



EFFECT OF ORGANIZATIONAL COMMITMENT, ORGANIZATIONAL CULTURE, AND IMPLEMENTATION OF AN INTERNAL CONTROL SYSTEM ON THE QUALITY OF FINANCIAL STATEMENTS (SURVEY ON REGIONAL DEVICE ORGANIZATION IN THE GOVERNMENT OF SOUTH TANGERANG CITY)

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ABSTRACT

The purpose of this study was to examine the effect of organizational commitment, organizational culture and internal control system implementation on Regional Device Organization in The Government of South Tangerang City. The study population was employees of the municipal government organization in Southern Tangerang consisting of 66 finance chiefs and financial treasurers. Research data collection techniques are by distributing questionnaires to research respondents. The analytical method used is Structural Equation Modeling (SEM) with Partial Least Square (PLS) with SmartPLS 3.0 analysis tool. The results of this study are organizational commitment, organizational culture, and the application of internal control systems affect the quality of financial reports on Regional Device Organization in The Government of South Tangerang City.

KEYWORDS : *Organizational Commitment, Organizational Culture and Internal Control System Implementation, Financial Statements Quality*

PRELIMINARY

Based on PP No. 71/2010 concerning Indonesian Government Accounting Standards (SAP), namely, relevant, reliable, comparable and understandable, meaning that the government is able to realize transparency and accountability in financial management so that the essence of transparency and accountability is to be morally responsible for constitutional and for the people.

In line with the statement of Mursyidi (2013: 31) to realize transparency and accountability in state and regional financial management is to submit government financial accountability reports that meet the principles on time and are prepared in accordance with government accounting standards.

The regional financial management report in Tangel City only received reasonable exceptions (WDP) on 29 May 2015, namely the absorption of inappropriate budgets, spending on goods that were not in accordance with standard prices, employees were careful, afraid of being wrong and might even be inaccurate in reporting the budget.

Good financial reporting quality is influenced by organizational performance, namely: organizational culture, organizational commitment and implementation of internal control systems. From the description of the above phenomena, the researcher wants to examine further The Effect of Organizational Commitment, Organizational Culture, and Internal Control System Implementation On The Quality of Financial

Statements, On Regional Device Organization In The Government of South Tangerang City.

RESEARCH PROBLEM

FORMULATION

Based on this background, the formulation of the research problems include:

- 1) Does organizational commitment affect the quality of financial statements?
- 2) Does organizational culture affect the quality of financial statements?
- 3) Does the implementation of the internal control system affect the quality of the financial statements?

RESEARCH PURPOSES

The objectives of this study are as follows:

- a) Assess the effect of organizational commitment on the quality of financial statements.
- b) Assess the effect of organizational culture on the quality of financial statements.
- c) Assess effect of the implementation of the internal control system on the quality of financial statements.

STUDY OF LITERATURE, FRAMEWORK FOR THINKING AND HYPOTHESES

Theory of Nature, This theory is based on the premise that the success of a leader is determined by the characteristics, temperament or characteristics possessed by the leader. The ideal characteristics that leaders need to have according to Siagian, 1994 (in Samsuddin, 2018: 43) are: 1) Broad general knowledge, strong memory, rationality, objectivity, pragmatism, flexibility, adaptability, future orientation, 2) Inquisitive nature, a feeling of being on time, a high sense of cohesion, instinct of relevance, exemplary, firmness, courage, anticipatory attitude, willingness to be a good listener, integrative capacity dan 3) The ability to grow and develop, analytic, determine priority scale, distinguish urgent and important, educate skills, and communicate effectively.

Behavior Theory, The rationale of this theory is that leadership is the behavior of an individual when conducting a group directing activities towards achieving goals. Leaders have behaviors that tend to attach importance to subordinates (suave, want to consult, support, defend, listen, accept proposals and think about the welfare of subordinates and treat themselves) and leader behavior oriented to subordinates (emphasis on superior-subordinate relationships, personal attention to leaders satisfying the needs of subordinates and accepting differences in personality, abilities and behavior of subordinates).

Stakeholder Theory, According to Kriyantono (2017: 58) stakeholder theory is used in three theoretical approaches as follows: 1) Descriptive stakeholder theory, which is to describe

the characteristics and behavior or actual activities of the organization, 2) Instrumental stakeholder theory, namely understanding how to achieve organizational goals, linkages between stakeholder management strategies and achieving organizational goals such as increasing profits, avoiding lawsuits, and achieving growth and 3) Normative stakeholder theory, which is to design a regulation on how to build relationships based on ethical foundations and organizational philosophical principles, such as developing organizational social responsibility.

Effect of Organizational Commitment on the Quality of Financial Statements (X1).

From the research of Liziana (2017), it proves that when an employee has a high commitment to what is the achievement of his organizational goals, the better the output, and vice versa, is related to financial reports produced by regional work units, with high commitment from all components involved in financial management of the regional government will produce financial statements that are in accordance with SAP.

