

Accounting Information Systems, The Quality of Financial Statements and Internal Control Systems as a Moderation Variable

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Abstract:

This study aims to determine the effect of Accounting Information Systems on the quality of Financial Statements in moderation by the Internal Control System. The population in this study is the entire SKPD in Denpasar City Government. Sample determination is done by Purposive sampling method. This study used primary data. Respondents in this study amounted to 83 respondents. The method of data analysis used is Moderated Regression Analysis. The results showed that Accounting Information Systems have a positive effect on the quality of financial statements but the Internal Control System is moderate the influence of Accounting Information Systems on the quality of financial statements

Keywords: Accounting Information System; Internal Control System; Quality Of Financial Statements

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INTRODUCTION

The Local Government Financial Report (LKPD) is annually audited and obtained an assessment opinion in the form of an opinion from the Financial Supervisory Agency (BPK). BPK can provide four types of opinions on government financial statements. The first opinion is reasonable without exception, the second opinion is reasonable with exception (WDP), the third opinion is not reasonable, the fourth opinion is not to give an opinion (TMP). One of the factors that can support the financial statements presented can be qualified is the Accounting Information System. One of the characteristics of a good Accounting Information System is that the system has been spared from problems such as errors in software and malfunctioning equipment. These threats tend to continue to grow and potentially damage or even destroy the Accounting Information System as a whole, therefore it is necessary to protect the Accounting Information System called the Internal Control System (Lestari et al., 2022). This study aims to determine the effect of Accounting Information Systems on the quality of Financial Statements in moderation by the Internal Control System. Research results (Abbas et al., 2022) states that Accounting Information System Variables and Internal control systems have a positive and significant effect on the quality of financial statements. The results of this study are consistent with the results of research (Ghanem & Al-Shammari, 2024), which concluded

that Accounting Information Systems have a strong influence and relationship to the quality of Financial Statements, and also the results of research simultaneously Accounting Information System variables affect the quality of Local Government Financial Statements (Paniran, 2020)

The effectiveness of the Accounting Information System (AIS) in improving the quality of financial reporting cannot be separated from the presence of a strong Internal Control System. Internal control serves as a mechanism that ensures procedures within the AIS are carried out in accordance with established standards and are not subject to misuse. Internal control components—such as segregation of duties, authorization systems, internal audits, and monitoring—are capable of moderating the relationship between AIS and the quality of financial statements. Without adequate internal control, AIS may be vulnerable to weaknesses such as data manipulation, reporting errors, or policy violations. Therefore, this study is important to examine how AIS influences the quality of financial reporting and to what extent internal control systems can strengthen or weaken that influence within a specific organizational context. Research results (Langwo & Syahdan, n.d.) states that the Internal Control System is able to moderate the Accounting Information System on the quality of financial statements (Atharrizka et al., 2021).

LITERATURE REVIEWS

1. Accounting Information Systems

An Accounting Information System (AIS) is an information technology-based system designed to collect, record, store, process, and present financial information and other relevant data to support decision-making by management and stakeholders. AIS comprises various components including hardware, software, procedures, databases, and human resources that work together to generate accurate, relevant, and timely financial reports. The system aims to ensure that transactions are recorded systematically and are auditable, while also facilitating internal controls and compliance with accounting standards (Putri & Maghfiroh, 2022).

Beyond being a mere recording tool, AIS plays a strategic role in supporting organizational efficiency and transparency. It assists management in planning, controlling, and evaluating financial activities by providing reliable information. With the increasing complexity of business environments and regulatory demands, the effective implementation of AIS is essential for maintaining the integrity of financial reporting and preventing errors and fraud. Therefore, AIS is not only a technical component of an organization but also an integral part of governance systems and data-driven decision-making processes (Paniran, 2020).

2. The Quality of Financial Statements

The quality of financial statements refers to the extent to which the information presented in the financial statements is reliable, relevant, understandable, and comparable by users in making economic decisions. According to (Jonas & Blanchet, 2000), The quality of financial reporting reflects the extent to which financial statements show the true economic condition of a company. High-quality financial statements are able to provide an accurate picture of the company's financial position, performance, and cash flow without any distortion or deliberate manipulation by management. In other words, financial statements should reflect the economic substance behind transactions, not just their formal form (Indrayani & Widiastuti, 2020).

Dechow & Dichev (2002) added that the quality of financial statements is largely determined by the quality of accruals, namely the ability of accounting earnings to reflect actual cash flows. If accruals can accurately predict future cash flows, then the financial statements are considered to be of good quality. This quality is also closely related to the proper application of accounting principles, strong internal controls, and the independence of external auditors. With high quality financial statements, the risk of asymmetric information can be minimised and investor confidence in company management can be increased.

