

Measurement of Factors Influencing Village Financial Statements Quality

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ABSTRACT

Village finance is in the spotlight of the Republic Indonesia government, where there are many problems with village finance, from budgeting to financial reporting. This cannot be separated from the large disbursement of village funds from the central government to improve village welfare. This study aims to analyze the impact of competency factors, internal controls, and accounting information systems factors on the quality of village financial statements. With a population of 227 villages, this study collected samples from 138 villages through simple random sampling. The data that has been collected is then measured by Structural Equation Modeling – Partial Least Square with an alpha of 5%. The results show that the competencies have a positive significant effect on the quality of village financial statements. Likewise, internal control and accounting systems each positively affect the quality of village financial statements. This research has implications for local governments to increase training for village apparatus, expand internal control socialization and improve infrastructure related to computers and internet networks.

ABSTRAK

Pengelolaan keuangan desa menjadi sorotan pemerintah Republik Indonesia, dimana terdapat banyak permasalahan pengelolaan keuangan desa sejak dari penyusunan anggaran, pelaporan keuangan. Hal ini tidak lepas dari kurangnya dana desa yang begitu besar dari pemerintah pusat untuk meningkatkan kesejahteraan desa. Analisis penelitian ini bertujuan untuk mengetahui apakah terdapat pengaruh faktor kompetensi, pengendalian intern dan sistem informasi akuntansi pada kualitas laporan keuangan desa. Dengan populasi sebanyak 227 desa kami mendapatkan sampel dari 138 desa yang diambil melalui simple random sampling. Data yang sudah dikumpulkan kemudian diukur dengan Struktural Equation Modeling – Partial Least Square dengan alpha 5%. Hasil menunjukkan bahwa variabel kompetensi memberikan pengaruh secara positif signifikan terhadap kualitas laporan keuangan desa. Demikian juga variabel pengendalian intern dan sistem akuntansi masing masing memberi pengaruh positif dan signifikan pada kualitas laporan keuangan desa. Implikasi dari penelitian bagi pemerintah khususnya pemerintah daerah untuk menambah pelatihan kepada aparatur desa, memperluas sosialisasi pengendalian intern serta meningkatkan infrastruktur terkait computer dan jaringan internet.

1. INTRODUCTION

In Indonesia, villages have a big impact on realizing the goal of independence based on the state's basis of Pancasila and the 1945 Constitution. This is in line with Act number 32/2004 on Local Government, which states that a village is a combination of community members who have territorial boundaries and can manage the interests of their community based on traditional customs and rights recognized in the Indonesian government. Thus, to realize the village governance function, the government at the village level is required to carry out financial management, starting from planning to reporting and accountability.

Based on Minister of Home Affairs Regulation number 20/2018 on Village Financial Management, village finance is the entire unity of village rights and obligations that are parallel related to goods and money and its implementation and obligations of the village. Therefore, independence and supervision of potential

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resources for village financial and asset management are needed (Rivan & Maksum, 2019). Village finance or village revenue and expenditure budget includes financial management starting from the beginning of January to the end of December. Village finance consists of village income and expenditures, where the income consists of the original village income, transfers such as village fund transfers from the central government, and other income. Each head of the village should report the village's financial statements to the regent or mayor during every period of implementation of the regional budget. The quality of financial statements should be based on openness, accountability, and participation principles.

To obtain quality village financial statements, a series of supporting accounting systems are needed because technological developments have an impact on human survival and business activities (Fitriati & Mulyani, 2020). The government has created a village financial system (Budiati et al., 2020; Bela & Utama, 2019; Puspasari & Purnama, 2018; Arfiansyah, 2020) to assist with bookkeeping and financial management in villages (Pratiwi & Pravasanti, 2020) and to minimize the risk of unwanted fraud (Sulina et al., 2017). In the operation of this accounting system, one factor that becomes a challenge is the role of human resources. Competence is an essential factor for human resources, and it consists of knowledge and experience obtained from attending training, seminars, or relevant events. According to Boner and Walker (1994) in Wungow et al. (2016), besides the accounting system and human resource competence, internal control is also important in producing a village's quality financial statements. A weak internal control can stem from a system that cannot be run effectively due to limited user knowledge, which provides an opportunity for village financial irregularities and corruption. According to *pendampingdesa.com* (2021), there are several obstacles to producing quality village financial statements. In terms of competence, there are a limited number of village apparatuses who have adequate competence in financial management and rely heavily on apparatus that master IT. Apparatus and the village's heads lack knowledge about the importance of financial transparency. In addition, the challenges in internal control include a lack of skill in the preparation of accountability, abuse in financial management, limited supervision, and monitoring and evaluation by the central and local governments (*pendampingdesa.com*, 2024).