The results of this study are in line with Moorhead and Griffin (2013: 73), "organizational commitment is an attitude that reflects the extent to which an individual knows and is bound to his organization". A person who has a high commitment is likely to see himself as a true member of the organization.

Effect of Organizational Culture on the Quality of Financial Statements (X2)

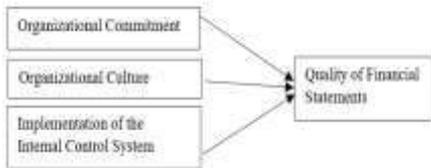
From Mery's (2017) research, the ethical culture of the organization has a positive and significant effect on the quality of financial statements. If the organization's ethical culture is getting higher, the quality of financial statements will also be higher. and Atiek Sri Purwati (2015) organizational culture influences the quality of financial statements, the owner instills a good organizational culture by encouraging his employees to carry out their duties well, and gives confidence to each task, so that each employee feels responsible. According to Busro (2018: 6) concluded that a good organizational culture will form organizational member behavior to be better, more disciplined, more motivated and more performing.

Effect of the Implementation an Internal Control System on the Quality of Financial Statements (X3)

Research from Astika (2018) and Sri Rokhlinasari (2016) examined that the internal control system has a positive and significant effect on the quality of financial statements. The results of this study concluded that the internal control system applied the use of information technology quite well in presenting financial reports, division of tasks, and separation of responsibilities in operational efforts in creating good quality

financial statements. According to COSO and SAS No.78 (in Azhar, 2017: 96) states that internal control has five components related to the following structure: environmental control, risk assessment, information and communication and monitoring. And supported by research related to the relationship between internal control and financial reporting quality has been done.

The above description can be explained as follows:



RESEARCH DESIGN AND METHOD

Type of Research

The method used in this study is a quantitative method by means of surveys and literature.

Definition of Variable Operationalization

The study used the dependent variable: financial report quality (Y) and its independent variables: organizational commitment (X1), organizational culture (X2) and internal control systems (X3).

Variable Measurement

The study uses an interval scale, which is a scale used to measure the answers of each respondent to the object of research where the scale uses a scale of research with a score of 1-5, namely: strongly agree, agree, neutral, disagree and strongly disagree.

Research Population and Samples

The population in this study is the Regional Device Organization or commonly called OPD, which is 33 South OPD in the Regional Government of the City of South Tangerang. The research sample is the Finance section of the South Tangerang City Government, namely the Head of the Subdivision of Finance and Treasurer who are directly involved in the preparation of financial statements.

Data collection technique

The data collection technique used in this study is a survey method with questionnaire techniques, questionnaire design consisting of: questionnaire 1 contains organizational commitment, questionnaire 2 contains organizational culture, questionnaire 3 contains the application of internal control systems and questionnaire 4 contains the quality of reports finance.

Analysis Method

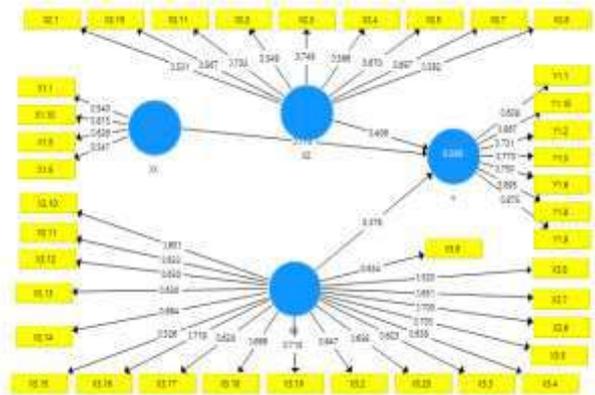
In this study data analysis using SmartPLS software. The method of analysis in this study uses measurements of the Outer Model and Inner Model models.

The Outer Model consists of: 1) Convergent Validity and Discriminant Validity, the initial research stage and the development of a measurement scale of 0.5 to 0.6 are considered sufficient. 2) Cronbach alpha and Composite reliability, a construct said to be reliable if cronbach alpha is more than 0.6 and the composite reliability value must be more than 0.7, Inner Model by looking at R-Square for each dependent latent variable of 0.67 (strong), 0.33 (moderate), and 0.19 (weak). The T-statistic value must be more than 1.96.

DISCUSSION

validity test

Outer Loading



Source : Output of SmartPLS

The outer model value or correlation between constructs and variables already meets the Convergent Validity because all indicators have a loading factor value above 0.50 is valid.

Reliability Test

Construct Reliability and Validity

Construct	Cronbach's Alpha	rho_A	Composite Rel.	Average Variance
X1	0.847	0.908	0.731	0.432
X2	0.815	0.829	0.804	0.185
X3	0.824	0.839	0.897	0.438
Y	0.988	0.916	0.903	0.811

Source : Output of SmartPLS

Based on the table it can be concluded that for the variable organizational commitment, organizational culture, implementation of internal control systems and the quality of financial statements have composite reliability above 0.7 and cronbachs alpha above 0.6 that the indicators used in each variable have good reliability or able to adjust the construct.

