


# The Effect of Financial Management Comprehension, Financial Accounting System, and Internal Supervision on Financial Report Performance Province Government of North Sumatra

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Article Info	ABSTRACT
<b>Keywords:</b> Understanding of Financial Management, Financial Accounting Systems, Internal Control, Financial Report Performance.	The increasing demands of society for good governance have encouraged the central government and local governments to implement public accountability. In order to realize good governance, local governments must continue to make efforts to improve transparency and accountability in regional financial management. This study aims to determine whether understanding of financial management, financial accounting systems and internal supervisors have a simultaneous effect on the financial statements of the North Sumatra Provincial Government. The type of research used is by using a quantitative method assisted by SPSS 23. The population and sample in this study were 60 Civil Servants in the North Sumatra Provincial Government and questionnaires were distributed according to the number of samples that had been determined. This study found that there was a positive and significant relationship between Understanding of Financial Management and Financial Report Performance, the Financial Accounting System had a positive and statistically significant effect on Financial Report Performance, Internal Supervision had a negative and statistically significant relationship on Financial Report Performance that excessive or inefficient internal supervision also has the potential to inhibit flexibility and innovation, which in turn can affect financial performance.
This is an open access article under the <a href="#">CC BY-NC</a> license 	<b>Corresponding Author:</b> Rizty Fanny Novriyanti Universitas Pembangunan Panca Budi, Medan, North Sumatera, Indonesia <a href="mailto:riztyfanny11@gmail.com">riztyfanny11@gmail.com</a>

## INTRODUCTION

Regions have a role in managing assets, in this case including regional finances, so that each region needs to manage its finances. In order to achieve good corporate governance, it is the responsibility of the regional government to be able to realize it. This is reflected in the performance of the regional government, thus every activity is expected to produce optimal performance, this occurs in all areas, both the private and government sectors. Supported by the implementation of regional autonomy, the regional government must be able to demonstrate optimal performance. The government is said to have good performance if the government is able to manage the government so that it can provide welfare to its people as a whole (Made Budi Sastra Wiguna, 2015). The increasing demands of society for good

governance have encouraged the central government and local governments to implement public accountability. In order to realize good governance, local governments must continue to make efforts to improve transparency and accountability in regional financial management. Government accounting has a primary role in preparing financial reports as a form of implementing public accountability. Financial reports are a medium for an entity, in this case the government, to be accountable for its financial performance to the public. Government must be able to present financial reports containing quality information.

This is regulated in Law Number 17 of 2003 concerning State Finance, which requires the form and content of accountability reports on the implementation of the APBN/APBD to be prepared and presented in accordance with government accounting standards stipulated by government regulations. The phenomenon of the quality of government financial reports in Indonesia is something interesting to study further. The phenomenon that occurs in the development of the public sector in Indonesia is the strengthening of demands for the quality of government financial reports. The resulting government financial reports must meet the principles of timeliness and be prepared in accordance with Government Accounting Standards in accordance with Government Regulation Number 71 of 2010. The application of accounting is needed to produce better performance measurements, as well as to facilitate more transparent and accountable financial/asset management.

There are several factors that affect performance, including the financial accounting system. Almanda Primadona (2013) said that the Financial Accounting System affects the performance of the Regional Government. An adequate regional financial accounting system can not only verify transactions so that funds can be traced according to their purpose, and check the authority, efficiency, and validity of fund learning, but the system can also support performance achievement (Rahmat Hidayat, 2015). The government's financial accounting system is an important foundation in regional financial management. This system ensures that all financial transactions are recorded correctly, reported accurately, and in accordance with applicable standards. The North Sumatra Provincial Government, like many other local governments, faces various challenges in implementing and maintaining an effective financial accounting system. Research by Rahmad Hidayat (2015) himself also states that the Regional Government Financial Accounting System also affects the performance of the Padang City Regional Government.

## **Literature Review**

### **Regional Government Financial Report Performance**

Financial reports are one of the systematic financial information that contains financial positions and transactions in a certain period, where the information can be used to describe the performance of an entity. In general, the purpose of financial reports is to present information about financial positions, cash flows, budget realization, and financial performance that will be useful for stakeholders in making and taking decisions (Nurillah, 2014). The regional government financial report (LKPD) is a general description of the regional government's financial position which is sourced from all financial activities carried out by the regional government.

