

# The Moderation Effect of Spirituality in Relationship of Competence and Internal Control System on the Quality of Local Government Financial Statement

Dwi Nurul Ikhvani  
Magister of Accounting  
Faculty of Economic and Business  
Hasanuddin University of Makassar, Indonesia

Haliah, Nirwana  
Accounting Department  
Faculty of Economic and Business,  
Hasanuddin University of Makassar, Indonesia

**Abstract:-** This study aims to analyze the effect of competence and internal control systems on the quality of Local Government Finance Report (LKPD) with spirituality as a moderating variable. The population of study was 22 Regional Organization (OPD) in Takalar Regency. This study uses survey data collection techniques using a questionnaire with a sample of 44 respondents. The analysis technique used to analyze the data is Moderated Regression Analysis (MRA). The results showed that (1) Competence has a significant positive effect on the quality of LKPD; (2) Internal control system has a significant positive effect on the quality of LKPD; (3) spirituality can moderate the effect of competence on the quality of LKPD; (4) spirituality can moderate the influence of internal control system on the quality of LKPD. These findings suggest that spirituality can moderate the effect of competence and internal control systems on the quality of LKPD. Therefore, the government should consider these factors to improving the quality of LKPD.

**Keywords:-** Competence, Internal Control System, Spirituality, Quality of Local Government Financial Statement.

## I. INTRODUCTION

Public sector organizations are growing very rapidly, especially after the reformation era. The background for their development of regional autonomy that gives authority to the regions to organize and manage the interests of the local community. Including implementation of local financial management was handed over entirely by the central government to autonomous regions concerned. With the delegation of authority is public demand for transparency and public accountability is increasing. In an effort to achieve transparency and public accountability of the local government is required to prepare Local Government Finance Report (LKPD) in accordance with Regulation Legislation 17 Year 2003 on State Finance. This regulation requires the Governor / Regent / Mayor to submit reports for accountability of the Regional Budget (APBD) in the form of financial statements prepared and presented in accordance with Government Accounting Standards. The financial statements will be used by stakeholders to assess accountability and make good decision-making of

economic, social, and political. Therefore, the information contained in LKPD should be useful in accordance with the needs of the users. The financial statements will be used by stakeholders to assess accountability and make good decision-making of economic, social, and political. Therefore, the information contained in LKPD should be useful in accordance with the needs of the users. The financial statements will be used by stakeholders to assess accountability and make good decision-making of economic, social, and political. Therefore, the information contained in LKPD should be useful in accordance with the needs of the users.

The quality of the financial statements can be viewed on the qualitative characteristics of financial reporting. The qualitative characteristics of financial statements are normative measures that need to be realized in the accounting information so that it can fulfill its purpose (Arifuddin, 2015). As outlined in Legislation No. 71 Year 2010 concerning the Government Accounting Standards. The qualitative characteristics of financial statements, among others, understandable, relevant, reliable and comparable. Arifuddin (2015) adds that this normative measure is a necessary precondition in order LKPD can meet the desired quality. Otherwise, it will cause a loss of area, the potential for local shortages, lack of acceptance, administrative weakness, inefficient, inefficiency, and ineffectiveness (Laoili, 2018). But in reality, there are still many LKPDs that have not presented data in accordance with regulations, as well as the many irregularities in the preparation and problems that have been found by the Badan Pemeriksa Keuangan (BPK) (Ramadhani et al., 2018).

Based on the results of the BPK examination contained in the 2018 Semester Examination Results I (IHPS) for reporting in 2017. BPK notes that there are still LKPDs that have not yet received Unqualified Opinion (WTP) opinion including Takalar District. For 4 consecutive years namely 2014-2017 the Takalar District Government only received Qualified Opinion (WDP). One reason for this is that the disclosure of the value of assets presented cannot be believed to be of a fairness that continues to experience a significant increase over the years (Syukri et al., 2015).

