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## INTERNET FINANCIAL REPORT AND DETERMINANTS OF THE QUALITY OF FINANCIAL STATEMENTS OF NON-PROFIT ORGANIZATIONS

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### KEYWORDS

Human Resource  
Competence, Financial  
Accounting Systems for  
Non-profit  
Organizations, Internal  
Control Systems

### ABSTRACT

The purpose of this research was to assess the elements that influence the quality of non-profit financial statements and the moderation of voluntary disclosures on the Internet Financial Report. " Human Resource Competence, Implementation of Financial Accounting Standards for Non-Profit Organizations, Internal Control Systems, and Accounting Information Technology Use on the Quality of Financial Reports of Non-Profit Organizations with Voluntary Disclosure of Internet Financial Reports as Moderating Variables,". The population in this research is all non-profit organizations in the form of NGOs or NGOs in Indonesia. The research sample is focused on NGOs and NGOs registered with the Ministry of Foreign Affairs until 2021, as well as partners from donor agencies USAID and AUSAID. The primary data sampling technique was convenience sampling, where respondents who were willing to fill out the questionnaire were sampled. Distribution of online questionnaires and surveys through private domains obtained 90 respondents from the financial staff of non-profit organizations that were willing to participate in this research. The data was processed using a multiple linear regression analysis. The results of this research indicate that the influence of human resource competence, the implementation of financial accounting systems for non-profit organizations, the implementation of internal control systems, and the utilization of accounting information technology affect the quality of financial reports of non-profit organizations, while voluntary disclosure of internet financial reports strengthens the relationship between the utilization of accounting information technology and report quality. Finance for nonprofit organizations.

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### INTRODUCTION

Non-profit organizations or better known as non-profit organizations are defined as organizations whose purpose is not to seek profit for their owners, which usually aims to provide services to the community. There is a difference in purpose between a for-profit organization and a Nonprofit organization. Profit organizations focus on increasing profits for their business operations while Non-profit organizations focus on improving services.

According to (Andreasen & Kotler, 2003), non-profit organizations can be classified as follows : a. Governmental bodies established by Law and authorized to provide services and collect taxes, b. Private or independent sector non-profit organizations that typically operate as tax-exempt organizations, but are organized outside the authority of the government and legislation. The organization may be engaged in education, humanitarian services, commerce, or professional societies, c. Quasi-governmental private organizations formed with legislative authority and usually

accompanied by limited monopolies to provide services or provide certain necessities to groups of people.

Non-profit organizations in Indonesia are growing rapidly. Many of them are *Foundations* whose establishment is for the purpose of activities in the social, religious, and humanitarian fields, *Associations* whose establishment objectives are in accordance with the goals of members and Institutes whose establishment objectives are in the social, cultural, educational and humanities fields. Apart from that, it can also be classified from the source of the organization's establishment, there are those from within the country and those from abroad.

Non-profit organizations, such as NGOs, act as entities that help the government, which focuses on efficiency and in its performance serving the people in Indonesia. The advantages of the Nonprofit sector have grown as a result of the phenomenon of globalization of the 20th century. The growth of Nonprofit organizations has attracted international attention to support most of the social, educational, cultural, and well-being needs of the people. Nonprofit Organizations are civil society groups that promote answers to these social problems. (Widiantara, 2020)

The Ministry of Law and Human Rights (*Kemenkumham*) claims that the number of non-governmental organizations (NGOs) in Indonesia is increasing every year. The number of NGOs in Indonesia continues to grow, reaching 390,293 organizations. Meanwhile, according to the Ministry of Foreign Affairs (*MFA*) there are 53 foreign NGOs registered until 2021.

In Indonesia, the recording of accounting information in the public sector can be defined as a technical and analytical mechanism implemented by the management of non-private funds in higher institutions and ministries, central government work units (SKPP), local government work units (SKPD), non-lab NGOs/NGOs, non-private and private sector cooperation projects, social foundations, and NGOs, BUMDs, SOEs and local governments.

