The Effect of Implementation of the Internal Control System and the Implementation of Good Corporate Governance Principles on the Quality of Financial Reports (Case Study at Amanah Insani Islamic Community Financing Bank)

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Abstract: This study aims to examine the effect of the application of the Internal Control System and the application of the principles of Good Corporate Governance to the Quality of Financial Statements. In this study the application of internal control systems is measured by the control environment, risk assessment, control activities, information and communication and monitoring, the application of the principles of good corporate governance measured by transparency, accountability, responsibility, fairness and fairness, and the quality of financial statements measured by understood, relevant, reliable and comparable. The population of this study is to focus on all employees of the Amanah Insani Islamic Financing Bank. The sampling method used is a saturated sampling technique (census). The results of the study show that the application of the internal control system and the application of the principles of good corporate governance have an effect on the quality of financial reports in the Amanah Insani Islamic Financing Bank.

Keywords: Internal Control System, Good Corporate Governance, Quality of Financial Statements

1. Introduction

The development of technology and information flows in the current era of globalization is very rapidly developing, requiring companies to provide information that is very useful for information users, such as stakeholders and investors (Gilaninia et. al. 2012). This tightened competition to become increasingly competitive. Investors who want to invest in a company really need information that explains the condition of the company. This information is disclosed in the form of company financial statements. The financial statements provided indicate four main characteristics, namely, understandable, relevant, reliable and comparable to SAK Syariah (2017: 8-11).

The financial statements show the results of management's responsibility for the resources entrusted by investors. The financial report itself is a manifestation of the company's management responsibility for the resources that have been given to be managed, so the management will try to manage it in an effort to make the company look good financially. Related to the quality of financial statements, there are several phenomena of violations that occur in Indonesia, including:

The phenomenon that occurs in Indonesia is Bank Lippo Tbk, which provides different financial reports to the public and IDX management so that it can endanger the users of financial statements. Recorded in the financial report as of September 30, 2002 which was submitted to the public on November 28, 2002 stated that the total assets of the company were Rp. 24 trillion and net income of Rp. 98 billion. But in a report to the JSX on December 27, 2002, the total assets of the company changed to Rp. 22.8 trillion rupiah (down Rp. 1.2 trillion) and the company lost a net of Rp1.3 trillion. The difference in financial statements immediately led to controversy and polemics. The management modified different financial statements to the public and IDX because there was a decline in foreclosed assets from Rp. 2.393 trillion to Rp. 1.420 trillion. However, some parties suspect that differences in financial statements occur because of management manipulation. The allegation was reasonable because the collateral used as assets came from the Lippo group, namely PT. Bukit Sentul 9 Tbk, PT. Lippo Karawaci Tbk, PT: Lippo Cikarang Tbk, PT. Lippo Securities Tbk, PT. Hotel Prapatan Tbk, and PT. Panin Insurance Tbk. (Lambi, D. Subroto, S. Rosidi, 2017).

Cases similar to examples of violations of the quality of financial statements were found at PT. Bank Syariah Mandiri (BSM), money laundering has been carried out by providing fictitious financing to 197 debtors amounting to Rp 102,000,000,000. The management of Islamic banks does this because it is to obtain company profits (Dani Prabowo, 2013). The case information is an example of a case of financial report quality violations carried out by management, namely:

(1) PT. Bank Lippo, Tbk. Making 2 versions of financial statements with different values, intended for two different departments, namely public and IDX. The financial statements for BEI profit value is greater than the value of tax financial statements.

2) PT. Bank Syariah Mandiri Tbk. Make money laundry money laundering to obtain company profits and make financial statements with large revenue-sharing value.

Internal Control System is needed in the process of traveling a company business. The aim is to add value to the company and advance operations through evaluating and increasing
risk management, internal control and good corporate governance. It is hoped that in order to run optimally to maintain commitment as a decision-making tool by stakeholders by referring to health standards, the bank refers to the Financial Services Authority Regulation Number 4 / POJK.03 / 2015 concerning Implementation of Governance for Rural Banks and a copy of the Financial Services Authority Circular Letter Number 7 / SEOJK.03 / 2016 concerning the Standards for the Implementation of the People's Credit Bank Internal Audit Function.