In order to achieve good quality financial reports, the government needs the role of competent human resources in the field of accounting. Competent human resources in the local government (Pemda) environment are a very important part, especially those involved in regional financial management, human resources are the key to the success of an organization because human resources in the organization are very valuable because of their knowledge, skills and attitudes. The limitations of human resources with an educational background in accounting can make human resources in local governments lack understanding or mastery in managing and making good and correct LKPD. According to (Nazier, 2009) stated that accounting technicians who master and understand public sector accounting are still limited, both as policy makers and policy implementers. The impact of this lack of understanding is that it will cause many errors in recording and deviations by the Regional Government because they do not comply with regulations or are inaccurate in presenting financial reports, the process of preparing financial reports is not in accordance with regulations or deviates from laws and regulations. Of course, this will result in the LKPD presented by the Regional Government being dishonest and inaccurate. If this happens, it can reduce the quality of information in the LKPD and become inaccurate for decision making because errors in financial reports will affect decision making.

#### **Understanding Financial Management**

Understanding comes from the word understand which means to understand properly, while understanding is the process of making a way to understand or comprehend. Understanding according to the General Dictionary of the Indonesian Language has the meaning of being clever and understanding properly, while understanding is the process, way, act of understanding or comprehending. People who have an understanding of accounting are people who are clever and understand properly about accounting. The paradigm shift in government management, especially regional government, is a demand that needs to be responded to by regional governments because this change also drives changes in regional financial management. This demand requires a change in the paradigm and principles of regional financial management, both at the budgeting, implementation and accountability stages. One of the fundamental changes in regional financial management after regional financial reform is the change in the accounting system of the central and regional governments. The core of this change is the demand for accounting to be implemented in regional financial management by the government, both provincial and district and city governments, not bookkeeping as has been done so far.

The implementation of a number of laws in the field of regional government cannot yet be used as the main reference in realizing good public governance, especially in the field of regional financial management and public services, but still requires a more in-depth study, especially concerning the understanding of financial management, financial accounting systems, and internal supervision and management or management of regional finances in relation to public services. In this case, the work unit is seen as having a major role in the operation of the wheels of government in the region, because the work unit is the

center of responsibility of the regional government and relatively carries out more operational tasks of government and consumes more resources, which of course must be allocated and accounted for in the public interest that accounting will have a real role in socio-economic life if the information produced by accounting can control the behavior of economic policy makers to act towards achieving the country's social and economic goals.

The success of developing a financial accounting information system is highly dependent on the commitment and involvement of regional government employees. This statement indicates that the financial accounting system as a control tool needs to be understood by personnel or employees of regional government work units who are committed, meaning that the involvement of employees who have an understanding of the accounting system must be supported by commitment. In order for accounting to be used as a tool in controlling the wheels of government, accounting must be adequately understood by providers of financial information. As a control tool and a tool to achieve government goals, from an accounting perspective, especially the financial accounting system, accounting must be able to play a role in controlling the wheels of government in the form of regional financial management based on applicable regulations.

### **Financial Accounting System**

In producing quality reports, each entity must make financial reports in accordance with generally accepted accounting standards or internationally known as the International Accounting Standards Board (IASB) which is now called the International Financial Reporting Standard (IFRS) in producing quality financial reports in the company. Similar to companies, the government must also be able to produce financial reports by referring to the standards applicable in government in order to produce quality and good financial reports. Decision-Usefulness Theory of accounting information is part of normative theory. The first person to use the Decision-Usefulness Theory paradigm was Chambers. The decision model approach is intended to find out what information is needed to make decisions. Decision-usefulness theory includes the requirements of the quality of accounting information that is useful in decisions to be taken by users of accounting information. The decision-usefulness of accounting information contains components that need to be considered by the presenter of accounting information so that the existing coverage can meet the needs of decision makers who will use it.

In the implementation of regional financial management, managers are expected to have an adequate understanding of the regional financial accounting system in order to be able to present reliable financial reports. There are two orientations or interests that play a role in running the government, namely profit and non-profit orientation. Therefore, personnel related to regional financial administration need to understand accounting. They also need to understand accounting reporting, understand how accounting information is used for planning, decision making, and control. Accounting also has implications for the relationship between power holders and the organizational environment, and the management accounting system is a force that influences strategy. This indicates that to mediate the relationship between the regional government and other stakeholders in the

region, a medium is needed to communicate government programs. One of the media that is considered relevant in communicating and used as a tool to monitor government programs reflected in the APBD is the regional financial accounting system. For that, users are assumed to have adequate knowledge of the activities and operating environment of the reporting entity and the willingness of users to study the information in question, before someone uses the data obtained, the person needs to understand the function of the data, and must meet certain requirements, extremely important for most managers (services, agencies, offices and sections) is to understand how information is obtained, analyzed, and reported. Most managers must also understand how the recording is done by other organizations in accounting for the resources managed.