Financial statements are records of company financial information during an accounting period that can be used to assess the performance of a SAK company (2012). The purpose of financial statements according to the Financial Accounting Standards of the Indonesian Institute of Accountants 2012 is to provide information about the financial position, performance, and changes in the financial position of a company that can be used by many people to make decisions. Financial statements, on the other hand, may not necessarily include all the information that a user may need to make economic decisions because they generally represent financial impacts and previous events and are not forced to do so.

Financial statements are designed to provide information about a company's financial condition, performance, and cash flow that most consumers can use to make economic decisions. Financial statements also serve to show the management of the resources entrusted to them.

Government Regulation (PP) number 71 (2010) states that to meet the quality standards of the information contained in the financial statements, the financial statements of the public sector organization must at least have characteristics: *relevant, reliable, comparable and understandable*.

The development of non-profit organizations NGOs/NGOs is marked by the emergence of the phenomenon of increasing accountability demands, along with their role in helping the government and society. As is the case today where the government

cooperates with NGOs and other non-profit organizations in overcoming the COVID 19 pandemic as shown by the circular letter of the Ministry of Home Affairs no. 440/5538/SJ of 2020 related to handling COVID 19 through the procurement of type III self-managed goods and services whose objectives are; (1) Assist the government in improving the quality, accountability, governance and range of services, (2) increase community participation in the development process, (3) improve the effectiveness and efficiency of NGO performance, (4) improve the technical capabilities of NGO human resources.

Accountability and transparency are important in accounting for resources entrusted by stakeholders or funders / donors. Public accountability can be interpreted by the obligation of the trustee to observe, present, report, and disclose all activities and activities that are his responsibility to the trustee who has the right to hold him accountable. (Mardiasmo, 2009) HR readiness in non-profit NGOs/NGOs is important in aligning the demands of these needs. The lack of human resources who have the required capacity is a challenge for NGOs/NGOs to be able to manage the mandated funds and the work plans owned by stakeholders can be carried out properly.

Another phenomenon of the global development of non-profit NGOs/NGOs is the condition that NGOs can be more vulnerable to fraud because they have fewer resources available to help prevent and recover from losses due to fraud. The sector is particularly vulnerable due to lack of oversight and lack of good internal control. (the ACFE, 2020)

ACFE (2020) in its report " Report To The Nations, 2020 Global Research On Occupational Fraud and Abuse" released 191 cases of fraud in non-profit organizations with the smallest face value of \$ 75,000 and an average loss of \$ 639,000.



Draw 1

#### Report To The Nations, 2020, Fraud in non-profit

The number of cases of fraud that occur in Non-profit organizations, according to ACFE 2020 data in the Report to The Nations 2020 shows that fraud cases were recorded as many as 191 cases with corruption cases as much as 40% and followed by billing cases and reimbursement cases. The losses incurred are not as large as commercial

organizations or companies, but this amount is enough to make non-profit organizations collapse due to limited financial resources.

Some weaknesses in nonprofits make nonprofits vulnerable to the risk of fraud. Internal control is the main causal factor mentioned in the report. Some nonprofits have limited employee resources because most organizations accept employees from the organization's corresponding interests and visions. Thus internal control is carried out by employees who are not their field as well as inexperienced.

The demands for the fulfillment of financial accounting standards used, which are one of the measures of accountability for Nonlaba financial statements, are a phenomenon that must be answered coupled with the uneven application of accounting standards for non-profit accounting standards in accordance with non-profit accounting standards, namely ISAK 35. This is in line with the previous research (Setiadi, 2021) which has the results of research that not all non-profit organizations in Indonesia use ISAK 35 because of the lack of knowledge about financial statement standardization.

Nonlaba financial statements previously regulated in PSAK 45 consisting of paragraphs 01 to 36 and have now been replaced with ISAK no. 35, where the content of this statement is a special standard for Non-profit organizations.

PSAK 45 was first published on December 23, 1997 by DSAK IAI, then revised on April 8, 2011. PSAK 45 is the main reference for non-profit organizations that are not profit-oriented such as foundations or NGOs in the presentation of financial statements. In PSAK 45 types of financial statements of Non-Profit organizations consist of 4 types, namely Financial Position Statements (Balance Sheet), Activity Reports, Cash Flow Statements, and Notes to Financial Statements, and additional or alternative reports, namely the Net Asset Change Report.

