect of Internal Control System on LKPD Quality

By the test results in this study, it was found that the leadership style was able to moderate the influence of the internal control system on the quality of LKPD in the Serdang Bedagai District. The results obtained in this study align with the theory of organizational change. It explains that to achieve success in managing organizational change, local governments must lead to capacity building, which in this case is a good leadership style so that leaders can be more effective in creating a more adaptive and flexible organization.

CONCLUSION

The results of this study provide several conclusions that can be drawn based on the discussion of the problems that have been carried out. The following are the conclusions that the author has summarized in this study:

1. The utilization of information technology has a positive and significant effect on the quality of LKPD in the Serdang Bedagai District.
2. Human resource capacity has no significant effect on the quality of LKPD in Serdang Bedagai District at the 5% significance level.
3. The Internal Control System has a positive and significant effect on the Quality of LKPD in Serdang Bedagai District.

4. The leadership style cannot moderate the influence of the utilization of IT on the quality of LKPD in the Serdang Bedagai District.
5. The leadership style cannot moderate the influence of human resource capacity on the quality of LKPD in the Serdang Bedagai District.
6. The leadership style can moderate the influence of the internal control system on the quality of LKPD in the Serdang Bedagai District.

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