### **Internal Supervision**

Internal supervision is an activity that ensures that work is carried out in accordance with the established plan and/or the desired results (Ranupandojo, 2013). Meanwhile, Siagian (in Silalahi, 2015), states that "supervision is the process of observing the implementation of all organizational activities to ensure that all work carried out is in accordance with the established plan". The internal supervision system is a control system that includes the organizational structure along with all the methods and measures applied. In order to run effectively, internal supervision requires a special division of responsibilities, the goal is that each employee can concentrate on their respective areas of responsibility so that nothing happens.

All levels of state administrators, both in the executive, legislative and judicial levels must have a shared commitment to uphold Good Governance and Clean Government. The paradigm shift in the implementation of Regional Government (regional autonomy) in Indonesia from a centralized pattern to a decentralized pattern has consequences for the increasing transfer of authority from the Central Government to the Regional Government. With the enactment of Law No. 23 of 2014 concerning Regional Government, Regional Governments are given great authority to regulate and manage their own households autonomously. Regional autonomy is intended to provide opportunities and flexibility to autonomous regions in regulating and managing the interests of local communities responsibly according to their own initiatives, and based on community aspirations in accordance with laws and regulations. Broad authority certainly requires optimal supervision, because without supervision there is an opportunity for deviations and abuse of authority, which will result in state financial losses and the failure to realize community welfare. Regional governments in organizing their government through organic functions of government management which include planning, implementation, supervision, and evaluation are means that must exist and be implemented by management professionally and in order to achieve organizational goals effectively and efficiently.

In relation to regional financial management, internal supervision is one form of supervision carried out by the executive. As stated in government regulation number 105 of 2000 article 41 (1), namely internal supervision of regional financial management aims to maintain efficiency, effectiveness, and weaknesses in regional financial management on



behalf of the regional head. Likewise, in Presidential Decree number 74 of 2001 article (6), it is stated that regional government supervision is a process of activities aimed at ensuring that regional governments run in accordance with plans and applicable laws and regulations. In this case, the tool that can be used as a measure of efficiency and effectiveness of regional financial management is the budget. In government agencies, the budget is used as a supervisory tool. This indicates that the supervision carried out is supervision of the use of the budget as reflected in the APBD. Conceptual Framework

This study aims to determine whether or not there is an influence of the relationship between the independent variables, namely Understanding of Financial Management, Financial Accounting Systems and Internal Supervision with the dependent variable, namely the Performance of the Financial Report of the North Sumatra Provincial Government.

## METHOD

The research approach used in the study is causal associative research (cause and effect relationship) (Siahaan & Simanjuntak, 2018) where if the dependent variable is explained or influenced by a certain independent variable, then it can be stated that variable X causes variable Y. Causal associative research is a research question that asks about the relationship between two or more variables (Sugiyono, 2013).

According to Sugiyono (2015), research variables are basically anything in any form that is determined by researchers to be studied so that information about it is obtained, then conclusions are drawn. This research variable uses 3 variables, namely independent variables (Understanding of Financial Management, Financial Accounting Systems and Internal Supervision) with the dependent variable being the Performance of the Financial Report of the North Sumatra Provincial Government.

Sugiyono (2012) explains that "Population is a generalization area consisting of objects/subjects that have certain qualities and characteristics that are determined by researchers to study and then draw conclusions". The population in this study is the Regional Apparatus Organization (OPD)/Agencies in the North Sumatra Provincial Government in the field of Finance and Budget Management and Internal Audit fields.

**Table 2.** Population of Regional Apparatus Organizations (OPD)/Agencies in the North Sumatra Provincial Government

No	Information	Amount	Description
1	Government agencies	42	42 Agencies in the North Sumatra Provincial Government
2	Finance and Budget Management	42	42 Financial Fields in Government Agencies
3	Number of People Working in Financial Institutions	330	330 people working in the OPD/Financial Department of the North Sumatra Provincial Government
4	Number of people working in the Internal Supervision Section of OPD/Agency	84	84 people working in the OPD/Internal Supervision Agency of the North Sumatra Provincial Government

A sample is a sub of a set of elements selected for study (Sarwono, 2016). Sampling was carried out by purposive sampling which aims to obtain samples that meet the criteria determined in the study. The researcher only took 20 OPDs/Agencies in the North Sumatra Provincial Government. The criteria used in this study were the purposive sampling method in Finance and Budget Management and Internal Supervision in the North Sumatra Provincial Government:

**Table 3.** Sample Number of Employees Involved in the Preparation of Financial Reports for North Sumatra Province

No	Field Name	Amount
1	Accounting Field	20
2	Budget Management Field	20
3	Internal Audit Division	20
	Number of Employees	60

The type of data used in this study is quantitative data, which is a type of data that can be measured and calculated, and expressed in the form of numbers. The quantitative data of this study was obtained from the results of filling out the questionnaire distributed to respondents. Accounting Sector, Budget Management Sector and Internal Supervision Sector in the Regional Apparatus Organization of North Sumatra Province in 2022-2023.

The data sources used in this study are primary data and secondary data. Primary data is a source of research data obtained directly from the original source or not through an intermediary. Data collection will be carried out using a survey method with the help of a questionnaire. Secondary data is data that has been collected and processed which is then used by researchers for analysis.

## RESULT

### Description of Research Variables

This study applies quantitative methods by utilizing tabulated data obtained from the questionnaire instrument. The following is a presentation of data that describes the percentage distribution of participant responses to each statement item in the research instrument that was provided.

### Financial Management Understanding Variable(X1)

**Table 7.** Respondents' Answers to X1.1

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	2	3.3	3.3	3.3
Agree	14	23.3	23.3	26.7
Very Very Agree	44	73.3	73.3	100.0
Total	60	100.0	100.0	

Based on the data in the table, the response to statement item X1.1 shows a strong tendency of agreement among the research participants. The majority of respondents, namely 44 people (73.3%), chose the category "Strongly Agree". As many as 14

respondents (23.3%) stated "Agree", while only a small portion, 2 respondents (3.3%), chose "Slightly Agree".

**Table 8.** Respondents' Answers to X1.2

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	11	18.3	18.3	18.3
Strongly agree	1	1.7	1.7	20.0
Very Very Agree	48	80.0	80.0	100.0
Total	60	100.0	100.0	

Based on the data presented, the response to statement item X1.2 is dominated by the category "Strongly Agree", with a frequency of 48 respondents (80.0%). A total of 11 respondents (18.3%) stated "Agree", and only 1 respondent (1.7%) chose "Strongly Agree".

**Table 9.** Respondents' Answers to X1.3

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	6	10.0	10.0	10.0
Agree	15	25.0	25.0	35.0
Strongly agree	1	1.7	1.7	36.7
Very Very Agree	38	63.3	63.3	100.0
Total	60	100.0	100.0	

Based on the data listed in the table, the response to statement item X1.3 shows a significant tendency of agreement among participants. The majority of respondents, 38 people (63.3%), chose the category "Strongly Agree". As many as 15 respondents (25.0%) stated "Agree", and 6 respondents (10.0%) chose "Slightly Agree". Only 1 respondent (1.7%) gave the response "Strongly Agree".

**Table 10.** Respondents' Answers to X1.4

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	5	8.3	8.3	8.3
Agree	13	21.7	21.7	30.0
Strongly agree	1	1.7	1.7	31.7
Very Very Agree	41	68.3	68.3	100.0
Total	60	100.0	100.0	

Based on the data presented, the response to statement item X1.4 shows a strong tendency of agreement among the research participants. The majority of respondents, 41 people (68.3%), chose the category "Strongly Agree". A total of 13 respondents (21.7%) stated "Agree", and 5 respondents (8.3%) chose "Slightly Agree". Only 1 respondent (1.7%) gave the response "Strongly Agree".

**Table 11.** Respondents' Answers to X1.5

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	3	5.0	5.0	5.0
Agree	17	28.3	28.3	33.3
Strongly agree	1	1.7	1.7	35.0
Very Very Agree	39	65.0	65.0	100.0
Total	60	100.0	100.0	



Based on the data listed, the response to statement item X1.5 shows a dominant tendency of agreement among research participants. The majority of respondents, with a frequency of 39 (65.0%), chose the category "Strongly Agree". A total of 17 respondents (28.3%) stated "Agree", and 3 respondents (5.0%) chose "Slightly Agree". Only 1 respondent (1.7%) gave the response "Strongly Agree".