Related to strengthening internal control in the company, the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) introduced an internal control framework consisting of 5 (five) interrelated components of Arens (2015: 345-355), namely, the Control Environment (control environment), Risk assessment, Control activities, Information and Communication and Monitoring.

The implementation of the control system in financial transaction activities can be properly recognized, properly recorded, valid, complete and presented in a timely manner. The implementation of a good internal control system can effectively improve the reliability of the quality of financial statements and can reduce the risk of fraud.

Previous research on the internal control system on the quality of financial reports has been carried out by Brown et al. (2006), Rosdiani (2011), Wittayapoom et al., (2012), Mihaela et al., (2012), Jumiati (2016) research. This shows that the internal control system has a significant influence on the quality of financial statements. The results of this study are in line with Hayyuningtyas Rosdiani (2011) stating that the internal control system has a significant effect on the quality of financial statements, because the internal control system, management will emphasize the importance of control so that it can produce quality financial information. But the different results obtained from the Setiyawati (2013) study, Eka Widyaniangtyas (2014) Budiawan and Purnomo (2014), Nursli and Yadiati (2017) prove that the implementation of the Internal Control System does not affect the quality of financial statements.

Related to running a business, the company is guided by good governance. The implementation of Good Corporate Governance in the banking sector is needed to build trust in the community as an absolute requirement for a well-developed and healthy banking world. The principles of good corporate governance are implied in Bank Indonesia Regulation No. 4 / POJK.03 / 2015 concerning the Implementation of Governance for Rural Banks, namely: Transparency (Transparency), Accountability (Accountability), Responsibility (Accountability), Ipedpedency (Independensi) and Fairness (Fairness). Banks in improving their performance, are obliged to carry out business improvements by referring to the principles of good corporate governance. This aims to protect the interests of stakeholders and improve compliance with applicable laws and regulations as well as ethical values that generally apply to the banking industry (BI, 2013).

Research on the principles of good corporate governance conducted by Fathi (2013), Noviolanita (2016) and Yusniyar et al (2016) shows that the application of the principles of good corporate governance has a positive and significant influence on the quality of financial statements. Therefore, the research conducted by Setiyawati (2017) states that the application of the principles of good corporate governance has a positive and significant influence on the quality of financial statements. But the different results obtained from the research of Kristiani et al (2014), Ardiyansyah (2014) and Gunawan et al (2015) prove that the application of the Principles of Good Corporate Governance does not affect the quality of financial statements.

Based on the description of the background and the phenomena mentioned above is the reason for the researchers to test with the title "The Effect of Implementation of the Internal Control System and the Principles of Good Corporate Governance on the Quality of Financial Statements (Case Study at PT Amanah Syariah Islamic People's Financing Bank)".

2. Theoretical Basis

Theory Agency

Agency theory explains the pattern of relations between principal and agent. Jensen and Meckling (1976) define agency relationships as contracts where one person or more principal is involved with another person (agent) to perform several services on behalf of those who delegate some authority to make decisions to the agent.

The main principle of this theory states that there is a working relationship between the party giving authority, namely the investor and the party that receives the agency, namely the entrepreneur, Separation of owners and management in the accounting literature with Agency Theory. This theory is one of the theories that emerged in the development of accounting research which is a modification of the development of accounting models by adding aspects of human behavior in economic models.

The agency relationship in question is the delegation of decision making authority from the principal to the agent. Agents carry out certain tasks from the principal, and the principal provides wages for the agent. The difference of interest between the principal (owner) and the agent (management) creates a conflict of interest. Conflict of interest causes the separation of ownership and control of the company which is an opportunity for information imbalance (asymmetrical information). The explanation is that the agent is in a position to have better information on the actual internal condition of the company and the prospect of the company compared to the principal. Both principals and agents have different economic interests and try to maximize them. Principals want profits that are as large as possible or increase the value of investment in the company, while agents want adequate compensation for the performance performed.