LHP Year	BPK's Opinion
2013	Disclaimer of Opinion (TMP)
2014	Qualified Opinion (WDP)
2015	Qualified Opinion WDP)
2016	Qualified Opinion (WDP)
2017	Qualified Opinion (WDP)

Table 1:- Opinion LKPD Takalar years 2013-2017

From the inspection results as of December 31 2018, BPK found that there were total fixed assets of Rp 1,157.74 billion including equipment and machinery valued at Rp 10.30 billion, buildings and artistic buildings of Rp 58.43 billion, as well as roads, irrigation, and networks valued at Rp 26,69 billion of which are unknown. Meanwhile, the fixed assets of roads, networks and irrigation were indicated to double as many as 193 units amounting to Rp 44.90 Billion. There are also road, irrigation and network fixed assets which have not yet been capitalized to the parent assets so that it affects the calculation of depreciation of Rp 67.86 billion and the Takalar District Government has not been able to trace the parent assets. Furthermore, in the 2017 Budget Realization Report there is a total Expenditure on Goods and Services of Rp 210.76 billion. Shopping for goods and services in the form of purchases of fuel oil (BBM), consumables, food and beverages, and comparative studies on 10 SKPDs that are not supported by actual evidence of Rp. 4.28 billion. In addition, there was a disbursement of funds for activities that were not carried out at the planning, research and development agency in the amount of Rp 442.63 million. Available records and data do not allow BPK to carry out adequate inspection procedures to obtain confidence in the value of fuel expenditure, consumables, food and beverages, comparative studies and disbursed funds (LHP LKPD Takalar Regency, For Year 2017). This phenomenon shows that the Takalar District's LKPD has not met the qualitative criteria of financial reports as required because the information presented has not provided relevant, reliable and reliable information.

Goal-setting theory is one form of motivation theory emphasizes the importance of the relationship between the objectives with the resulting performance (Locke, 1968). The basic concept is someone who can understand the purpose of the organization or understand what the organization wishes him it will affect his behavior. Goal-setting theory explains it necessary for the entity to be able to produce LKPD by the qualitative standards of financial statements. Compliance with such requirements is many factors that need to be considered by the government. One of the factors that influence the understanding of accounting (Hasanah et al., 2019). The financial report is a product produced by the field of accounting for the necessary competent human resources in preparing the financial statements. According to Septarini and Papilaya (2016) Competence resources LKPD positive effect on quality. The more competent the personnel will be able to understand the logic of accounting as well as knowing how to process and implementation of the accounting carried out following applicable regulations. But on the contrary if there is a failure in understanding and applying the accounting logic, it will cause confusion and non-compliance with

government accounting standards will result in assessment LKPD opinion.

In addition to competence factors, other factors affect the quality of LKPD one of which is internal control system implemented by the Regional Government. Internal control systems required to assure stakeholders and the public about the accuracy and reliability of financial statements made by the government. Septarini and Papilaya (2016) said the weakness of internal control system will cause a reduction in the reliability of LKPD for their deviation from the regulations that will result in increased costs and lost revenue potential. Implementation of an effective internal control system will improve the quality of financial reports for all systems and accounting procedures in the preparation of financial statements in accordance with walk legislation.

Fulfillment of competent human resources and tightening internal control systems do not necessarily provide satisfactory results for the achievement of LKPD quality, this is certainly influenced by other variables tested in this study, namely spirituality. In attribution theory it has been explained that a person's actions are not only caused by external factors but also internal factors, one of which is spirituality. Spirituality is a value, attitude, and behavior related to morality (Mariska et al., 2018).

This research is the development of a research conducted by Silviana and Zahara (2015), which examines the influence of competence and internal control systems on the quality of LKPD. But in this study, spirituality moderating variables are added to moderate the competence and internal control systems on the quality of LKPD. The relationship between the variables LKPD spirituality to quality can be assessed with attribution theory. Attribution theory assumes that a person's behavior is caused due to internal or external attributes (Malle, 2011). Nation (2018) had previously tried to examine the effect of internal control system on the quality of LKPD with the addition of organizational commitment as moderating. However, the results indicate the organization's commitment can't moderate the relationship between internal control system and the quality of LKPD. Because of that, this study tries to use a variable spirituality as moderating variables.

Spirituality variables are variables moderate the competence and internal control systems on the quality of LKPD. Apparatus which has a high spirituality will manage competencies possessed by a wise way in completing the work and presenting the financial statements with the real value that will produce quality of LKPD report that will be useful for its users. Similarly, the implementation of internal control system, when the apparatus has a high spirituality will ensure all the values, attitudes, and behaviors that do not conflict with existing regulations that will produce LKPD following the qualitative characteristics of financial statements.