**Table 12.** Respondents' Answers to X1.6

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	7	11.7	11.7	11.7
Agree	9	15.0	15.0	26.7
Very Very Agree	44	73.3	73.3	100.0
Total	60	100.0	100.0	

Based on the data presented, the response to statement item X1.6 shows a strong tendency of agreement among research participants. The majority of respondents, with a frequency of 44 (73.3%), chose the category "Strongly Agree". A total of 9 respondents (15.0%) stated "Agree", and 7 respondents (11.7%) chose "Slightly Agree".

**Table 13.** Respondents' Answers to X1.7

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	8	13.3	13.3	13.3
Agree	13	21.7	21.7	35.0
Very Very Agree	39	65.0	65.0	100.0
Total	60	100.0	100.0	

Based on the data presented, the response to statement item X1.7 shows a strong tendency of agreement among research participants. The majority of respondents, with a frequency of 39 (65.0%), chose the category "Strongly Agree". A total of 13 respondents (21.7%) stated "Agree", and 8 respondents (13.3%) chose "Slightly Agree".

**Table 14.** Respondents' Answers to X1.8

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	11	18.3	18.3	18.3
Strongly agree	2	3.3	3.3	21.7
Very Very Agree	47	78.3	78.3	100.0
Total	60	100.0	100.0	

Based on the data presented, the response to statement item X1.8 shows a very strong tendency of agreement among research participants. The majority of respondents, with a frequency of 47 (78.3%), chose the category "Strongly Agree". A total of 11 respondents (18.3%) stated "Agree", and 2 respondents (3.3%) chose "Strongly Agree".

**Table 15.** Respondents' Answers to X1.9

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	2	3.3	3.3	3.3
Agree	12	20.0	20.0	23.3
Strongly agree	2	3.3	3.3	26.7
Very Very Agree	44	73.3	73.3	100.0
Total	60	100.0	100.0	

Based on the data presented, the response to statement item X1.9 shows a strong tendency of agreement among research participants. The majority of respondents, with a frequency of 44 (73.3%), chose the category "Strongly Agree". A total of 12 respondents (20.0%) stated "Agree", and 2 respondents (3.3%) each chose "Slightly Agree" and "Strongly Agree".

**Table 16.** Respondents' Answers to X1.10

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	1	1.7	1.7	1.7
Agree	18	30.0	30.0	31.7
Very Very Agree	41	68.3	68.3	100.0
Total	60	100.0	100.0	

Based on the data presented, the response to statement item X1.10 shows a strong tendency of agreement among research participants. The majority of respondents, with a frequency of 41 (68.3%), chose the category "Strongly Agree". A total of 18 respondents (30.0%) stated "Agree", and only 1 respondent (1.7%) chose "Slightly Agree".

#### Variables Financial Accounting System (X2)

**Table 17.** Respondents' Answers to X2.1

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	2	3.3	3.3	3.3
Agree	14	23.3	23.3	26.7
Very Very Agree	44	73.3	73.3	100.0
Total	60	100.0	100.0	

Based on the data presented, the response to statement item X2.1 shows a strong tendency of agreement among research participants. The majority of respondents, with a frequency of 44 (73.3%), chose the category "Strongly Agree". A total of 14 respondents (23.3%) stated "Agree", and only 2 respondents (3.3%) chose "Slightly Agree".

**Table 18.** Respondents' Answers to X2.2

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	11	18.3	18.3	18.3
Strongly agree	1	1.7	1.7	20.0
Very Very Agree	48	80.0	80.0	100.0
Total	60	100.0	100.0	

Based on the data presented, the response to statement item X2.2 is dominated by the category "Strongly Agree", with a frequency of 48 respondents (80.0%). A total of 11 respondents (18.3%) stated "Agree", and only 1 respondent (1.7%) chose "Strongly Agree".

**Table 19.** Respondents' Answers to X2.3

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	6	10.0	10.0	10.0
Agree	15	25.0	25.0	35.0
Strongly agree	1	1.7	1.7	36.7
Very Very Agree	38	63.3	63.3	100.0
Total	60	100.0	100.0	

Based on the data listed in the table, the response to statement item X2.3 shows a significant tendency of agreement among participants. The majority of respondents, 38 people (63.3%), chose the category "Strongly Agree". As many as 15 respondents (25.0%) stated "Agree", and 6 respondents (10.0%) chose "Slightly Agree". Only 1 respondent (1.7%) gave the response "Strongly Agree".