3. Internal Control Systems

Internal control systems refer to the policies and procedures designed and implemented by management to provide reasonable assurance in achieving organizational objectives, particularly in relation to the reliability of financial reporting, compliance with regulations, and the effectiveness and efficiency of operations. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), internal control is a process influenced by the entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of three main objectives: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations (Hidayat & Ardhani, 2022).

Effective internal control encompasses various components, such as the control environment, risk assessment, control activities, information and communication, and monitoring. This system plays a crucial role in detecting and preventing errors or fraud, as well as ensuring that business processes operate in accordance with established policies. Furthermore, internal control serves as a critical foundation for maintaining the integrity of financial statements and strengthening overall corporate governance (Yulianti et al., 2024).

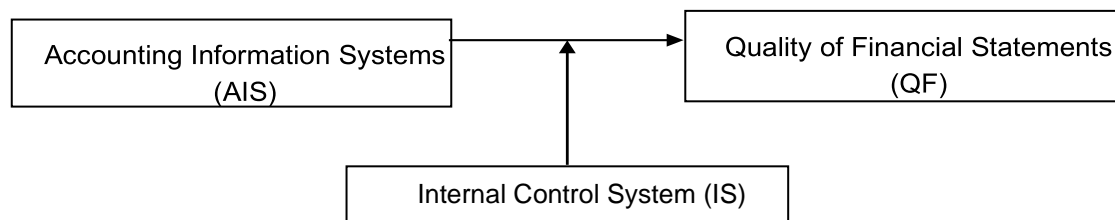


Figure 1. Conceptual Framework

Hypothesis Development

a. Accounting Information Systems have a positive effect on the quality of financial statements

Accounting Information System is an important information system for an entity/company. Accounting Information Systems are resources such as people and equipment in the Planning, Development and implementation of information systems that transform financial data or other useful data to achieve relevant and reliable information. The use of Accounting Information Systems will bring benefits such as improving the quality of financial statements, better decision-making processes, therefore Accounting Information Systems have a positive relationship with the quality of financial statements. This is in line with compliance theory; there is a relationship between the use of

information systems and the quality of Local Government Financial Statements, where in the application of the Information System, employees must comply with existing regulations so that there is no violation of the use of information systems (Goo & Lamawitak, 2021). Research conducted by Putri & Maghfiroh (2022)) stated that the implementation of an Accounting Information System has a positive effect on the quality of the LKPD on SKPD Banda Aceh City. The same research conducted by (Lestari et al., 2022) stated that SIA has a significant effect on the accuracy of Local Government Financial Reporting. Therefore, the hypothesis of the study is:

H₁: Accounting Information Systems have a positive effect on the quality of financial statements

b. Internal Control Ssystem Moderates The Influence of Accounting Information System on the Quality of Financial Statements.

In this case the Internal Control System variables are expected to moderate the relationship between Accounting Information Systems with the quality of financial statements. This is in line with the agency theory where in a financial report, the government that acts as an agent has an obligation to disclose information that is useful for every user of financial information and also the community that acts as a principal to evaluate accountability and make decisions, both political, social, and economic decisions, either directly or indirectly using its representatives (Hidayat & Ardhani, 2022) ; (Atharrizka et al., 2021; Rizki et al., 2025). The hypothesis of this study is:

H₂: Internal control system moderates the influence of Accounting Information System on the quality of financial statements.

RESEARCH METHODOLOGY

In this study the population is the entire SKPD in Denpasar City Government totaling 33 SKPD. The sampling technique in this study is Purposive sampling. Purposive sampling is a sampling technique by determining certain criteria (Sugiyono, 2018). The criteria for determining the sample in this study is that respondents have positions such as head of agency/office, secretary, and head of sub-division of Finance in all SKPD in Denpasar City Government. Regression analysis used in this study is Moderated Regression Analysis. Here is the regression equation used in this study :

$$QF = a + b_1 AIS + e \quad (1)$$

$$QF = a + b_1 AIS + b_2 Z + e \quad (2)$$

$$QF = a + b_1 AIS + b_2 Z + b_3 AIS * Z + e \quad (3)$$

RESULTS AND DISCUSSION

Table 1. Statistic Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
AIS	83	36	48	42,38	4,92
QF	83	24	32	28,02	2,86
Z	83	24	32	28,74	3,46

Source: Research Data, 2023

Based on the descriptive test results above, the distribution of data in this study are : 1) the variable AIS can be described that the minimum value is 36, while the maximum value of 48, means there is a tendency of the average value close to the maximum value. This means that the application of Accounting Information Systems has been implemented properly. 2) The Variable QF can be described that the minimum value is 24, while the maximum value of 32, means there is a tendency of the average value close to the maximum value. This means that the Internal Control System has been implemented properly. 3) The variable IS can be described that the minimum value is 24, meaning there is a tendency of the average value close to the maximum value. This means that the financial statements presented have been qualified.