The process of converting SAK to IFRS, resulted in industry-based Financial Accounting Standards (SAK) having to be revoked because IFRS-based SAK regulates all accounting standards based on the principle of "transaction based" not "entity based". So the SAK governing the entity must be revoked including PSAK 45. The revocation of PSAK 45 through PPSK No. 13 which began with the issuance of the Exposure Draft (ED) dated September 26, 2018. On April 11, 2019 DSAK - IAI officially endorsed PPSAK 13 and *effective January 1, 2020* PSAK 45 may not be used again. The application of ISAK 35 in place of PSAK 45 which is not yet comprehensive is a phenomenon that must be answered in this study.

Empirically, the quality of financial statements is influenced by the competence of human resources, the application of a good accounting system, the application of internal control and the use of information technology as a medium for delivering accountability from the financial reports made. This is supported by research conducted by Rohmah, Askandar, and Kartika Sari (Rohmah et al., 2020), Agustina, Hartono and Firdausi (Agustina et al., 2020), Tampubolon and Hasibuan (Tampubolon & Hasibuan, 2019), Gustika Aramel (Gustika Armel, 2017) conducted on several SKPDs in Indonesia. While empirically it also proves that these variables do not affect the quality of financial statements, this is evidenced by the research conducted by Sambuaga (Sambuaga, 2020), Wijayanti and Handayani (1.Wijayanti & 2.Handayani, 2017), Alhajjriana, Nor, and Wijaya (Alhajjriana et al., 2018), Latjandu, Lintje, and J.Tinangon (Latjandu et al., 2016) which was carried out on several SKPDs in Indonesia.

Some of these empirical studies underlie the research gap in this study, including those conducted by Sambuaga (Sambuaga, 2020), in his research he examined the internal

control system of the quality of financial statements with the competence of human resources as a coding variable. The study used a survey method using a sample of civil servants in local government organizational units. The sampling method in his research is purposive sampling. The results showed that the internal control system in the elements of the control environment had no effect and did not have a significant effect on the quality of financial statements. However, the competence of human resources can moderate the internal control environment of the quality of financial statements. The reverse result was found that the competence of human resources could not moderate internal control activities on the quality of financial statements. The results showed that the internal control system in the elements of the control environment had no effect and did not have a significant effect on the quality of financial statements while the elements of control activities had a positive and significant effect on financial statements. However, the competence of human resources can moderate the internal control environment of the quality of financial statements.

Wijayanti and Handayani (2017) tested the effect of human resource competence and the implementation of accrual-based accounting on the quality of regional financial statements in the Madiun Regency Government. The data used by researchers in this study is primary data. The data source used is the results of filling out the questionnaire by the respondents. The respondents in this study were the head of the office, the head of the office and the head of the finance section at the SKPD of the Madiun Regency Government. Of the 39 questionnaires distributed, only 30 returned and could be processed. The results showed that the competence of human resources did not have a positive effect on the quality of regional financial statements due to the significant level. Meanwhile, the implementation of accrual-based accounting has a positive effect on the quality of regional financial statements.

Alhajjriana, Nor, and Wijaya (2018) in their research to determine the effect of local revenues, the number of legislators, and the number of residents on the internet financial reporting of local governments, and the influence of internet financial reporting of local governments on the quality of accountability of regional financial statements. The results of his research show that regional expenditures affect the internet financial reporting of local governments, while regional income, the number of legislators and population have no effect on the internet financial reporting of local governments, and the internet financial reporting of local governments does not affect the quality of regional financial reports.

Latjandu, Lintje, and J.Tinangon (2016) conducted a study that aimed to analyze the effect of organizational commitment, resource competence, utilization of information technology, and the effectiveness of internal control on the quality of government financial statements in the Talaud Islands Regency Government. The sample in this study was the Chief and Accounting Staff of the Talaud Islands Regency Government as many as 64 respondents. The results of this study show that organizational commitment, the use of information technology, and the effectiveness of internal control have a significant effect on the quality of government financial reports in the Talaud Islands Regency Government and the competence of human resources has an effect but not significantly on the quality of government financial reports in the Talaud Island Regency Government.