## II. LITERATURE REVIEW

### A. Goal-Setting Theory

This study uses the goal-setting theory or the theory of determination as to the main theory (grand theory) that explains the relationship between competence and internal control systems on the quality of LKPD. Goal-setting theory is one part of motivation theory that was first put forward by Locke (1968) which shows that there is a link between one's goals and performance on tasks. This theory explains that a person's behavior is determined by two cognitions namely values (values) and intention (goals). People who have set goals in the future and these goals will influence their behavior in both work and action. The goal-setting process can be based on the initiative itself/ required by the organization as an obligation. Generally, management sets goals as very meaningful to improve and maintain performance.

The main discussion of goal setting theory lies in the realm of deliberately directed actions. Theory focuses on the reasons some people perform better in assignments compared to others. If they are equal in ability and knowledge, the causes are motivational. Goal-setting theory approaches the issue of motivation from a first-level perspective that focuses on the direct level of individual differences in performance (Locke and Latham, 2006). This theory states that the simplest and most direct motivational explanation explains why some people perform better than others because they have different performance goals.

Neubert and Dyck (2016) write that introspection itself, the dominant behavioral approach to the notion of motivation provides a dubious and limited view of human action. Instead, the goal provides a cognitive explanation for motivation. Objectives are objects or actions, for example, to achieve a certain standard of proficiency, usually within a specified time limit. Philosophically, this theory is founded on objectivism, especially a collection of rationalists who have thoughts and are governed by their own subconscious thoughts and ideas.

The concept of goal-setting theory in principle states that individual behavior is governed by one's ideas (thoughts) and intentions. Targets that can be seen as goals or levels of work to be achieved by individuals and organizations. If an individual or organization is committed to achieving its goals, then this will affect the actions and consequences of performance. This theory also explains that the achievement of challenging goals (difficult) and measurable results will be able to improve work performance followed by work skills. Based on these descriptions it can be concluded that to achieve optimal performance there must be an understanding of organizational goals so that it will affect one's performance behavior. With this goal setting theory approach, the government is expected to be able to improve and maintain the quality of LKPD in accordance with the qualitative characteristics of financial statements that are required through improved competence and an adequate internal control system in the LKPD preparation process.

### B. Attribution Theory

Attribution theory was first introduced by Heider (1958). This theory is used to explain a person's behavior in acting. Attribution theory studies the process of determining a person's causes and behavior regarding his actions on an event. This theory tries to explain how to judge someone differently based on the meaning associated with a certain behavior. According to Heider (1958) basically every individual is a pseudo scientist who tries to understand a person's behavior or himself by gathering and combining some of the information obtained so that they will find a logical explanation behind the action.

Male (2011) states that attribution theory is basically used by individuals to observe a person's behavior so they try to determine whether the behavior comes from internal or external attributes. Internal attribution is a personal attribute such as ability, effort, and fatigue. External or environmental attributes such as rules and weather. Both internal and external attributes will affect human behavior (Malle, 2011). Heizer (1958) also added that there is a difference in the behavior of someone whose internal attributes are more dominant compared to their external attributes.

Attribution theory in this study is used to explain the variables of spirituality as attributions that influence the preparation of LKPD. Spirituality is an internal attribute in the form of values, attitudes, and behavior that intrinsically motivate themselves and others so that they have a feeling of spiritual survival (McCuddy and Pirie, 2007). The spirituality possessed by the LKPD authors apparatus will direct it to do it properly and be accountable.

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Attribution theory in this study is used to explain the variables that affect the attribution of spirituality as LKPD preparation. Spirituality is an internal form of attribute values, attitudes, and behaviors that are intrinsically motivating yourself and others so it has the feeling of spiritual survival (McCuddy and Pirie, 2007). Their spirituality, which is owned by the LKPD authors apparatus will direct it perform properly and can be accounted for.

### C. Hypothesis

Goal setting theory is a form of motivation theory that emphasizes the importance of the relationship between goals and the resulting performance (Locke, 1968). If the government has determined and is obliged to produce LKPD in accordance with what is required in qualitative

characteristics as a form of accountability to each user, then of course the government needs to pay attention to the competence of the regional apparatus. Financial statements are products produced by the field of accounting for that competent human resources are needed in preparing financial statements. Hamell et al., (1994) stated that competence is the main characteristic of individuals to produce superior performance for doing work that includes skills and attitudes. If the LKPD authors apparatus is less competent then the implementation of the financial system may be delayed or even fail. For this reason, the apparatus is required to have competence and a good understanding of regional financial management, so it is expected that the SKPD can present financial reports correctly and meet the qualitative characteristics of financial statements. This is supported by research by Iskandar and Setiyawati (2015), Pradono and Basukianto (2015), Silviana and Zahara (2015), Synthia (2016), Ngguna et al (2017), Oktavia and Rahayu (2018), and Sundari and Rahayu (2019) ) prove that there is a positive influence between competencies on the quality of LKPD. Therefore, based on the above literature, the following hypotheses are formulated:

H<sub>1</sub>: Competence has a significant positive effect on the quality of LKPD

The implementation of an effective internal control system will protect the organization from human weaknesses, reduce errors and irregularities that will occur, so that the information generated in financial statements can meet the qualitative characteristics of financial statements and will increase stakeholder confidence. Internal control systems are also a means of ensuring compliance with existing laws and regulations, ensuring the reliability of financial reports and financial data, and facilitating the efficiency and effectiveness of government operations. This is supported by research by Afiah and Rahmatika (2014), Kewo and Afiah (2017), Bangsa (2018), Julita and Susilatri (2018) and Anggriawan and Yudianto (2018) proving that internal control system has a significant effect on the quality of local government financial reports. Therefore, based on the above literature, the following hypothesis is formulated:

H<sub>2</sub>: Internal control system has a significant positive effect on the quality of LKPD.

Spirituality is the potential ability of every human being that makes him able to realize and determine the meaning, values, morals, and love of the greater power of fellow living beings because they feel like part of the whole. So that makes humans can put themselves and live more positively with wisdom, peace, and ultimate happiness. In this research, it focuses on the spiritual intelligence possessed by the LKPD authors apparatus. Zohar and Marshall (2002) assert that spiritual intelligence is the basis for building IQ and EQ. Research conducted by Isabella (2011) states that without the control of IQ and EQ a person will experience pressure, and stress.

Apparatuses who have high spirituality will have the possibility to manage their competencies in a wise way of completing tasks and responsibilities properly and not concerned with individual interests so that they will present financial statements that reflect their true value in the sense of not committing fraud in the process of preparing financial statements. Thus, producing financial reports that can be useful for stakeholders in making decisions. Therefore, the following hypothesis is formulated:

H<sub>3</sub>: Spirituality moderating influence competence on the quality of LKPD.

The goals and objectives of the organization will be easily achieved if every organization has good internal control. Government Regulation No. 60/2008 defines an internal control system as an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, the security of state assets, and compliance with laws and regulations.

As assumed in the attribution theory that a person's behavior is caused by internal or external attributes (Malle, 2011). Spirituality is one of the internal attributes of a person that will influence action. In this study focuses on the spiritual intelligence possessed by the LKPD authors apparatus. According to Zohar and Marshall (2002) Spiritual intelligence is intelligence that relies on the inner self that is associated with wisdom outside the ego or soul consciousness. Milliman et al. (2003) added that spiritual intelligence will affect one's attitude at work. Apparatus that has a high spirituality will ensure all values, attitudes, and behavior in their work does not conflict with applicable regulations so that it will produce reliable financial reports for stakeholders. Therefore, the following hypothesis is formulated:

H<sub>4</sub>: Spirituality moderating influence internal control system on the quality of LKPD.

### III. RESEARCH METHODS

This study aims to analyze the effect of competence and internal control systems on the quality of Local Government Financial Statements (LKPD) with spirituality as a moderating variable. This research was conducted at the Regional Government of Takalar Regency. When the research was conducted for 2 months, August and September 2019.

Data collection methods used in this study using survey methods, namely by distributing research questionnaires to respondents. The sampling technique is done by using purposive sampling technique. Purposive sampling is used because the information to be retrieved comes from sources that are deliberately chosen based on criteria set by the researcher (Sekaran and Bougie, 2013). The criteria of respondents in this study are the head of the

department or staff who carry out the function of accounting / financial administration at each SKPD in Takalar District and have a minimum service period of one year in the LKPD preparation period. The number of samples used was 44 respondents.

The operational definitions in this study are as follows.

1. *Competence Variables*

According to Atmadja and Saputra (2018) indicators of competence, variables are measured by indicators of Knowledge, Skills, Attitudes.

2. *Internal Control System Variables*

According to Afiah and Rahmatika (2014) internal control system variables measured using indicators namely control environment, risk assessment, control activities, information and communication, and monitoring.

3. *Quality of Local Government statement Variables*

According to Silviana and Zahara (2015) Quality of Local Government statement variables measured using indicators namely relevant, reliable, comparable, understandable.