Table 1
Regression Results Equation 1

Coefficients						
Model		B	Std. Error	Standardized Coefficients	t	Sig.
1	Constant	0.883	2.656		3.321	.000
	AIS	0.235	2.556	.994	2.146	.030
Dependent Variabel : QF						

Dependent Variabel : QF

(Source: Data processed, 2023)

Table 2
Regression Results Equation 2

Coefficients						
Model		B	Std. Error	Standardized Coefficients	t	Sig.
1	Constant	2.325	2.342		2.009	.035
	AIS	.315	2.005	1.157	2.123	.033
	Z	.104	2.908	1.344	2.289	.025

a. Dependent Variable : QF

Tabel 3
Regression Results Equation 3

Coefficients						
Model		B	Std. Error	Standardized Coefficients	t	Sig.
1	Constant	2.325	2.542		2.119	.040
	AIS	1.045	3.105	1.137	2.123	.039
	AIS*Z	1.023	2.112	1.165	2.245	.026
	Z	1.004	1.908	1.644	2.189	.038

a. Dependent Variable : FRQ

(Source: Data processed, 2023)

Based on Table 1, it can be seen that the Accounting Information System has a significance value of 0,030. Based on Table 2 then the Accounting Information System has a significance value of 0,033, then the Internal Control System (Z) has a significance value of 0,025. Based on Table 3 , it can be seen that the Accounting Information System has a significance value of 0,039, then the Internal Control System (Z) has a significance value of 0,038 and the value of the interaction variable between the Accounting

Information System and the Internal Control System has a significance value of 0.026.

The Accounting Information System (AIS) plays a crucial role in enhancing the quality of financial statements, as it integrates the processes of recording, processing, and reporting financial data in a systematic and accurate manner. With an effective AIS, financial data can be collected in real time and processed consistently, thereby reducing the potential for human error and improving the reliability and timeliness of reporting. A well-functioning AIS enables management and auditors to obtain relevant, accurate, and complete information for economic decision-making and for meeting applicable financial reporting standards (Ghanem & Al-Shammari, 2024).

Furthermore, an AIS designed with adequate internal control mechanisms can minimize the risk of fraud and manipulation of financial data. The system supports automated validation and verification of transactions, which contributes to increased transparency and accountability in the reporting process. In other words, AIS not only promotes operational efficiency but also strengthens the substantive quality of financial statements by enhancing their accuracy, relevance, and reliability, ultimately increasing stakeholders' trust in the financial information presented by the company. The results of this study are consistent with the results of research (Indrayani & Widiastuti, 2020) which concluded that Accounting Information Systems have a strong influence and relationship to the quality of Financial Statements, and also the results of research conducted by (Chairina & Wehartaty, 2019) simultaneously Accounting Information System variables affect the quality of Local Government Financial Statements.

The Accounting Information System (AIS) plays a significant role in enhancing the quality of financial statements, as it enables accurate, real-time recording and reporting processes in accordance with generally accepted accounting principles. AIS facilitates systematic data processing, accelerates financial reporting, and reduces recording errors. However, the effectiveness of AIS in producing high-quality financial reports greatly depends on the strength of the company's Internal Control System. Without adequate internal controls, the output quality of AIS may still be compromised by manipulation, negligence, or fraud (Rizki et al., 2025).

The internal control system functions as a moderating mechanism that strengthens the relationship between AIS and financial statement quality. When internal controls are properly implemented—such as authorization procedures, segregation of duties, and internal audits—the reliability of data processed through AIS can be ensured. In other words, the internal control system serves as a safeguard to ensure that AIS operates as intended and is not misused. Therefore, although AIS is a fundamental tool in financial reporting, the presence of an effective internal control system becomes a critical determinant of its success in generating accurate, reliable, and trustworthy financial information for users. Research results Atharrizka et al., (2021) states that the Internal Control System is able to moderate the Accounting Information System on the quality of financial statements. This study aims to determine the effect of Accounting Information Systems on the quality of Financial Statements in moderation by the Internal Control System.

CONCLUSION

Based on the results of the analysis and discussion that has been presented it was concluded that the Accounting Information System has a positive effect on the quality of financial statements, which means that the better the Accounting Information System in Denpasar City Government, the financial statements produced in Denpasar City Government are more qualified. The Internal control system is moderate the influence of Accounting Information Systems on the quality of financial statements, which means that accounting information systems in a company have been applied.

Suggestions based on the conclusion, the researcher can provide suggestions so that researchers can further increase the use of other variables other than the independent variables that have been used in this study, This is considering future research may highlight how the design and implementation of internal control mechanisms—such as internal audits—serve as strengthening factors (moderators) in ensuring that the Accounting Information System (AIS) operates optimally. The study may also explore the specific challenges faced by local governments, such as limited human resources and bureaucratic culture, which can influence the relationship between AIS and the quality of financial reporting. Thus, the findings of such research could provide practical contributions to the improvement of regional financial reporting systems and support the enhancement of public financial governance within the Denpasar City Government.

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