Based on the background description, the research submitted is

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This research specializes in NGO Nonprofit organizations. The selection was carried out with the consideration that research related to the quality of financial statements at this time, was mostly carried out in central government institutions and blood government. Meanwhile, the number of NGOs in Indonesia is increasing day by day and the need for accountability from the quality of the NGO's financial statements is the main issue for donors and stockholders who are interested.

The purpose of this study is to describe the factors that affect the quality of financial statements in Non-Profit NGOs / NGOs and to find out whether voluntary *disclosure of Internet Financial Reporting* has a relationship with improving the quality of financial statements of profit mom organizations. Thus, the theoretical benefits of research can add scientific insight in the field of financial reporting and human resources in the public sector and especially to non-profit NGOs / NGOs in Indonesia and also increase the confidence or trust of donor institutions in NGOs / NGOs in Indonesia.

## RESEARCH METHODS

Research is a process of looking for something systematically for a long time using the scientific method and the rules that apply to be able to produce a good research. To be able to produce good research, a research design is needed to support and provide systematic research results. Research design is all the necessary processes in the planning and conduct of research, which helps the research in the collection and analysis of data.

The research design according to Mc Millan in Ibn Hadjar is a plan and structure of investigation used to obtain empirical evidence in answering research questions. Another definition says that a research design is a plan or design made by the researcher, as a target for the activities to be carried out.

This research is a quantitative study, namely the relationship between variable X and Y by conducting a hypothesis test. This type of research data is primary data, namely research data obtained or collected through conviniance sampling techniques where respondents are willing to fill out a questionnaire that is used as a sample. Sempel of this study are employees who work in the finance, accounting, sub-award / grant departments of non-profit organizations NGOs / NGOs. The proposed data analysis method is to use *Moderated Regression Analysis (MRA)*.

The type of data used in this study is primary data. Questionnaire survey is a survey method using a research questionnaire. A questionnaire is a set of questions that are systematically and standardly arranged so that the same question can be asked to each respondent. Questionnaires are an effective data collection tool because they can obtain standardized data that can be accounted for for the purposes of a thorough analysis of the characteristics of the population under study. (Suprpto, 2000)

Sampling is carried out using a convenience sampling technique where respondents who are willing to fill out a questionnaire are used as samples. The distribution of questionnaires online with online surveys through private domains with <https://maksup-26.com/> addresses considering that data collection was carried out during the COVID-19 pandemic in Indonesia. By using an online survey data base, questions can be directly stored and generated based on variable categories and respondents' answer results. For respondents who have difficulty in filling out the online survey, assistance will be provided through virtual meetings such as zoom meetings, google meet or webex.

The questionnaire in this study used a likert scale with 5 (five) points in the criteria, namely 1 (STS = Strongly Disagree), 2 (TS = Disagree), 3 (N = Neutral), 4 (S = Agree), and 5 (SS = Strongly Agree). The likert scale provides several answer choices that are useful for measuring the attitudes, perceptions or opinions of respondents or groups about their views on an event or social phenomenon (Pranatawijaya et al., 2019). The variables in the questionnaire are described in the indicator items of the questions that will be answered by the respondent by choosing one of the criteria on the likert scale that corresponds to the respondent's perception.

The data source used in this study is primary data. This data is obtained by filling out questionnaires directly by the staff of the financial and grant administration department.

## RESULTS AND DISCUSSION

This study used primary data conducted with convenience sampling techniques where respondents who were willing to fill out the questionnaire were used as samples. Dissemination of questionnaires online with online surveys through private domains with <https://maksip-26.com> addresses. Respondents in this study were employees who carried out the functions of Accounting, Finance, Treasurer, Budgeting, Accounts Receivable, Grants or Sub Awards to non-profit organizations in Indonesia.