The implication of this theory is that the anticipation of information asymmetry between agents and principals is one
of the determinants of the choice of accounting methods. The presence of asymmetry of accounting information generally refers to situations where external users of financial report quality (stakeholders) cannot obtain complete, reliable, understandable and comparable information about companies because of the gap between reported information and the actual economic reality of the company (Seng and Su, 2010). Hopefully with the implementation of an internal control system running well it can produce a quality financial report on financial report standards so that it can provide information on financial position, performance and changes in the company's financial position that are relevant, understandable, reliable and comparable useful as decision-making material.

The internal control system has the function of carrying out activities that ensure objectivity and independence that lead to a systematic approach and discipline to evaluate and improve the effectiveness of risk management, control and governance processes (Institute of Internal Auditors (IIA), 2015), with applying the five components of the internal control system cosmetics, namely the control, risk assessment, control, information and communication and monitoring environments which are considered to play a role in ensuring that the agent has carried out the governance process in accordance with established rules so as not to harm the principal.

To monitor agent behavior whether it has acted in accordance with the wishes of the principal. Various thoughts on the principles of good corporate governance, transparency, accountability, accountability, independence and fairness develop by relying on agency theory, where the management of the company must be monitored and controlled to ensure that management is carried out in full compliance with various applicable regulations and provisions.

One way that is used to monitor contract problems and limit opportunistic behavior of management is corporate governance. The application of corporate governance is directed at reducing information asymmetry between the principal and the agent, which in turn is expected to minimize the actions needed to handle risk in order to achieve the entity's objectives.

**Theory Stewardship**

Stewardship theory has the concepts of psychology and sociology that are designed to explain situations where managers are stewards and act in the interests of the owner (Donaldson & Davis, 1989, 1991). In the theory of stewardship managers will behave according to mutual interests. When the interests of the steward and the owner are not the same, the steward will try to work together rather than oppose it, because the steward feels the common interest and behaves according to the owner's behavior is a rational consideration because the steward looks more at the effort to achieve organizational goals. Stewardship theory reveals that there is a strong relationship between organizational success and owner satisfaction. Stewards will protect and maximize organizational wealth with company performance, so that utility functions will be maximized. An important assumption of stewardship is that the manager is committed to align goals according to the owner's goals. However, it does not mean that the steward does not have life necessities.

Based on considerations related to manager's motivation. An executive manager in this theory is considered not as an opportunistic party, which in essence they only do a good job to be a good manager for all assets owned by the company. Stewardship theory is built on philosophical assumptions about human nature that human beings are inherently trustworthy, capable of acting responsibly with integrity, integrity and honesty towards others. This is what is implied in the fiduciary relationship that the shareholders want. In other words, Stewardship Theory views management as trustworthy to act as well as possible in the interests of the public as well as stakeholders in particular what the shareholders want.

Stewardship theory examines the situation of executives in a company as a service that can be motivated to act in the best way. Stewards can successfully improve the performance of the company will be able to satisfy most other organizations, because most stakeholders have interests that have been served well through increased prosperity achieved by the organization. Therefore, stewards who are pro organizations are motivated to maximize company performance while being able to provide satisfaction to the interests of stakeholders.

The implication of the stewardship theory on the quality of financial statements can be explained that the existence of a Sharia Bank as an institution that can be trusted by the public to act in the public interest in the economic sector carries out its duties and functions appropriately, makes financial accountability mandated to him, so that economic goals, public services and public welfare can be achieved optimally. To carry out these responsibilities, Stewards directs all of their abilities and expertise in making effective internal controls able to produce quality financial information reports.

**Internal Control System**

*Internal control is a process, effected by an entity’s board of directors, manage-ment, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.* COSO, (2013:3).

According to Ajalala et al., (2013), internal control is a policy, procedure, practice, and organizational structure that is applied to provide reasonable assurance that the organization's business objectives are achieved and risky events can be prevented or detected and corrected based on compliance or initiative as a concern management.