In regard to village financial management, the results of the 2021 financial audit agency's inspection found several problems, including the validation of the distribution of village fund assistance that was not its intended purpose (*www.bpk.go.id*, 2022). For example, in Seluma Regency, the Inspectorate found administrative errors and irregularities in village finance. Likewise, the head of the West Aceh Inspectorate said that the findings of alleged misappropriation of village funds based on the Audit Results Report (LHP) up to May 2023 in the area reached IDR 2.7 billion (*aceh.antaranews.com*, 2023). Alamsyah (2019) reported that in 2019, there were 46 incidents of village fund misappropriation and 271 cases of corruption, leading to a total loss of Rp32.3 billion. The deputy for corruption prevention of the Corruption Eradication Commission (KPK) mentioned that since the distribution of village funds, the Ministry of Village has only focused on distributing funds, even though what is important is accountability, even though there is an accounting system (diskettes), but it has not been used optimally. The cause of poor quality village financial statements is that control or supervision has not been maximized. In North Sulawesi Province, in 2020, village funds of IDR 1.2 trillion were received to finance 1507 villages, and the largest allocation of funds was given to the Minahasa Regency with 227 villages. However, according to Murphy Kuhu (Coordinator of the Development Program), the absorption of village community and innovation funds in North Sulawesi province was still not optimal. The same thing was conveyed by Beligan Sembiring, a representative of the Financial and Development Supervision Agency of North Sulawesi Province, who said that there was still a lack of capability or apparatus competencies and the complexity of financial transactions resulting in not timely village financial administration (*finance.detik.com*, 2019).

Previous research on public sector financial management has studied accounting information systems, apparatus competence, and internal recognition, yet they found different results. Wahyudi et al. (2019) revealed that the application of the accounting system in the village that involves the community in preparing the budget will have a good impact on the performance of the village government. Likewise, apparatus competencies or human resources can affect a village's financial performance (Akhmad, 2018; Fitria & Wibisono, 2019; Umaira & Adnan, 2019). Another study related to public finance was conducted by Rangkuti (2017), which suggested that quality financial statements are affected by the employee competence of the implementers and the implementation of internal control. Research results by Fitrios (2016) showed that the implementation of accounting systems affects financial statements. These results are different from Setyawan (2018) and Rangkuti (2017), who found that accounting systems have no impact on the quality of

financial statements. The results of Pratiwi and Pravasanti's (2020) research indicated that financial systems affect the accountability of village financial management, while internal control can affect the quality of village financial management. Different results were suggested by Trisnadewi et al. (2020), where human resource training programs hurt village financial statements.

The results of research conducted by Mulyani and Nagara (2019) stated that the quality of government financial statements for both regional and village governments is quite good when seen from their conformity with government accounting standards. However, they do not provide comprehensive information for the basis of decision-making. Research on the quality of financial reporting was also conducted by Gu et al. (2012) and Francis et al. (2015). The focus of this research is on determining factors that produce quality (village) financial reporting, including internal control systems, accounting information systems, and competence. Research by Dhaliwal et al. (2011) found that an internal control system can improve the quality of financial reporting and increase investor confidence. Different results from research by Yu and Tian (2009) showed that internal control cannot increase the efficiency of resource allocation. The use of a financial system has an impact on the quality of financial statements, as in the research results of Alhiyari et al. (2013) and Zare (2012), which showed that the accounting system has a significant effect on the quality of government (village) financial statements. Other research regarding the quality of accounting systems in local governments still found mixed results. Research conducted by Erjon (2014) in Albania found that the quality of human resources influences the quality of financial information. In contrast, Binh (2022) proved that information systems are unreliable in terms of the quality of financial statements and decision-making.

This current research is important because of the many problems found in the village's financial management and inconsistencies in previous research results. Therefore, this study wants to fill the gap in previous research and make a new contribution to the literature by examining how quality village financial statements are associated with the application of accounting systems. The novelty of this research is that it raises accounting information system indicators related to the quality of village financial statements. It is bearing in mind that there is still a need for research that specifically examines the factors that influence the quality of village financial statements, this study seeks to find out what strategies can be implemented to improve the quality of village financial statements and how leaders can make good decisions on existing financial statements. More specifically, this research aims to test and analyze the factors that influence the quality of village financial statements, namely the accounting information system, government internal control system, and apparatus competence. This study utilizes Partial Least Square to analyze the data to answer the research question.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