Researchers distributed questionnaires to the *WhatsApp Group* network of international nongovernmental organizations listed in the MFA as well as non-profit organizations partnering with the American government international organizations USAID and Australia AUSAID. The questionnaire was distributed to 56 non-profit organizations, which were willing to fill out a questionnaire of 92 respondents, and the questionnaire processed for data analysis was 90 questionnaires while the other 2 questionnaires were outlier data so that researchers did not use these data so as not to cause bias in the research results. The characteristics of respondents in this study are as follows:

### Characteristics of Respondents By Gender

The gender of the respondents was used to determine gender involvement in the financial management of non-profit organizations. A sample of the study for 90 respondents by gender can be seen in the following table:

**Table 1**  
**Repondent Demographics By Gender**

Gender	Sum	Presented
Man	32	36%
Woman	58	64%
<b>Total</b>	<b>90</b>	<b>100%</b>

Source: Primary Data processed, 2021

The table shows that most of the respondents who participated in this study were female, namely 58 respondents (64%), while respondents who were male were 32 people (36%).

### Characteristics of Respondents Based on Respondent's Age

The age of the respondents is expected to describe the level of experience. The study sample for 90 respondents by age can be shown in the following table:

**Table 2**

**Repondent Demographics By Age**

Kind	Sum	Presented
24 – 30 years old	11	12%
31 – 40 years old	36	40%
41 – 50 years old	32	36%
>50 years	5	6%
Not Giving an Answer	6	7%
<b>Total</b>	<b>90</b>	<b>100%</b>

Source: Primary Data processed, 2021

Based on Table 2, most of the respondents who participated in this study were respondents aged 31 – 40 years, which is 40%.

**Characteristics of Respondents By Education Level**

The respondent's education level is expected to be used as an indicator to determine the level of capacity of individuals participating in financial management in non-profit organizations. The study sample of 81 respondents seen from the level of education can be shown in the following table:

**Table 3**  
**Repondent Demographics By Education Level**

Education	Sum	Presented
High School / Vocational School	5	6%
Diploma	4	4%
S1	69	77%
S2	12	13%
<b>Total</b>	<b>90</b>	<b>100%</b>

Source: Primary Data processed, 2021

Judging from the level of education, the majority came from S1 graduates, namely 69 people (77%). This means that the mindset and capacity of the financial manager are sufficient to be able to carry out the task of being a non-profit organization financial manager with the skills and abilities they have in accordance with the level of education they have. Then 4 diploma graduates (5%), 5 high school / vocational school graduates (6%) and the remaining 12 people (13%) have the last S2 education.

**Characteristics of Respondents By Field of Work**

The description of the research sample of 90 respondents based on the Field of Work can be seen in the table below:

**Table 4**  
**Repondent Demographics By Field of Education Level Employment**

Field of Work	Sum	Presented
Accounting, Finance and or Treasurer	67	74%
Penganggaran	4	4%
Grant / Sub Award	19	21%
<b>Total</b>	<b>90</b>	<b>100%</b>

Source: Primary Data processed, 2021



The fields of work of respondents who participated in this study, were the Field of Work of Financial Accounting and or Treasurer as many as 67 people (74%), Grant / Sub Award as many as 19 people (21%), and Disbursement as many as 4 people (4%).

#### Characteristics of Respondents Based on Length of Service

A person's length of work or experience is expected to be a consideration for capacity assessment in completing work. From a sample of 90 respondents can be described in the following table:

**Table 5**  
**Characteristics of Respondents Based on Length of Service**

Length of Service	Sum	Presented
0 - 5 years	23	26%
6 - 10 years	11	12%
> 10 years	56	62%
Total	90	100%

From the table, it can be seen that the majority of respondents have experience working for more than 10 years, namely 56 people (62%), working for 0-5 years at the same age as 23 respondents (26%) and 6-10 years as many as 11 people (12%)

This study aims to test the Determinants of Financial Statement Quality of non-profit organizations with the disclosure of Internet Financial Report as a moderation variable.

#### The Effect of Human Resource Competence on the Quality of Financial Statements of non-profit organizations

Competence can be described as a person's ability to produce something at a satisfactory level according to established standards. A person who has competence will work with his knowledge and skills, so that he can work quickly, easily, take high initiative so that he can easily solve the problem at hand and finally can provide the agreed benefits.