According to Arens, (2015: 340) explains that the purpose of an internal control system consists of policies and procedures designed to provide reasonable assurance management that the company has reached its objectives and objectives, namely: Reliability of financial reporting, efficiency and effectiveness of operations and compliance with regulatory laws, required obey various laws and regulations.
The scope of the internal control system must include the examination and assessment of the adequacy and effectiveness of the internal control system of the BPR concerned and the quality of performance in carrying out the assigned responsibilities. The scope of work and activities that will and must be audited is approved by the President Director and the Board of Commissioners (SE. OJK No.7 / SEOJK.03 / 2016), including "policies, organizations, procedures, methods and conditions that are coordinated thoroughly in the work unit BPR."

Related to strengthening internal control in the company, COSO (The Committee of Sponsoring Organizations of the Treadway Commission) cited by Arens (2015: 345-355) introduces an internal control framework implemented by the company consisting of 5 (five) interrelated components namely: Control environment, risk assessment, control activities, information and communication and monitoring.

Good Corporate Governance
According to Brennan et al., (2008), Good Corporate Governance is a system of checks and balances, both internally and externally, towards companies that ensure that the company carries out accountability for all stakeholders and carries out social responsibility in every business activity. Good Corporate Governance according to Gregory et al., (1999) defines corporate governance as follows: The terms 'corporate governance' are susceptible of both narrow and broad definitions. Narrowly defined, it concerns the relationships between corporate managers, directors and shareholders. It can also connect the relationship of the corporation to stakeholders and society. More broadly defined still, "corporate governance" can compile the combination of laws, regulations, listing rules and voluntary sectors, perform efficiently, generate profits, and meet both legal obligations and general societal expectations.

According to the International Finance Corporation (IFC, 2014: 30) as follows: Good Corporate Governance (GCG) Corporate governance or more popularly known as Corporate Governance is generally defined by the International Finance Corporation ("IFC") as "the structures and processes for the direction and control of companies.

Related to running a business the company is influenced by a good governance. The implementation of Good Corporate Governance in the banking sector is very necessary to build public trust as an absolute condition for the banking world to develop well and healthy, the principles of good corporate governance are implied in Bank Indonesia Regulation No. 4 / POJK.03 / 2015 concerning Implementation of Governance for Rural Banks, namely: Transparency (Transparency), Accountability (Accountability), Responsibility (Responsibility), Expenditures (Indenpendensi) and Fairness (Fairness). These guidelines are explained by the principles (principles) of corporate governance as follows: Transparency (transparency), namely the provision of material information and relevant whether regulated by the provisions of the law or not but important for decision making, accountability, namely performance accountability in a transparent and fair manner, responsibility, namely the company's compliance with laws and regulations and the implementation of accountability to the community and independency, namely the management of the company (company organ) independently without intervention from other parties and Fairness and equality, namely the company's attention to shareholders and other stakeholders fairly and equally.

Quality of Financial Statements
According to Chalaki et al., (2012) the quality of financial statements is a provision that provides information about the company's operations, especially the cash flows expected to investors (stakeholders). Kangarlouei et al. (2015) defines "Quality of financial reporting as a procedure of user need and protection of investors. First, the procedure is based on users need and quality is considering reports usefulness for users. A procedure that emphasizes protection of stockholders.

Hypothesis
The research hypothesis is

Effect of Implementation of the Internal Control System on the Quality of Financial Statements.
H1: There is an influence of the internal control system on the quality of financial statements.

Effect of the Implementation of the Principles of Good Corporate Governance on the Quality of Financial Statements
H2: There are influences on the principles of good corporate governance on the quality of financial statements

3. Methodology
The type of research used is quantitative research because the paradigm of this research emphasizes the accuracy of measurement methods, data collection using research instruments, and data analysis is done to test hypotheses using the statistical technique of Mercubuana (2017: 16). In accordance with the problems and objectives formulated, this study is classified as causal research. Causal research is research conducted to find the cause of one or more problems (now, 2017: 112). The researcher wants to test the hypothesis about the influence of several independent variables on the dependent variable. This study will explain the effect of implementing the Internal Control System, the application of the Principles of Good Corporate Governance to the Quality of Financial Statements. In this study the data used was primary and analyzed using SPSS 23.