2.1. Agency Theory

In the context of village finance, the agency theory perspective explains that the village government (agent) has a mandate from the community (principal) to manage the village funds. In managing village funds, the village government must create a systematic way to create a village fund management system in accordance with applicable laws and the mandate given by both community and central government (Diansari & Binti, 2023; Rasyid & Yusmita, 2023). Based on agency theory, in which agents, in this case, the government, must provide clear information about village finances to the public and stakeholders as principals. These financial statements are used to assess accountability and for decision-making. This relationship can then be called an agency relationship. Agency theory highlights the duties of the head of villages as the trusted party in the interests of the public community (Triyono & Arfiansyah, 2020). Agents must make good financial statements as a responsibility so those can be used by the public in decision-making (Bawono et al., 2020). Thus, village finance should cover planning until reaching accountability in financial reporting. The heads of villages have the responsibility to convey quality village financial information, including village income and expenses, and share it with the community through all forms of media.

In Minister of Home Affairs Regulation number 113/2014, village financial statements consist of (1) village regulations concerning village revenue and expenditure budget, (2) budget planning, (3) activity assistance cash book and request letter for payment and expenditure accountability, (4) administration (cash book records, tax assistant book records, and bank book records), (5) realization of village income and expenses, (6) accountability regarding the realization of the implementation of village income and expenses, and (7) reporting the wealth of the village.

2.2. Competence and Quality of Village Financial Statements

Competence is key to carrying out the work given to the apparatus, equipping them with good knowledge, experience, and adequate skills in managing village financial receipts and expenditures. Competent human resources in the field of financial management are essential for producing quality financial statements, including dimensions such as knowledge, skills, and attitude. These competencies are crucial for managing finances effectively and producing good governance. By increasing the competence of human resources at the system, institutional, and individual levels, it is expected that financial managers can carry out accounting duties and functions properly, leading to good financial reporting. This, in turn, supports good governance and the overall performance of the organization (Irham, 2022). By increasing human resource competence at the system, institutional, and individual levels, financial managers will be able to carry out accounting duties and functions effectively, thereby leading to good governance (Mustapha, 2018).

The results of other studies showed the same results that the competence of government apparatus (knowledge, skills, attitudes, and experience of government apparatus) affects the quality of financial reporting (Indriasih, 2014; Rangkuti, 2017). Other studies also found that human resources with good competence will have a good influence on financial reporting information (Bawono & Setyadi, 2021; Mardinan et al., 2018). The competence of human resources in question is an integrated physical skill and mindset in a person. The better the capability and competence apparatus, the higher the performance of the village government. The results of Rangkuti's research (2017) indicated that human competence and capability have a significant impact on the quality of financial statements. Conversely, Ulfa et al. (2017) stated that adequate knowledge does not have a significant impact on the perception of financial statement quality. Based on those previous studies, the first hypothesis is proposed below:

H1. Human resource competence affects the quality of financial statements.

2.3. Internal Control and Quality of Village Financial Statements

Internal control is a series of work processes from the leadership/management to achieve organizational goals effectively and efficiently and ensure that the resulting financial statement complies with applicable regulations (Adegboyegun et al., 2020). Internal control is important since it can minimize the occurrence of risks and detect financial risks in village financial management. Minister of Village Regulation number 19/2015, as a guideline for internal control in controlling risks, mentions several essential factors, including control environmental factors, risky task factors, control activity factors, and information and communication (Audela and Kristianti, 2021). Research results by Wibowo (2021) and Mardinan et al. (2018) on local governments in Indonesia showed that to improve the preparation of good financial statements is the competence of resource officers, in addition to other factors such as leadership style and internal control. Regarding the achievement of village government work performance, the results by Chintya (2015) explained that the implementation of good internal control of the government apparatus will improve village government performance. Therefore, the second hypothesis is as follows:

H2. Internal control system affects the quality of financial statements.

2.4. Accounting System and Quality of Village Financial Statements

Accounting information systems can be computer-based systems that function to collect, store, process, and communicate financial and accounting data through financial statements for organizational decision-making processes (Manchilot, 2019). According to Borhan & Bader (2018), accounting information systems are a series of components and resources that process and control data and turn it into information used in decision-making. It is a set of resources (people, tools, financial functions, and so on) that relate and cooperate as a whole to achieve organizational goals. Financial data must be ensured accurate before entering the system and generating financial statements. The entire series of accounting information system processes (data collection, data storage, and data use) must be carried out correctly to obtain quality data.