4. *Spirituality Variable*

According to Tarmizi et al. (2014) spirituality variables measured using indicators namely absolute honesty, openness, self-knowledge, focus on contribution, nondogmatic spiritual.

The analysis technique used to analyze data is Moderated Regression Analysis (MRA) using the IBM SPSS Statistics 23 application. Before the MRA model is used to test hypotheses, of course, the model must be free from the symptoms of classical assumptions because a good model must meet the criteria of BLUE (Best Linear Unbiased Estimator). The classic assumption tests used are tests of normality, multicollinearity and heteroscedasticity. MRA analysis is carried out with two stages of testing. The first stage is multiple regression which is carried out in the absence of a moderating variable. The second stage is the regression conducted by the interaction between moderation and independent variables.

**IV. RESEARCH RESULT**

A. *Classic Assumption Test*

1. *Normality test*

In this study the residual normality test uses the Kolmogorov Smirnov method to detect whether or not the normality test is met with the provision that if the significance of each variable is greater or equal to 0.05 then the data is normally distributed, whereas if the significance of each variable is less than 0.05 then it is not distributed normal (Ghozali, 2009).

**One-Sample Kolmogorov-Smirnov Test**

		Residual unstandardized
N		44
Normal Parameters, b	mean	.0000000
	Std. deviation	2.01345755
Most Extreme Differences	Absolute	.125
	positive	.125
	negative	-.074
Test Statistic		.125
Asymp. Sig. (2-tailed)		.080c

- a. Test din is Normal.
- b. Calculated from data.
- c. Significance Lilliefors Correction.

Table 2:- Results of Testing Normality

According to the table 2 it can be concluded that the data used in this study had normal distribution and can be used for further study. This is indicated by the value *Kolmogorov Smirnov* 0.125 to 0.08 *Asymp. Sig* >  $\alpha = 0.05$ .

2. *Multicollinearity test*

Multicollinearity test aims to test whether the regression model found a correlation between independent variables (independent). A good regression model should not occur correlation between independent variables. Multicollinearity can be seen with the variance Inflation Factor (VIF), if the VIF value < 10 and tolerance value > 0.10 then there are no symptoms of multicollinearity (Ghozali, 2009). The results of multicollinearity test can be seen in the following table 3.

Variables	Tolerance	VIF	Information
Competence (X1)	0.767	1,304	Non multicollinearity
Internal control system (X2)	0.605	1,653	Non multicollinearity
Spirituality (Z)	0.764	1,310	Non multicollinearity

Table 3:- Results of Testing Multicollinearity

Based on table 3, the value of the variance inflation factor (VIF) for each independent variable in this study is less than 10 and the tolerance value is above 0.1. This shows that there is no correlation between the independent variables in the regression model so that there is no multicollinearity problem among the independent variables in the regression model that is formed.

3. *Heteroscedasticity test*

Heteroscedasticity test aims to show that the variance of variables is not the same for all observations. A good regression model is homoscedasticity or heteroscedasticity does not occur. To determine the existence of heteroscedasticity scatterplot graphs are used that is by looking at certain patterns on the graph, where the X and Y have been predicted and the X axis is residual (Y predictions actually Y).

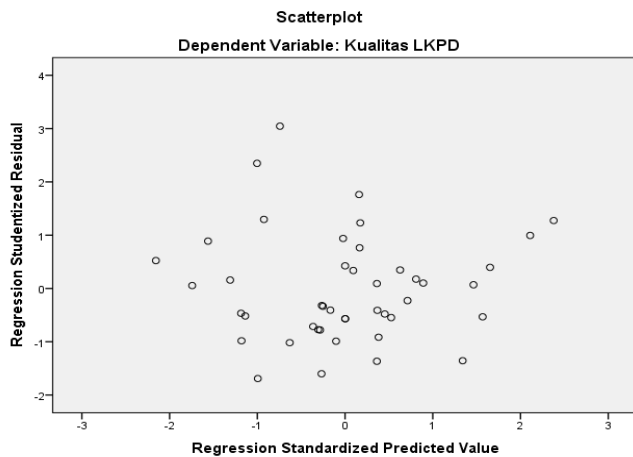


Fig 2:- The scatterplot Graph

From the scatterplot graph above it can be seen that the points spread randomly both above and below zero on the Y and do not form certain patterns, so it can be concluded that there is no heteroscedasticity in the regression model.