Definition of Variable Operationalization and Variable Measurement
The free and bound variables used in this study are:

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Internal Control System ($X_I$)

Internal control systems are policies, procedures, practices, and organizational structures that are applied to provide reasonable assurance that the organization's business objectives are achieved and risky events can be prevented or detected and corrected based on compliance or initiative as a management concern (Ajalala et al. 2013).

The variable dimension of the implementation of the Internal Control System, according to COSO quoted by Arens (2015: 345-355) used in this study is the control environment, risk assessment, control activities, information and communication (information and communication) and monitoring (monitoring).

Principles of Good Corporate Governance ($X_c$)

Good Corporate Governance is a system that regulates and controls companies that create added value for all stakeholders, both primary stakeholders (investors, employees and managers, suppliers, business and community partners) and secondary stakeholders (government, business institutions, groups community socialization, academics and competitors). Given the importance of getting good literacy and value from stakeholders. International Finance Corporation (IFC, 2014: 30)

Related to running a good corporate governance business KNKG (2014) and Bank Indonesia Regulation No. 4 / POJK.03 / 2015 concerning the Implementation of Governance for Rural Banks by implementing the principles of good corporate governance, namely transparency (transparency), accountability (accountability), responsibility (responsibility), idenpedency (Independensi) and fairness (Fairness).

Quality of Financial Statements ($Y_f$)

The quality of financial statements is a provision that provides information about the company's operations, especially the cash flow expected to investors (stakeholders). (Chalaki et al., 2012). The qualitative characteristics of accounting information in the quality of financial statements are understandable, relevant, feasible and comparable (SAK Syariah 2015: 8-11).

Population and Research Samples

In this study the population used is all employees in the Amanah Insani Islamic Bank office, which are 60 employees who are considered to be a sample that can represent (representative) members of the population. The sampling method uses a saturated sampling technique. This is done because all members of the population have the same opportunity to be sampled. Saturated sampling is a sampling technique if all members of the population are used as samples. Another term for saturated samples is census (Nurlaela, 2018: 93).

4. Analysis Method

Descriptive statistics

Descriptive statistics are statistics used to analyze data by describing or describing collected data as they are without intending to make conclusions that apply to the public (Sugiono, 2014).

Validity Test

Validity is a form of testing of the quality of primary data with the aim to measure the validity of the question in the study (Nurlaela, 2018: 104). Validity test is done by conducting a correlation test between the inclusion of each variable with a total score (item total correlation). The minimum requirement to be considered valid if $r \geq 0.3$. If the correlation coefficient is less than 0.3 then the instrument item is declared invalid (Nurlaela, 2018: 171). Product moment person correlation formula, if $r > t$ table then the variable is said to be valid, and vice versa if $r < t$ table then the variable is said to be invalid (Ghozali, 2018: 53).

Reliability Test

Test Reliability is used to show the extent of consistency of measurements from one respondent to another respondent or in other words the extent to which the question can be understood so as not to cause differences in interpretation in understanding the statement, namely by Cronbach Alpha ($\alpha$) statistical test. A construct or variable is said to be reliable if it gives the value of Cronbach Alpha $> 0.70$ Ghozali, (2016: 47-48).

Classic Assumption Testing

Normality test

Normality test aims to test whether in the regression model, the residual confounding variable has a normal distribution. If Asymp. The Sig (2-tailed) test value is greater than 0.05, the data is normally distributed (Ghozali, 2016: 154-159).

Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a correlation between independent variables. To detect the presence or absence of multicollinearity in the regression model can be seen from the tolerance value and the opposite of the variance inflation factor (VIF). Tolerance measures the variability of selected independent variables that are not explained by other independent variables. So a low tolerance value is the same as a high VIF value (because $VIF = 1 / \text{tolerance}$). The common cutoff value used to indicate the presence of multicollinearity is the tolerance value $\leq 0.10$ or equal to the VIF value $\geq 10$ (Ghozali, 2016: 103).

Heteroscedasticity Test

Heteroscedasticity test aims to test whether in the regression model variance inequality occurs from one residual to another observation. If the residual variance from one observation to another observation remains, it is called homoskedasticity, and if it is different it is called heteroscedasticity (Ghozali, 2016: 134).