The results of Rahayu's research (2012) argue that data quality can affect the quality of the reports produced. Results research showed that in addition to competence and internal control, the accounting system is a factor that affects the quality of the resulting financial statements (Bawono et al., 2020) found that in addition to competence and internal control, financial accounting system also affects the quality of the financial report. The same result by Suhendi et al. (2022) and Chairman & Wehartaty (2019), who researched the public sector (ministry and institutions) and showed that the accounting system or financial system can influence the quality of financial statements and organizational performance. In sum, the proposed third

hypothesis is as follows:

H3. Accounting information system affects the quality of financial statements.

3. RESEARCH METHOD

The approach used in the research is quantitative, where the research population taken is the village government of Minahasa Regency, North Sulawesi Province, including 227 villages. This selection is based on the consideration that there are still many problems in managing village funds in Minahasa Regency (bpkp.go.id, 2022). Data collection was carried out from April to May 2023 through survey by questionnaires. The initial steps of research were designing and validating instruments, distributing research instruments to respondents, and returning the analyzed instruments.

The study uses simple random sampling, which chooses the sample randomly, and each member of the population has the same opportunity to be selected. The sample was 138 villages. The survey was conducted via Google form and manually filled out by the village officials, either the head of the villages, the village secretary, or the village treasurer. Interviews were also conducted with reachable village officials to obtain additional data. The respondents filled out the questionnaire by choosing their responses on a 1-5 Likert scale. The questions in the distributed questionnaire were adopted and developed from previous research and adapted to village financial management operations. The instruments for competence and quality of village financial statements were adopted and developed from research by Bawono et al. (2020) and Djafar et al. (2019). An instrument for internal control was adopted and developed from the research by Bawono et al. (2020). Lastly, the accounting information system instrument was adopted and developed from the research of Bawono et al. (2020) and Fitrius et al. (2018).

The collected data is then analyzed using Partial Least Square (PLS). This analysis is used due to its suitability for every type of ordinal, nominal, ratio, and interval data scale (Hair et al., 2019). The recommended minimum sample size for analyzing data using SEM-PLS is 30, which means that it accommodates the number of data in this research. According to Ghazali (2020), a PLS can be used to analyze, measure, and build construction with formative and reflective indicators. The outer model in PLS takes into account the discriminant and convergent validity values. If the score is equal to or greater than 0.7, then it is included in the high category, while if the score is between 0.5-0.6, it is in the sufficient category (Ghozali, 2020). The further analysis will be based on the result of the R-squared and t-test.

4. DATA ANALYSIS AND DISCUSSION

4.1. Descriptive Statistics

The hypothesis of this research was examined based on the data collected from officials working in rural villages in the Minahasa Regency of North Sulawesi Province. Data collection was carried out for two months, from April to May 2023. Of the 138 data, the respondents consist of 72 men and 62 women. Based on their positions, there are 35 heads of village, 58 village secretaries, and 45 finance staff. The last education of respondents was mostly bachelor's (104 respondents), followed by 21 diploma graduates, 10 high school graduates, and 3 masters. Based on the working period, 48 people have worked less than 5 years, while the others have worked for 5-10 years (72 people) and more than 10 years (18 people). A full description is in Table 1.

4.2. Outer Model Test

The model was measured by testing the validity and reliability of the research construct. In Table 2, the validity of the research and reliability constructs are determined based on the loading value, Cronbach's alpha, composite reliability, and average variance extracted (AVE). The variable is valid if the outer loading of each indicator is above 0.5 or better, above 0.7, and also AVE and composite reliability should be above 0.5 and 0.7, respectively. This criterion indicates if the variable tested illustrates that the latent construct created is designed to be measured (Hair et al., 2019). In Table 2, the average loading value is more than 0.5, and composite reliability is more than 0.7. It can be said that both variables and indicators in this study are valid and reliable. The measurement of discriminant validity can also be carried through cross-loading indicators (Hair et al., 2019). Fornell-Larcker (1981) stated that this can also be measured by looking at the correlation relationship between dimensions from the square root of the AVE value. Table 3 shows the root AVE of each latent variable that is bigger than the correlation between latent variables (along the diagonal), which means that the value of the discriminant validity variable is good.