**Table 20.** Respondents' Answers to X2.4

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	5	8.3	8.3	8.3
Agree	13	21.7	21.7	30.0
Strongly agree	1	1.7	1.7	31.7
Very Very Agree	41	68.3	68.3	100.0
Total	60	100.0	100.0	

Based on the data presented, the responses to statement item X2.4 showed a strong tendency of agreement among the research participants. The majority of respondents, 41 people (68.3%), chose the category "Strongly Agree". A total of 13 respondents (21.7%) stated "Agree", and 5 respondents (8.3%) chose "Slightly Agree". Only 1 respondent (1.7%) gave the response "Strongly Agree".

**Table 21.** Respondents' Answers to X2.5

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree a little	3	5.0	5.0	5.0
Agree	17	28.3	28.3	33.3
Strongly agree	1	1.7	1.7	35.0
Very Very Agree	39	65.0	65.0	100.0
Total	60	100.0	100.0	

Based on the data listed, the response to statement item X2.5 shows a dominant tendency of agreement among research participants. The majority of respondents, with a frequency of 39 (65.0%), chose the category "Strongly Agree". A total of 17 respondents (28.3%) stated "Agree", and 3 respondents (5.0%) chose "Slightly Agree". Only 1 respondent (1.7%) gave the response "Strongly Agree".

### Data Quality Test

In the realm of quantitative research, validity testing plays a crucial role in assessing the accuracy of measurement instruments in representing theoretical constructs that are the focus of the study. The essence of validity testing lies in evaluating the ability of the instrument to carry out the expected measurement function. In order to ensure the empirical relevance of each statement item in the questionnaire given to respondents, this study applies item validity analysis by setting a criterion limit for the corrected item-total correlation coefficient above 0.30 as an indicator of validity. Statement items that meet or exceed this threshold value are categorized as valid and relevant in measuring the factors that are the main concern of the study. Details of the results of the validity test analysis are presented in the next section. The results of the validity test for the variables understanding of financial management is as follows:

**Table 22.** Results of the validity test of Understanding Financial Management (X1)

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1.1	83,7667	30,894	,585	,683
X1.2	83,5500	33,303	,554	,698
X1.3	84,0833	29,162	,548	,683
X1.4	83,9500	31,472	,406	,709
X1.5	83,9500	32,760	,360	,716
X1.6	83,9333	27,555	,652	,661
X1.7	84,1333	27,948	,579	,676
X1.8	83,5667	37,301	,105	,744
X1.9	83,7333	39,046	-,092	,773
X1.10	83,8333	35,192	,222	,734

The results of the Financial Management Understanding item validity test show that most items (X1.1, X1.2, X1.3, X1.6, X1.7) have corrected item-total correlations above 0.30, indicating fairly good validity. However, items X1.4 and X1.5 are approaching the lower limit. Items X1.8, X1.9, and X1.10 show low or negative correlations, indicating potential item validity problems and need to be further evaluated for possible revision or deletion to improve the quality of construct measurement. The results of the validity test for the variables financial accounting system is as follows:

**Table 23.** Results of the validity test of the Financial Accounting System (X2)

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X2.1	85,0667	25,928	,484	,708
X2.2	84,8500	27,350	,528	,708
X2.3	85,3833	24,512	,448	,715
X2.4	85,2500	25,953	,362	,730
X2.5	85,2500	26,970	,327	,734
X2.6	84,7333	27,690	,572	,708
X2.7	84,9000	28,024	,357	,727
X2.8	84,8000	27,180	,580	,704
X2.9	85,2667	25,182	,396	,725
X2.10	84,7000	30,247	,181	,746

The results of the Financial Accounting System item validity test show that most items have corrected item-total correlations above 0.30, namely X2.1 (0.484), X2.2 (0.528), X2.3 (0.448), X2.4 (0.362), X2.5 (0.327), X2.6 (0.572), X2.7 (0.357), X2.8 (0.580), and X2.9 (0.396), indicating fairly good validity. However, item X2.10 shows a low correlation (0.181), indicating potential item validity problems and needs to be further evaluated for possible revision or deletion in order to improve the quality of construct measurement. The results of the validity test for the variables Internal supervision is as follows:

**Table 24.** Internal Supervision Validity Test Results (X3)

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X3.1	86,1667	25,531	,620	,802
X3.2	86,3333	25,785	,399	,820
X3.3	86,2333	25,640	,537	,807
X3.4	86,7000	21,671	,549	,813
X3.5	86,1333	25,745	,529	,808
X3.6	86,3667	23,795	,622	,797
X3.7	86,2000	26,400	,456	,814
X3.8	86,1000	25,549	,593	,803
X3.9	86,5000	25,169	,461	,814
X3.10	86,3667	24,880	,491	,811