Human resources are vital in an organization because they are a key component to the success of non-profit organizations' activities and performance. Therefore, non-profit organizations need to improve the competence of existing human resources to guarantee the profitability of their operations. The competence of human resources is also assessed on a person's knowledge, ability, and attitude in carrying out their responsibilities. The failure of the organization's human resources to understand and apply accounting principles can result in problems in the preparation of financial statements.

From the results of testing hypothesis 1 (H1) obtained a calculated t value greater than t table with a significance value of less than 0.05. This explains that Human Resource Competence affects the Quality of Financial Statements. This study shows a positive direction, so that the higher the value of Human Resource Competence, the higher the Quality of Financial Statements of non-profit organizations.

The results of this study are in line with previous research conducted by:

1. (Yosefrinaldi, 2013) which states that Human Resource Capacity has a positive effect on the Quality of Local Government Financial Statements.

2. In addition, the results of this study also support the research results of (Ayu Enny Kiranayanti & Made Adi Erawati. Ni, 2016) which states that Human Resource Competence has a positive effect on the Quality of Financial Statements of the Regional Government of Badung Regency, Bali.
3. (Yendrawati, 2013) which states that the capacity of human resources has a positive effect on the quality of information on local government financial statements in the Yogyakarta Special Region Social Service.
4. (Wahyuni et al., 2018) which states that the competence of human resources affects the quality of financial statements.
5. (Aprilia Safitri et al., 2019) which states that partially the competence of human resources has a positive and significant effect on the quality of financial statements.

Employees who have high Human Resource Competence will be able to understand accounting logic well and then use their knowledge and understanding in preparing financial statements in accordance with accounting principles and established rules so that the resulting financial statements are free from misrepresentation (reliable) and of high quality. In addition, experienced human resources will be able to work quickly, so that the financial statements produced can be timely (relevant) and of high quality.

Based on descriptive data showing that Human Resource Competence in non-profit NGO organizations is high, most respondents' answers are on a scale of 4 to 5. Based on respondents' assessment data, the average affirmative and strongly agreeable answers are for indicators of behavior and experience. This shows that the knowledge and ability of respondents in the field of accounting comes from training and experience. With their knowledge and abilities and behaviors, most respondents feel that they can carry out their duties and are responsible in managing or compiling quality financial reports of non-profit organizations.

In this study, the number of respondents who had an S1 education background was more than others, namely 69 respondents, this shows that the majority of respondents have the ability to do good business processes, have good accounting skills, are able to help and provide correct financial information that is useful for management and external parties. This is also supported by most respondents, working in the Accounting, Finance and Treasurer departments which enriches the respondent's ability from the respondent's experience factor, so that creating quality Financial Statements is not a difficult job.

*Effect of Financial Accounting System Implementation on the Quality of Financial Statements of non-profit organizations*

In the development of financial management of non-profit entities, it is very necessary to have a clear financial accounting basis or standard as a guide in financial reporting of non-profit entities. Financial accounting standards on financial reporting of non-profit entities continue to improve. Starting from the making of the Financial Accounting Standard Statement (PSAK) No. 45 concerning Financial Reporting of Non-Profit Organizations which was approved in a meeting of the Financial Accounting Standards Committee on December 20, 1997 and was ratified by the Central Board of the Indonesian Institute of Accountants on December 23, 1997. Then there is the Revision of PSAK No. 45 which has been ratified by the Financial Accounting Standards Board (DSAK) on April 8, 2011. Until now it has been changed to Interpretation of Financial Accounting Standards (ISAK) No.35 concerning the Presentation of Financial Statements of Non-Profit Oriented Entities authorized by the Financial Accounting Standards Board

on September 26, 2018 and entered into force for the period of the financial year beginning on or after January 1, 2020.

The results of hypothesis testing 2 (H2) show that the application of the Financial Accounting System affects the quality of financial statements of non-profit organizations. This can be proved by a calculated t value greater than t of the table with a significance value of less than 0.05. In this study, it has a positive direction, indicating that the higher the application of the Financial Accounting System, the higher the quality of financial statements of non-profit organizations.