Table 1. Respondent data

	Frequency	Percentage
Gender		
Male	76	55
Female	62	45
Position		
Head of villages	35	25
Village secretary	58	42
Financial staff	45	33
Education		
High school	10	8
Diploma	21	15
Bachelor	104	75
Master degree	3	2
Doctoral Degree	0	0
Working time		
< 5 years	48	35
5-10 years	72	52
> 10 years	18	13

Table 2. Validity test and reliability test

Constructs	Items	Loading Factor	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Human Resources Competence	Knowledge	0.787	0.846	0.896	0.682
	Skills	0.823			
	Attitude	0.866			
Internal Control	Experience	0.825	0.889	0.925	0.713
	Control environment	0.853			
	Risk assessment	0.823			
	Control activity	0.873			
	Information and communication	0.886			
Accounting System	Monitoring	0.783	0.776	0.854	0.595
	Flexible Function	0.815			
	Integration	0.721			
	ease of use	0.712			
Quality of Village Financial Statement	Relevant	0.829	0.847	0.896	0.864
	Reliability	0.869			
	Can be compared	0.840			
	Understandable	0.847			

Table 3. Discriminant validity

Variable	ICE	HRC	IC	QVFS
Accounting information system (AIS)	0.771			
Human resource competency (HRC)	0.580	0.826		
Internal control (IC)	0.619	0.601	0.845	
Quality of Village Financial Statement (QVFS)	0.592	0.608	0.672	0.827

Table 3 shows the root AVE value of each latent variable more than from the correlation relationship between its latent variables (along the diagonal), which means the value of the discriminant validity variable is good.

4.3. Inner Model Test

Two indicators are used to test the inner model, including R-squared and t-statistic values. R-squared value is applied to the structural model to measure the goodness model and measurement estimates. The R-squared ranges from 0-1. The closer to the number 1, the better the research model. The model will be better

Table 4. Hypothesis testing

	Original Sample (O)	Sample Mean (M)	t-statistics (O/STDEV)	p-values	Conclusion on Hypothesis
HRC → QVFS	0.255	0.250	2.445	0.001	Accepted
IC → QVFS	0.395	0.394	3.438	0.000	Accepted
AIS → QVFS	0.200	0.207	5.369	0.000	Accepted

Table 5. Model fit test

	R-Squared	F-Squared
Village Financial Statement Quality	0.535	
Human Resources Competence		0.080
Internal Control		0.179
Accounting Information System		0.047

if the statistical t value is greater than 1.96. The R-squared in this study of 0.535 indicates a fit model for this study.

The hypothesis test found that the competence of human resources (X1) significantly affects the village’s financial statements (t-value 3,438 > 1.65), which means that hypothesis 1 is supported. Then, in hypothesis 2, the latent variable of internal control (X2) significantly affects the quality of village financial statements (t-value 5.269 > 1.65). Test on hypothesis 3 shows support for the statement that the accounting information system (X3) significantly influences the quality of village financial statements (t-value 2.445 > 1.65). The conceptual model of bootstrapping results is in Figure 1.

The first hypothesis shows that a mean sample value of 0.250 obtained a t-statistic value of 3.438 and a p-value of 0.001. These results prove that competencies of apparatus working in financial management (human resources) positively and significantly impact the quality of financial statements produced. The t-value of 3.438 > 1.65 and p-value of 0.001 (smaller than 0.005) proves that the hypothesis is accepted. The direct impact competencies on village financial statement quality is 0.255 or 25.5%.

The results of the second hypothesis with a mean sample value of 0.394, a t-statistic value of 5.269, and a p-value of 0.000. These results indicate that the internal controls that are applied have a positive and significant impact on the quality of village financial statements. The t-value of 5,269 > 1.65 (t-table) and the p-value of 0.000 < 0.005 means the second hypothesis can be accepted. The direct impact of the implementation of internal control on the quality of financial statements is 0.395 or 39.5%.

Results of hypothesis three with a mean sample value of 0.207, t-statistic 2.445, and p-value 0.000. These results indicate that the accounting system has a positive impact and is significant to the results of quality village financial statements. The t-value of 2.445 > 1.65 and the p-value of 0.000 > 0.005 proves that this hypothesis is accepted. The direct impact of the accounting system on the quality of village financial statements is 0.20 or 20%.

The test on H1 found support, which means that competence affects the quality of the village financial statements. In more detail, the test results show that the human resource competence variable with indicators of knowledge, skills, attitudes, and experience shows that each indicator has a loading factor value above 0.7. However, the knowledge indicator has the smallest value, namely 0.787. These results indicate that the village officials’ knowledge of village financial management needs to be improved. Village officials who lack knowledge and skills regarding their field of work will experience difficulties and delays in creating village financial administration.

The better the knowledge of officials, such as formal education, training, skills in preparing financial statements, honest attitude, discipline, responsibility, and experience, the more timely, relevant, and reliable the financial statements will be. This result is in line with the research by Indriasih (2014) and Rangkuti (2017) found that human resources competencies have a positive impact on financial reporting information. This finding also supports Bawono et al. (2020), who found that human resources competencies have a positive impact on village financial statements.