**B. Data Analysis**

The analytical method used to test the hypotheses in this study uses Moderated Regression Analysis (MRA). This regression analysis was carried out with two tests. In the first stage, regression is performed before it is carried out with moderation variables. Then in the second stage, it is done after with a moderating variable.

➤ *Regression Analysis before Interacting with Moderation Variable*

Coefficient of determination R square in the test results above shows the value of 0.413 or 41.3%. These results prove that the LKPD quality variable is set at 41.3% by the competence variable (X1) and internal control system (X2). While the remaining 58.7% was placed by other variables.

Based on the regression test results above, it can be structured into the following equation.

$$Y = 16.571 + 0,290X1 + 0,247X2 + e (1)$$

Test of this hypothesis is done partially by using the t test that can be seen as follows. Hypothesis testing in this research is done partially by using a t-test which can be seen as follows.

**1. Influence of Competence (X1) on the quality of LKPD (Y)**

In the competence variable (X1), the probability value is 0.043. because the probability value is smaller than 5% (0.043 < 0.050), partially the competence variable (X1) has a significant effect on the variable quality of the LKPD (Y). The coefficient value is 0.290 and is positive which means that it has a positive influence. This means that the higher the competence (X1), the higher the quality of LKPD (Y). Conversely, the lower the competence (X1), the lower the quality of LKPD (Y).

**2. Influence of internal control system (X2) on the quality of LKPD (Y)**

In internal control system variable (X2) obtained a probability value of 0.001. This probability value is smaller than 5% (0.001 < 0.005) so that partially internal control system variable (X2) has a significant effect on the variable quality of LKPD (Y). Based on the coefficient value of 0.247 and positive sign which means that it gives a positive influence. This means that the higher internal control system (X2), the higher the LKPD (Y) quality will be. Conversely, if internal control system (X2) is low, the quality of the LKPD (Y) will also be lower.

❖ *Regression Analysis After Interacting with Moderation Variable*

**1. Interaction between competence (X1) and spirituality (Z)**

The test results show the coefficient of determination R square of 0.559 or 55.9%. This indicates that the variable quality of LKPD (Y) is influenced by 55.9% by the competence variable (X1) after interacting with spirituality (Z). The remaining 44.1% was influenced by other variables outside this study. Based on the results of the regression test after interacting with moderation variables, the mathematical equation can be arranged as follows.

$$Y = 106,247 - 3,425X1 - 2,148Z + 0,99X1.Z + e$$

The spirituality variable in moderating the effect of competence on the quality of LKPD obtained a probability value of 0,000. This probability value is smaller than 5% (0,000 < 0.005), so partially spirituality variables can moderate the effect of competence on the quality of LKPD (Y). The coefficient value for the interaction of competence and spirituality variables is positive at 0.99. This means that the spirituality variable strengthens the effect of competence on the quality of LKPD.

**2. Interaction between internal control system and spirituality (Z)**

The test results show the coefficient of determination R square of 0.443 or 44.3%. This shows that the variable quality of LKPD (Y) is influenced by 44.3% by the variable internal control system (X2) after interacting with spirituality (Z). The remaining 55.7% is influenced by other variables outside this study. Based on the results of the regression test after interacting with moderation variables, the mathematical equation can be arranged as follows.

$$Y = 65,821 - 0,978X2 - 1,088X - 1,088Z + 0,31X2.Z + e$$

The variable of spirituality in moderating the internal control system is obtained with a probability value of 0.044. This probability value is smaller than 5% (0.044 < 0.005), so spirituality can partially moderate the influence of the internal control system on the quality of LKPD (Y). This spirituality variable is a pure moderator variable because this variable does not function as a predictor variable (independent) but directly interacts with other predictor variables. This can be seen from the probability value of the spirituality variable which before interacting with the

internal control system variable is not significant, whereas after interacting the probability value becomes significant. The coefficient for the interaction of internal control system variables and spirituality is positive at 0.31. This indicates that the spirituality variable strengthens the influence of the internal control system on the quality of LKPD.

## V. DISCUSSION

### A. *Competence has a significant positive effect on quality of LKPD*

The results of hypothesis testing indicate that hypothesis 1 submitted was accepted. Thus, the hypothesis which states that competence has a positive effect on the quality of LKPD empirically can be proven. This finding shows that competence significantly influences the quality of the Takalar District Government LKPD. These results prove that the apparatus has optimized their competencies in terms of knowledge, expertise, and behavior to improve the implementation of tasks in the preparation of LKPD to produce good the quality of LKPD. This means that the higher the competence of the apparatus, the better the quality of the LKPD produced.