Inner Model

Variabel	R Square	R Square Adjusted
Y	0.569	0.548

Source : Output of SmartPLS

R - Square (R2) is 0.569 which means that the financial report quality model is explained by organizational commitment, organizational culture and internal control systems of 54.8% and the

remainder is explained by other variables outside the research model.

Hypothesis testing

Testing the hypothesis to find out how the influence of each variable on the other variables.

	Original Sample	Sample Mean	Standard Deviation	T Statistics (O /S)	P Values
H1 → Y	0.173	0.173	0.070	2.456	0.008
H2 → Y	0.406	0.411	0.083	4.878	0.000
H3 → Y	0.378	0.387	0.068	5.532	0.000

Source : Output of SmartPLS

In the table above it can be explained the effect of exogenous latent variables on endogenous latent variables as follows:

1. Effect of Organizational Commitment on the Quality of Financial Statements

There is a significant influence between organizational commitment to the quality of financial statements. Values of 0.173 and t-statistics of 2.456 > 1.96 at the significance level $\alpha = 0.05$ (5%) means that organizational commitment influences the quality of financial statements.

In this case H1 is accepted, this research is in line with the results of research from Liziana (2017) proving that when an employee has a high commitment to what is the achievement of organizational goals, the better the output, and vice versa, is related to the financial statements produced by regional work unit, with high commitment from all components involved in financial management of the regional government, it will produce financial reports in accordance with SAP. Employees who have a high commitment will receive almost all the tasks and responsibilities of the work provided, resulting in timely financial reports that can increase stakeholder trust.

2. Effect of Organizational Culture on the Quality of Financial Statements

There is a significant influence between organizational culture on the quality of financial statements. Values of 0.406 and t-statistics of 4.879 > 1.96 at the significance level $\alpha = 0.05$ (5%) means that there is a positive and significant effect between organizational culture on the quality of financial statements.

In this case H2 is accepted, the results of this study are supported by the results of Mery (2017) organizational ethical culture has a positive and significant effect on the quality of financial statements, if the ethical culture of the organization is higher, the quality of financial statements is also higher and the research results from Atiek (2015) organizational culture influences the quality of financial statements, the owner instills a good organizational culture by encouraging his employees to carry out their duties well, and gives

confidence to each task, so that each employee feels a responsibility.

Organizational culture shapes the values of beliefs and behaviors with members of the organization so that it influences financial statements through an obedient culture that is shown by members of the organization to the rules and accounting policies of the company.

3. Effect of the Implementation an Internal Control System on the Quality of Financial Statements

There is a significant influence between the internal control system on the quality of financial statements. 0.378 with a statistical 5.532 > 1.96 at the significance level $\alpha = 0.05$ (5%) means that there is a positive and significant effect between the internal control system on the quality of financial statements.

In this case H3 is accepted, the results of this study are supported by the results of research conducted by Astika (2018) internal control system that has a significant positive effect on the quality of South Tangerang City SKPD financial reports and the results of Sri and Adi's (2016) testing that influential internal control systems positive and significant to the quality of financial statements.

A good internal control system will produce financial reports that can provide adequate confidence in achieving organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and compliance with legislation.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study, it can be concluded:

1. Organizational commitment affects the quality of financial statements. This research proves that there is emotional attachment to the agency, works because of his awareness, obligations and responsibilities for the assignment given and thinks of the opinions of others when leaving the organization that underlies normative commitments affecting individuals to stay in the organization.
2. Organizational culture influences the quality of financial statements. This research proves that government apparatus has an organizational culture that affects all organizational aspects and behaviors that determine organizational performance. The stronger the organizational culture in South Tangerang City the better the performance of the government.
3. Implementation of an internal control system affects the quality of financial statements. This research proves that the government apparatus has supervised the performance of employees so that the

OPD can provide compensation in accordance with the performance of its employees to achieve agency goals, division of tasks in the separation of responsibilities in operations and efforts to create good quality financial statements by dividing tasks into preparing financial statements. The stronger the internal control system of the City Government of Tangsel, the better the presentation of financial statements so that they can be trusted, and compliance with applicable laws and regulations.

SUGGESTION

Suggestion from this study are : 1. Government apparatus should provide an understanding of work values and communicate work performance standards, 2. Creating conditions where subordinates feel empowered will increase the attachment and responsibility for the tasks assigned, 3. Government apparatus changes the attitudes and behavior of officials who are honest, disciplined, professional, responsible, and productivity, 4. Appointment of a position based on the competency of the candidate appointed, 5. Providing education and training as part of career development, 6. Giving rewards (reward and punishment) with hope and justice, 7. Making good use of information technology in order to present financial statements there are no barriers to security systems on computers that have an impact on the timeliness of financial reporting and 8. The South Tangerang City OPD must schedule regularly to carry out security on the computer that is used to present financial statements.

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