These results differ from Ulfa et al. (2017), Khotimah et al. (2021), and Anisah and Falikhatun (2021), which showed that competencies of human resources do not affect village financial statements quality.

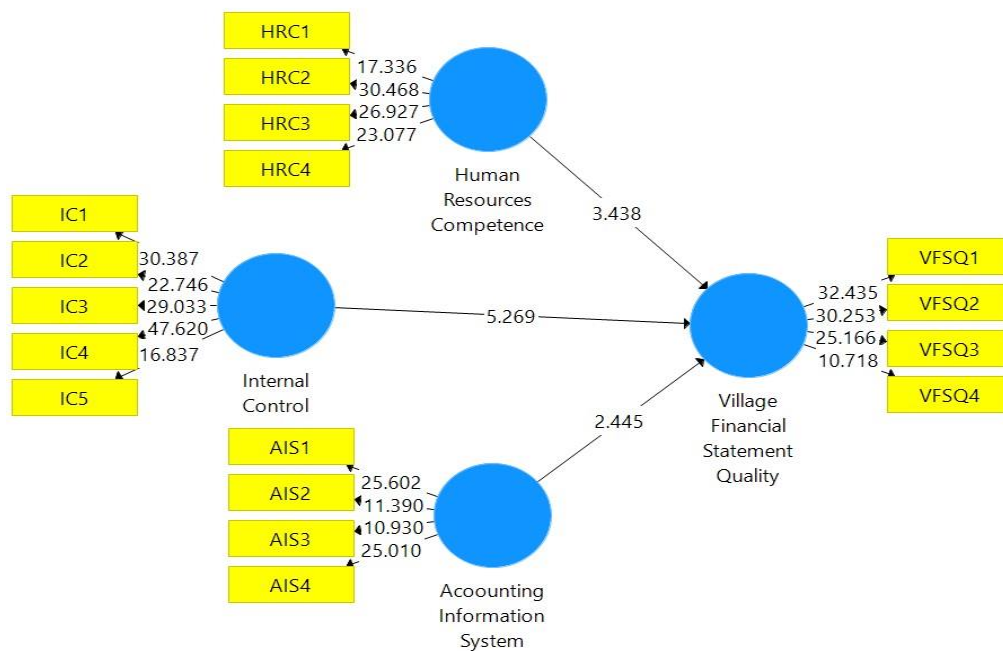


Figure 1. Bootstrapping results

From the results of interviews with several officials working in the village, it is known that human resources competence is needed in financial reporting. The factors causing the lack of competence are the lack of learning that has been done, the lack of experience gained, and the lack of interest in increasing knowledge and ability in conducting financial reporting. This opinion is to the findings from Fitria & Wibisono (2019) and Hakim & Rangkuti (2022) that the higher quality of village government apparatus resources will increase the performance of village government (Fitri & Wibisono, 2019; Hakim & Rangkuti, 2022).

The result of the H2 test shows that the internal control variable is supported to correlate with the village's financial statement quality. Internal control variables use five indicators from COSO, namely control environment, risk assessment, control activities, information and communication, and monitoring. The results show that all indicators of this variable have a loading factor above 0.7, meaning that each indicator contributes to the internal control variable. However, the results show the lowest loading value, namely the monitoring indicator. Monitoring requires a higher leadership role, which directly monitors the activities of the apparatus in managing finances at the village office. Therefore, effective supervision of village financial management needs to be improved in order to reduce the opportunity for fraudulent practices to occur in village financial management.

Another indicator is the control environment, where a good village structure makes it easier to delegate authority and responsibility to officials to be more precise and directed. Risk assessment indicators are where village government goals must be specific, measurable, and realistic and can be communicated to the entire community and stakeholders in the form of a clear and accessible vision and mission. The next indicator is control activities, namely the separation of functions, authority, and responsibilities of the apparatus, which can be seen in the organizational structure. Information and communication indicators, where everything related to the budget or income or village activities must be communicated transparently to the community.