Based on the respondents' assessment of the competence variable, the competence variable is in the high category. Indicators that have the highest average value of the competence variable are shown by the third indicator, namely behavior. This condition is shown from statements rejecting intervention from superiors that can lead to violations of regulations and work following the accountant's code of ethics. This must be maintained and good behavior from the regional apparatus is expected to create a good work environment within the scope of the organization to accelerate the achievement of organizational goals to create and maintain the quality of LKPD.

The results of this study are in line with the goal-setting theory which emphasizes the importance of the relationship between goals and the resulting performance (Locke, 1968). If the government has determined and is obliged to produce LKPD that is following the prerequisites in the qualitative characteristics of financial statements as a form of accountability to stakeholders, then, of course, the government needs to pay attention to the competence of the regional apparatus. In an organization, especially government organizations related to efforts to achieve the goals set, the elements of human resources cannot be separated as the driving force of the organization. Apart from the availability of facilities and infrastructure, human resources are the determinant of whether or not an organization operates to achieve these objectives. The quality of LKPD that is following the qualitative standard of financial statements can be achieved if supported by the competence of the regional apparatus. According to Hutapea and Thoha (2008), competence is knowledge, expertise, and behavior that needs to be possessed to complete tasks. Organizations need apparatus in the field of accounting because LKPD is a product produced by the field of accounting. The more competent the apparatus will be able to use their knowledge and understanding in preparing

LKPD following accounting principles and predetermined rules to produce the quality of LKPD. Therefore, competent apparatuses are needed which are supported by a background in accounting education, often attending education or training in accounting or having experience in accounting can improve and maintain the quality of LKPD.

The results of this study are in line with previous studies conducted by Iskandar and Setiyawati (2015), Silviana and Zahara (2015), Synthia (2016), Oktavia and Rahayu (2018) and Sundari and Rahayu (2019) that the competence of regional apparatus has a significant influence on the quality of LKPD. However, the results of this study differ from the findings of Syarifudin (2014), Fitriana and wahyudin (2017) and Laoli (2018) which conclude that competence has not affect the quality of LKPD.

### B. *Internal control system has a significant positive effect on the quality of LKPD*

The results of hypothesis testing indicate that hypothesis 2 submitted was accepted. Thus, the hypothesis stating that the internal control system has a positive effect on the quality of LKPD can be empirically proven. This finding shows that the internal control system significantly influences the quality of LKPD in the Takalar District Government. These results prove that the internal control system implemented by the Takalar district government will support the realization of good the quality of LKPD.

Based on respondents' evaluation of the internal control system variables, the internal control system variables are in the high category. The indicator that has the highest average value of the internal control system variable is shown by the first indicator, the control environment. This condition is shown from the statement of the leadership of the agency that has established the rules and ethical standards of employees in writing and takes strict action against violations of policies, procedures and rules of behavior. This is reasonable because the control environment plays a very important role in an organization because it is the basis for the activeness of other internal control elements. The control environment includes the attitude of management and employees towards the importance of existing controls in the organization to protect the organization from things that are not desirable. So that the implementation of the internal control system will have an impact on the quality of the resulting LKPD.

The results of this study are in line with the goal-setting theory which emphasizes the importance of the relationship between goals and the resulting performance (Locke, 1968). If the government has determined and is obliged to produce LKPD following what is required in the qualitative characteristics of financial statements as a form of accountability to stakeholders, of course, the government needs to pay attention to the internal control system. Internal control system is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of state

assets and compliance with laws and regulations. (PP 60, 2008). The implementation of an effective internal control system will protect the organization from undesirable things such as fraud or mistakes of the regional apparatus, reducing errors and deviations that will occur. The more effective the internal control system implemented by the government, the better the quality of the LKPD produced.

The results of this study are in line with previous studies conducted by Afiah and Rahmatika (2014), Kewo and Afiah (2017), Bangsa (2018), Julita and Susilatri (2018) and Anggriawan and Yudianto (2018) that the internal control system has a significant positive effect on LKPD quality. But it is not in line with the research of Budiawan and Purnomo (2014), Septarini and Papilaya (2016), Mokoginta et al. (2017) which concluded that the internal control system has not affect the quality of LKPD.