The results of this study are in line with previous research conducted by:

1. (Darwanis et al., 2016) which states that the government accounting system has a positive and weak effect on the quality of the Aceh government's financial statements.
2. (Murpi, 2016) which states that the implementation of the Local Government Accounting System (SAKD) has a positive effect on the quality of information on local government financial statements in Central Lombok Regency
3. (Sanjaya, 2016) which states that the regional financial accounting system has a positive and significant effect on the quality of local government financial statements in Kampar Regency.
4. (Farida et al., 2021) which is able to prove that the non-profit financial accounting system has a positive and significant effect on the quality of financial statements of non-profit organizations
5. Permadi (2013) which states that the regional financial accounting system affects the quality of local government financial statements produced.

With the financial accounting standards of non-profit organizations, the use of grant funds can be optimized by carrying out good financial recording, processing and reporting. The inter-achievement of financial accounting standard 35 (ISAK 35) is a derivative of PSAK 01 paragraph 5 related to non-profit oriented entities where ISAK 35 is a reference or standard in making financial statements for non-profit organizations in Indonesia, one of which is NGOs. In ISAK 35 there are 5 components, namely the financial position statement, comprehensive income report, net asset change report, cash flow statement, notes to financial statements.

In relation to the accounting standards of ISAK 35, based on the results of respondents' answers and observations of the annual report of non-profit organizations presented through the internal website, it shows that the presentation of financial statements in the results of this study does not refer to ISAK 35 but refers to other financial accounting standards depending on the donor institution for each non-profit organization. For INGO affiliated non-profit organizations, as many as 62 non-profit organizations use IAS or US GAAP, while 28 local NGO non-profit organizations still use PSAK 45.

The presentation of financial statements based on applicable financial accounting standards can provide good quality financial statements and can meet the needs of users of these financial statements, especially for donor institutions.

The *voluntary disclosure of the Internet Financial Report* provides significant value to the application of SAK. IFR is one of the reporting activities that can be accounted for to financial information users who expect information disclosure, information accuracy, reliability of information and timely.

#### The Effect of SPI on the Quality of Non-Profit Organizations' Financial Statements

Internal control is a process, influenced by the board of directors, management entities and other personnel, designed to provide reasonable certainty related to the

achievement of the following category goals: effectiveness and efficiency of operations, reliability of financial reporting, and observance of applicable laws and regulations.

According to the Committee of Sponsoring organizations of the Treadway Commission (COSO), the dimensions for measuring the internal control system include (1) the control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) internal control monitoring.

The results of hypothesis 3 (H3) testing show that SPI affects the Quality of Financial Statements of non-profit organizations. This is indicated by a calculated t value that is greater than t table and a significance value of less than 0.05. This study has a positive direction that shows that the higher the SPI, the higher the Quality of Financial Statements of non-profit organizations. The coefficient of determination (r Square) of 0.639 indicates that 63.9% of the quality of financial statements of non-profit organizations is influenced by SPI, while the remaining 36.1% is influenced by other variables outside this study.

The results of this study are in line with previous research conducted by:

1. Neco Fransiska, Aris Eddy Sarwono, and Dewi Saptantinah Puji Astuti (2016) who stated that the existing part of the weaknesses of the internal control system such as: weaknesses in the accounting and reporting control system, weak control system for the implementation of budget and expenditure revenues, and weaknesses in the internal control structure have a joint influence on the quality of financial statements. The existence of this simultaneous influence is shown in the results of statistically processed analysis, which shows a significant value of 0.000
2. Yusniar, Darwanis, Syukriy Abdullah (2016) who stated that internal control has a positive and weak effect on the quality of the Aceh government's financial statements.
3. Imelda (Latjandu et al., 2016), Lintje Kalangi, Jantje J. Tinangon (2016) Which states that on the effectiveness of internal control,  $t_{hitung} = 2.605 > t_{tabel} = 2.00100$  so that the effectiveness of internal control has a significant effect on the quality of local government financial statements in the Talaud Islands district.
4. Khoirina Kencana Ningrum (2018) who stated that the internal control system has a significant effect on the quality of local government financial reports in Kebumen district.
5. Arlia Sari Artana (2016) Which states that the internal control system has a significant effect on the quality of local government financial statements.