Internal control is an important component for mitigating the risk of misuse of village finances. A good internal control system for government officials will increase the performance of the village government (Chintya, 2015). Previous research by Pratiwi and Pravasanti (2020). Trisnadewi et al. (2020) and Arfiansyah (2020) found that internal control has an important role in accountability for village financial management. Then Audela and Kristianti (2021), using a qualitative method approach with indicators according to regulations from the Indonesian village minister, found that internal control had been implemented quite effectively. This study uses five indicators from COSO, namely the control environment and the village organizational structure, which must be adjusted according to needs. A good structure facilitates the

delegation of authority and responsibility for officials to be more precise and directed. Indicator risk assessment is when the goals of the village government are specific, measurable, and realistic and can be communicated to all communities and stakeholders in the form of a clear vision and mission that can be accessed. The next indicator is controlled activity, namely the separation of functions, authorities, and responsibilities of the apparatus, which can be seen through its organizational structure. Fourth, namely information and communication, where everything related to the budget or income or village activities should be communicated transparently to the community. The last indicator is that monitoring is implemented with the role of the head of villages in direct monitoring of apparatus activities in managing finances at the village office. The results of this study are in line with previous studies, which found that implementing good internal control would increase village financial accountability (Ratna S & Muslim M, 2021; Audela & Kristianti, 2021; Khotimah et al (2021), Winarsih (2021), and Hisanah et al. (2022).

The last hypothesis, H3, is also supported by the result of the analysis. In other words, accounting information system has an impact on the quality of financial statements. Accounting information systems are measured by indicators of flexibility, function, function, and ease of use. The results show that this indicator has a loading factor value of more than 0.7. However, the integration indicator has the lowest value. Integration indicators that must be improved include integration between the components of the village accounting system, data integration, and compatibility of the accounting system with other systems. One part of the accounting system is valid input data because it will affect the accounting system, namely the quality of financial statements (Rahayu, 2012; Hisar et al., 2022). Data input through the village accounting system (Siskeudes) must reflect the actual situation.

The results of the research found by previous researchers that several factors influence the performance of village government, including the implementation of a village financial accounting system, community accountability, and involvement in budget preparation (Wahyudi et al., 2019). This research provides input that the use of accounting information technology influences the quality of the accounting information produced (Musthofa et al., 2022). The same thing was also expressed by Nisa et al. (2022), who stated that the implementation of the village accounting system would have an impact on the quality of village financial statements produced both directly and indirectly through transparency as a mediating variable.

The application of financial information technology can reduce errors and data processing errors. System technology is very helpful in producing a financial report so that the performance of the apparatus will be better. Knowledge and understanding of the use of accounting system technology by village government officials and the use of information technology can improve village government performance. This application accounting information system or village financial system is an accounting system that helps the government produce quality village financial statements (Arfiansyah, 2020; Bela & Utama, 2019; Budiati et al., 2020).

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This research aims to analyze factors that influence the quality of village financial statements. The results of the research show that to improve the quality of village financial statements, the factors that must be improved are human resource competence and prioritizing increasing the knowledge of officials regarding village financial management. Then, related to internal control, monitoring from planning to financial reporting needs to be improved to obtain quality financial statements. Besides that, the accounting system will also improve the quality of village financial statements, especially regarding indicators of integration between the components of the village accounting system, data integration, and suitability of the accounting system compared to other systems. The better the competence, internal control, and accounting system, the better the quality of the village financial statements produced.

Furthermore, this research provides practical implications for the Minahasa Regency government that the competence of human resources in village financial management, namely heads of village, village secretaries, and financial staff, can be further improved through education and training or short courses in financial management or village accounting training and computer use. Thus, internal control must be maximally socialized to stakeholders, both village officials and financial supervisors, so that internal control is carried out thoroughly and in accordance with applicable regulations. The accounting system must be integrated between the user (apparatus) and the hardware. Therefore, it must be equipped with adequate facilities such as an internet network and other supporting infrastructure. The theoretical implications of the

results of this research prove agency theory empirically that the principal (village community) is obliged to monitor the performance of the agent (village government) in order to minimize the occurrence of deviations in practice so as to increase accountability and transparency in village financial management.

The limitation of this research is that only 53.5% of the independent variables are able to explain the dependent variable, and 46.5% are explained by other external variables that were not studied. For this reason, future researchers are expected to be able to add other variables related to the theme of village financial management. Likewise, future researchers are advised to research with a larger sample, namely villages in several districts or provinces in Indonesia, to maximize the generalization area. Additionally, future researchers are advised to explore previous research that discusses village financial management using a critical paradigm so that they can compare the previous research results to current findings.

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Questionnaire Attachment

Instructions: Put a mark on the answer that you feel is most appropriate.