#### *C. Spirituality moderating influence competence on the quality of LKPD*

The results of hypothesis testing indicate that hypothesis 3 submitted was accepted. Thus, the hypothesis stating that spirituality can moderate the influence of competence on LKPD quality is empirically proven. This finding also shows that spirituality can significantly strengthen the effect of competence on the quality of LKPD in the Takalar District Government. This proves that regional apparatuses with high spirituality will optimize their competence wisely in the process of drafting LKPD to produce the quality of LKPD. In the sense that, after the spirituality variable interacts with competence, the effect produced on the quality of LKPD becomes stronger than before this variable interacts.

The results of this study are in line with attribution theory which assumes that the cause of a person's behavior is influenced by internal or external attributes. According to McCuddy and Pirie (2007), spirituality is an internal attribute in the form of values, attitudes, and behaviors that intrinsically motivate themselves and others so that they have a feeling of spiritual survival. Mariska et al. (2018) add that spirituality is a value, attitude and behavior related to morality. Spirituality is the potential ability of every human being that makes him able to realize and determine the meaning, moral values and love of the greater power of fellow living beings because they feel part of the whole.

The spirituality in this study focuses on the spiritual intelligence possessed by the regional apparatus making the LKPD. Zohar and Marshall (2002) assert that spiritual intelligence is the basis for building IQ and EQ. Apparatus that has a high spiritual level will knowingly use their competence in completing their tasks and responsibilities as the composer of the LKPD. the LKPD authors apparatus that reflects its true value in the sense of not committing fraud in the LKPD preparation process.

To the best of the researchers' knowledge, no literature or research specifically discusses the relationship of spirituality moderation that is associated with competence on the quality of LKPD. But at least this research has indicated there is a moderation relationship and could be the basis for further researches.

#### *D. Spirituality moderating influence internal control system on the quality of LKPD*

The results of hypothesis testing indicate that hypothesis 4 submitted was accepted. Thus, the hypothesis which states that spirituality can moderate the internal control system on the quality of LKPD is empirically proven. This finding also shows that spirituality can significantly strengthen the effect of the internal control system on the quality of LKPD in the Takalar District Government. This proves that the regional apparatus that has a high spirituality will support the implementation of the internal control system by ensuring all values, attitudes, and behavior in carrying out their duties and responsibilities as the composer of the LKPD does not conflict with applicable regulations, it will produce the quality of LKPD. With the meaning that, after the spirituality variable interacts with the internal control system, the effect produced on the quality of LKPD becomes stronger than before this variable interacts.

In this research, the spirituality that is used focuses on the spiritual intelligence possessed by the LKPD authors apparatus. Milliman et al. (2003) state that spiritual intelligence will affect one's attitude at work. According to Zohar and Marshall (2011) spiritual intelligence is intelligence that relies on the inner self associated with wisdom outside the ego or soul consciousness. Mitroff and Denton (1999) in their research distinguish between spiritual intelligence and religiosity in the workplace. Religiosity is more aimed at the relationship with God while spiritual intelligence is more focused on the deep and bound relationships between humans and their surroundings. Workers who can give meaning to life and bring spirituality into the work environment will make these workers more good people. Thus, the performance produced will be better compared to workers who do not have spiritual intelligence (Hoffman, 2002). Regional apparatuses that have a high level of spirituality will ensure that all values, attitudes, and behavior in their work do not conflict with applicable regulations so that the internal control system also improves. In other words, spirituality supports the internal control system which will have an impact on the quality of LKPD.

To the best of the researchers' knowledge, there is no literature or other research that specifically discusses the relationship of spirituality moderation that is associated with the internal control system on the quality of LKPD. But at least this research has indicated that there is a moderation relationship and usually becomes the basis for further research.



## VI. CONCLUSION

The results showed that (1) Competence has the quality of LKPD; (2) the internal control system has an influence on the quality of LKPD; (3) spirituality can moderate the effect of competence on the quality of LKPD; (4) spirituality can moderate the influence of internal control system on the quality of LKPD. This finding shows that spirituality can moderate the influence of competence and internal control systems on the quality of LKPD. Therefore, the Government needs to consider these factors to improve the quality of LKPD.

Future studies should add a research sample considering the sample in this study only uses the Takalar District Organization. The next researcher should add other variables that are appropriate to be used to determine the quality of LKPD that have not been included in this study.

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