The Internal Control System is a process designed by management to provide adequate assurance or confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of organizational assets, and compliance with laws and regulations. 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 the financial statements can meet the qualitative characteristics of financial statements and will increase the trust of stakeholders.

Indicators for measuring SPI variables are based on the 2013 COSO, namely the control environment, risk assessment, control activities, information and communication and monitoring or monitoring. Based on respondent answer data, the average respondent answered affirmatively and strongly agreed with each assessment indicator, which means that the five elements of control have been implemented properly and effectively. Meanwhile, based on the assessment of ifr voluntary presentation factors, it provides

more value to the accountability of the implementation of the Internal Control System. Through public oversight, ensuring nonprofits can account for their work, the goals of their organization and even more the funds entrusted to the organization. With IFR, non-profit organizations can report accountability for their financial performance, operational performance so that this can be assured that Most of the non-profit organizations in this study already have a good internal control system.

#### Effect of Utilization of Accounting Information Technology on the Quality of Financial Statements of non-profit organizations

Another factor that can affect the quality of financial statements is the use of accounting information technology. As we know that the rapid progress and development of information needs, especially technology in the era of globalization, has had a significant influence on the application of accounting information systems in an organization. Through speed, flexibility and integrity the accuracy of information can be generated. An accounting information system can be said to be effective if the system is able to produce information that is acceptable and able to meet the expectations of information in a *timely*, accurate, and reliable *manner*.

The results of hypothesis 4a (H4a) testing show that the use of accounting information technology can affect the quality of financial statements of non-profit organizations. This can be proved by a calculated t value greater than t table ( $8.963 < 1.988$ ) with a significance value smaller than 0.05 ( $0.000 < 0.05$ ). The value of the regression coefficient of 0.694 which has a positive direction indicates that the higher the use of information technology, the higher the Quality of Financial Statements of non-profit organizations. The coefficient of determination (r Square) of 0.477 indicates that 47.7% of the quality of financial statements of non-profit organizations is influenced by the use of accounting information technology, while the remaining 52.3% is influenced by other variables outside this study.

The results of this study are in line with previous research conducted by:

1. (Yendrawati, 2013) which states that the capacity of human resources has a positive effect on the quality of information on local government financial statements in the Yogyakarta Special Region Social Service.
2. Wahyuni, isti Fadah, and Diana Sulianti Tobing (Wahyuni et al., 2018) who stated that the competence of human resources affects the quality of financial statements.
3. Dela Aprilia Safitri, Maslichah, and Afifudin (Aprilia Safitri et al., 2019) who stated that partially the competence of human resources has a positive and significant effect on the quality of financial statements

The use of Accounting Information Technology is an important part of helping the accounting recording and reporting process. Data processing using accounting *software* is able to produce timely financial reports that are accurate and can be ascertained to be correct. Based on descriptive data showing that the use of accounting information technology in non-profit NGO organizations is high, most of the respondents' answers are on a scale of 4 to 5. From the respondents' answers, 76 respondents used accounting software in processing and reporting accounting data at non-profit organizations where respondents worked, so that it can be ensured that the use of accounting information technology in non-profit organizations can improve the quality of financial statements better.



## CONCLUSION

Based on the results of the analysis and discussion of the research, it can be concluded as follows:

Human Resources (HR) competence affects the quality of non-profit organizations' financial statements.

The application of Financial Accounting Standards (SAK) affects the Quality of Financial Statements of Non-Profit Organizations.

The Internal Control System (SPI) affects the Quality of Financial Statements of Non-Profit Organizations.

The use of Accounting Information Technology (PTIA) affects the Quality of Financial Statements of Non-Profit Organizations.

Internet Financial Report can strengthen the influence (PTIA) on the Quality of Financial Statements of non-profit organizations

Based on the above conclusions, it can be drawn an outline that the variables of human resource competence, the application of financial accounting standards, the internal control system and the use of accounting information technology show results that affect the quality of financial statements of non-profit organizations of NGOs. For moderation variables, the Internet Financial Report can strengthen the relationship between the Use of Accounting Information Technology and the Quality of Financial Statements of non-profit organizations.

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