1= Strongly Approve. 2= Approve. 3= Undecided. 4= Disapprove. 5= Strongly Disapprove

No	Question	Answer				
		1	2	3	4	5
Human Resources Competence						
	Knowledge					
1.	The working apparatus has sufficient background knowledge in accounting education or an appropriate educational background					
2.	The working apparatus understands and can run the village accounting system application well					
3.	Officials who work understand the village financial management guidelines under Minister of Home Affairs regulation number 20 of 2018					
	Skill					
1.	The working apparatus can make notes or documentation for each transaction correctly					
2.	Village officials are skilled and able to manage village fund allocations using Microsoft Excel					
3.	Working officials can prepare complete financial statements based on Government Accounting Standards					
	Attitude					
1.	Village officials have a social attitude and responsibility in the interests of the community					
2.	Do officials have the will to develop themselves and learn continuously?					
3.	The apparatus at work always prioritizes ethics and code of conduct as an employee					
	Experience					
1.	Village officials have experience attending technical training to improve their ability to prepare financial statements held in districts and sub-districts					
2.	Village officials have work experience in bookkeeping before becoming employees at the village office					
3.	Work experience helps me complete tasks effectively and efficiently					
Internal Control						
	Control environment					
1	The employee recruitment process has been carried out according to the applicable process to obtain competent employees					
2	The village has a clear organizational structure that reflects duties and authority to achieve agency goals					
3	There are personnel policies and procedures to increase human resources who are honest and responsible for their duties					
4	The village has good integrity and ethical values in achieving agency goals					
	Risk assessment					
1.	Villages have clear organizational objectives to enable the identification of risks					

No	Question	Answer				
		1	2	3	4	5
2.	Apparatus can identify significant changes that can affect the village's internal control system					
3.	The village government involves community leaders in village meetings to discuss village financial planning					
	Control activity					
1.	There is an independent audit of the implementation of activities in managing Village funds					
2.	Monitoring is carried out periodically to minimize undesirable things					
3.	There is a clear separation between the authority and responsibility of village officials					
	Information and communication					
1.	There is good communication between the heads of villages and all village officials					
2.	Information has been presented in the form of financial statements					
3.	Before carrying out activities, always inform the authorities through village meetings or social media groups					
4.	Communication has been carried out openly and effectively between activity implementers and the village government					
	Monitoring					
1.	Immediate follow-up to the results of the findings/review and suggestions provided by the Inspectorate					
2.	Is there always a follow-up to every finding/review and suggestion given by the Inspectorate?					
3.	The community participates in monitoring by requesting information related to the Village Revenue and Expenditure Budget					
4.	The community participates in monitoring projects carried out using village funds					
	Accounting System					
	Flexible					
1.	Data management uses software that complies with statutory regulations					
2.	At work, I have software or applications to carry out tasks, such as Microsoft Excel, Microsoft Word, and so on, to support my work					
3.	The village has quite good technological facilities such as the availability of computers, printers and so on at the village office for daily operational activities of the village office					
	Function					
1.	The internet network is always used as a link between apparatus in sending data					
2.	An internet network with adequate capacity has been installed at the village office					
3.	The initial transaction process to making reports in the village government is carried out computerized					
	Integration					
1.	An internet network has been installed at the village office					
2.	The initial process of transactions to the preparation of reports in					

No	Question	Answer				
		1	2	3	4	5
	the village government is carried out by computerized					
3.	Where I work, the internet network is used as a link between the apparatus in sending the required data and information					
	Ease of use					
1.	Have software or applications to carry out tasks, such as Microsoft Excel, Microsoft Word, and so on, to support work					
2.	The village financial system provides information in a usable format					
3.	I understand how to use the village financial system					
4.	Where I work, I use a website to convey information to the public					
Quality of Village Financial Statement						
	Relevant					
1.	The existence of a village financial system is very helpful in providing information for decision-making					
2.	Information on the receipt and use of village funds can be accessed at any time					
3.	Preparation of accountability reports containing complete realization of village income, village expenditure, and financing					
4.	The head of villages submits a report on the realization of the village budget and the Village Government Implementation Report to the Regent at the end of each fiscal year.					
	Reliability					
1.	All our village revenues and expenditures are carried out through the village cash account and are supported by complete and valid evidence					
2.	The results of the performance of the village financial system always produce data that is accurate and free from errors					
3.	Financial management of village funds is always prepared honestly and by Minister of Home Affairs Regulation No. 13 of 2014 concerning village financial management					
	Can be compared					
1.	The village financial report presented contains and discloses sufficient and adequate information					
2.	The accountability report for the implementation of the income and expenditure budget can be compared to recent years					
3.	The financial statements prepared at my place of work can be compared with the financial statements in the previous accounting period					
	Understandable					
1.	The village financial system provides complete information regarding village activities					
2.	The information available from the village financial system provides information that is easy to understand for all users					
3.	The village financial system provides information in a format that the village government can use in a timely and consistent manner in preparing village financial statements					