The results of the Internal Supervision item validity test show that all items have a corrected item-total correlation above 0.30, namely X3.1 (0.620), X3.2 (0.399), X3.3 (0.537), X3.4 (0.549), X3.5 (0.529), X3.6 (0.622), X3.7 (0.456), X3.8 (0.593), X3.9 (0.461), and X3.10 (0.491). This indicates that all items correlate quite well with the total score of the Internal Supervision construct and meet the item validity criteria. The results of the validity test for the variables Internal supervision is as follows:

**Table 25.** Results of the validity test of Financial Report Performance (Y)

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Y1	83,3833	38,274	,526	,729
Y2	83,1667	39,938	,582	,731
Y3	83,7000	34,993	,598	,714
Y4	83,5667	37,199	,480	,733
Y5	83,5667	38,656	,434	,740
Y6	83,3000	41,603	,311	,754
Y7	83,7167	46,851	-,135	,827
Y8	83,3500	38,774	,538	,729
Y9	83,5500	33,709	,666	,701
Y10	83,7500	35,072	,532	,724

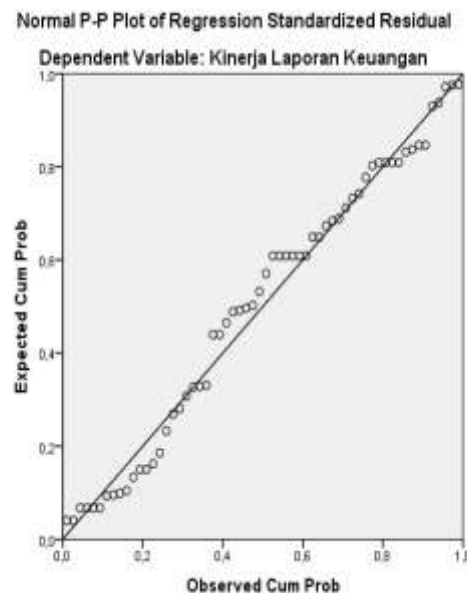
The results of the validity test of the Financial Report Performance items show that most items have corrected item-total correlations above 0.30, namely Y1 (0.526), Y2 (0.582), Y3 (0.598), Y4 (0.480), Y5 (0.434), Y8 (0.538), Y9 (0.666), and Y10 (0.532), indicating fairly good validity. However, item Y6 shows a correlation approaching the lower limit (0.311), and item Y7 has a negative correlation (-0.135), indicating the potential for significant item validity problems and needs to be further evaluated for possible revision or deletion in order to improve the quality of construct measurement.

### Classical Assumption Test

#### Normality Test

In the context of linear regression analysis, the evaluation of the normality of data or variable distribution plays a crucial role as a prerequisite to ensure the validity of the

resulting model. Fulfillment of the assumption of normality of the model residuals is essential so that the statistical inferences derived from the analysis can be considered reliable. The following presents the results of the normality test conducted through a graphical approach using SPSS Statistics software version 25.



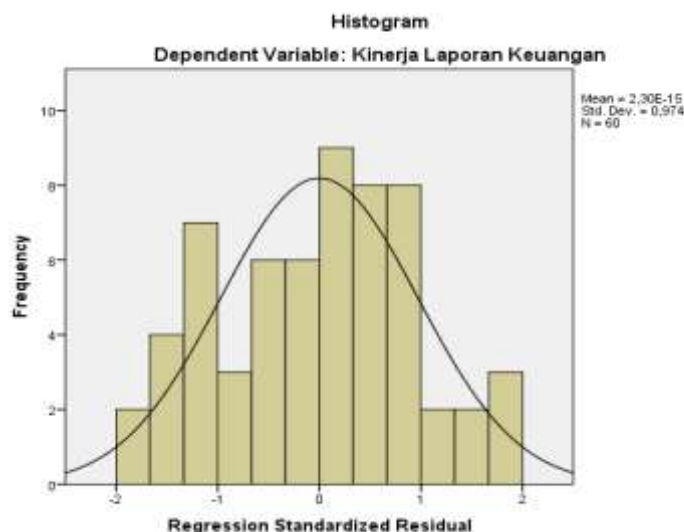
**Figure 1.** PP-Plot Normality Test

Based on the attached Normal PP Plot of Regression Standardized Residual, with the dependent variable "Financial Report Performance", it can be interpreted that the Normal PP Plot visualization compares the observed cumulative probability distribution with the expected cumulative probability distribution under the assumption of a normal distribution. In general, data points that are scattered around and follow the diagonal line indicate that the standardized residual distribution of the regression model approaches the theoretical normal distribution.

In this plot, the majority of the data points appear to be clustered relatively close to the diagonal line. This provides an initial indication that the assumption of normality of the residuals of the linear regression model is likely met. Although there are some small deviations from the diagonal line, especially in the middle of the plot, these deviations do not appear to form a significant systematic pattern (such as a clear S-curve).

This slight discrepancy could be due to sampling variation or unique characteristics of the research data. However, considering that most of the points are still within a reasonable distance from the diagonal line, it can be visually concluded that the distribution of the standardized residuals does not show substantial deviations from normality that could threaten the validity of the statistical inference of the overall regression model.





**Figure 2.** Histogram Normality Test

Based on the histogram of standardized residuals of the regression with the dependent variable "Financial Report Performance", it can be interpreted that this histogram presents the frequency distribution of standardized residuals from the regression model used to predict "Financial Report Performance". The theoretical normal curve (black line) is superimposed on the histogram to facilitate visual evaluation of the conformity of the residual distribution to the normal distribution.

Visually, the distribution of residuals displayed in the histogram shows a tendency to form a bell-shaped pattern, although there are some variations and imperfections. Most of the observation frequencies are concentrated around the mean value of the residuals (which is very close to zero, indicated by Mean = 2.30E-15), and the frequencies tend to decrease symmetrically towards the tails of the distribution.

Although the histogram does not show a perfect normal distribution, there are no indications of extreme deviations from normality such as severe skewness or excessive kurtosis (sharpness or flatness) visually. Some of the histogram bars appear slightly higher or lower than the theoretical normal curve, which could be due to sampling variation in the data.

The descriptive statistics accompanying the histogram also provide relevant information. The mean residual value is very close to zero (2.30E-15) consistent with the linear regression assumption that the mean of the residuals is zero. The standard deviation of the standardized residuals is 0.974, which is close to 1, as expected for standardized residuals. The number of observations ( $N = 60$ ) also provides context for visual interpretation; with this relatively modest sample size, a few small deviations from normality may not be too concerning.

### **Multicollinearity Test**

Detection of multicollinearity between predictor variables in regression analysis can be done through quantitative evaluation of the Variance Inflation Factor (VIF) and tolerance

value. Conventional criteria for identifying the presence of multicollinearity are VIF values exceeding the threshold of 10 or tolerance values less than 0.1. Conversely, VIF values  $\leq 10$  and tolerance values  $\geq 0.1$  generally indicate that the regression model is not affected by multicollinearity problems. Given the inverse relationship between VIF and tolerance, which is mathematically expressed as  $VIF = 1/\text{Tolerance}$ , an increase in VIF value directly corresponds to a decrease in tolerance value, reflecting the potential for increased risk of multicollinearity in the model.

**Table 26.** Validity test results for Understanding Financial Management, Financial Accounting Systems, Internal Supervision and Financial Report Performance

Coefficients <sup>a</sup>		Collinearity Statistics	
Model		Tolerance	VIF
	(Constant)		
1	Understanding Financial Management	0.194	5.16
	Financial Accounting System	0.119	8,381
	Internal Supervision	0.379	2,637

## CONCLUSION

Based on the analysis of empirical data and the integration of theoretical discourse as explained in the discussion, several significant conclusions can be formulated as follows: Based on the results of the analysis of this study, it shows a positive and significant relationship between Financial Management Understanding and Financial Report Performance, where increasing financial management understanding correlates with increasing financial report performance. This variable is also identified as a relatively strong predictor in the regression model tested. Based on the results of the analysis, this study concludes that the Financial Accounting System has a positive and statistically significant influence on Financial Report Performance. The effectiveness of the Financial Accounting System contributes significantly to predicting Financial Report Performance, by producing relevant, reliable, and timely financial information. A well-structured accounting system facilitates the presentation of quality, consistent, and easy-to-understand financial information, which ultimately supports the creation of good Financial Report Performance. Based on the results of the analysis, this study concludes that Internal Supervision has a negative and statistically significant relationship to Financial Report Performance. This finding indicates that increasing Internal Supervision is associated with decreasing Financial Report Performance after controlling for other variables. A more cautious interpretation suggests that this finding likely reflects a company's response to higher risks or underlying issues affecting performance, where strengthening internal supervision becomes a mitigation effort. In addition, excessive or inefficient internal supervision also has the potential to inhibit flexibility and innovation, which in turn can affect financial performance.

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