Multiple Regression Analysis

Multiple regression analysis is the study of dependent variable dependence on one or more independent variables with the aim of estimating the average value of the
dependent variable based on the value of the known independent variable. The results of the regression analysis are in the form of coefficients for each independent variable (Ghozali, 2016: 93-94).

**Hypothesis Testing**

**Determination Coefficient**
The coefficient of determination is the variation of the influence of independent variables on the dependent variable, or it can also be said as the proportion of the influence of all dependent variables (Ghozali, 2016: 95).

**Model Conformity**
The suitability test model is used to determine the feasibility of the regression model used. If the value is prob. F count is smaller than alpha error level 0.05, so it can be said that the estimated regression model is feasible, whereas if the value is prob. F count is greater than the error level of 0.05 so it can be said to be inappropriate. (Ghozali, 2016: 96).

**Partial Testing (Significance t)**
The statistical test basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable (Ghozali, 2016: 97).

## 5. Result and Discussion

### Descriptive Statistical and Analysis

Descriptive statistical analysis of questionnaires was circulated from December 10, 2018 - December 14, 2018. The questionnaires distributed in the study were 60 questionnaires, the number of questionnaires returned was 60 questionnaires. If seen from the return rate of this questionnaire, including high, which is equal to 100%. The total samples analyzed in this study were 60 questionnaires. Research data obtained from respondents who returned and filled out the questionnaire provided.

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Man</td>
<td>37</td>
<td>611.67%</td>
</tr>
<tr>
<td>Women</td>
<td>23</td>
<td>38.33%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25 Year</td>
<td>16</td>
<td>26.67%</td>
</tr>
<tr>
<td>26-30 Year</td>
<td>20</td>
<td>33.33%</td>
</tr>
<tr>
<td>31-35 Year</td>
<td>6</td>
<td>10.00%</td>
</tr>
<tr>
<td>&gt;35 Year</td>
<td>18</td>
<td>30.00%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
<tr>
<td>Level of Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior High School</td>
<td>3</td>
<td>5.00%</td>
</tr>
<tr>
<td>Professional High School</td>
<td>5</td>
<td>8.33%</td>
</tr>
<tr>
<td>Associate Degree</td>
<td>5</td>
<td>8.33%</td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>44</td>
<td>73.33%</td>
</tr>
<tr>
<td>Master Degree</td>
<td>3</td>
<td>5.00%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
<tr>
<td>Year of Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-5 Year</td>
<td>42</td>
<td>70.00%</td>
</tr>
<tr>
<td>6-10 Year</td>
<td>10</td>
<td>16.67%</td>
</tr>
</tbody>
</table>

Source: output Results SPSS 23

Table 1, data are presented on gender, education level, age, and tenure of the respondent. If seen from the sex of male respondents more than women, namely 37 people (61.70%) while women 23 people (38.30%). Whereas based on tenure, respondents who have worked for 1-5 years have the highest percentage of 70.00% or 42 respondents, this is because in 2014 the Amanah Insani Islamic Financing Bank recruited a large number of workers and respondents who having a working period of between 6 - 10 years has the largest percentage of 16.67% or 10 respondents. While respondents who have a working period of 11-15 years have a percentage of 6.67% or 4 respondents. And respondents who have a working period of > 15 years have a percentage of 6.67% or 4 respondents. This shows that almost all respondents surveyed already have enough experience because they have joined the Amanah Insani Islamic Financing Bank so that respondents are well aware of the conditions and environment of the organization.

### Description of the Variables for Implementation of the Internal Control System

The Internal Control System is a process that is carried out comprehensively by the leadership and all employees to provide sufficient guarantees so that the entity's objectives can be achieved, namely an effective and efficient operation process, reliable financial reporting, and compliance with laws and regulations. This variable is measured by 5 reflective dimensions which can be seen in table 4.2, as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-15 Year</td>
<td>4</td>
<td>6.67%</td>
</tr>
<tr>
<td>&gt;15 Year</td>
<td>4</td>
<td>6.67%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2: Description of the Variables for Implementation of the Internal Control System
Based on table 2 above, it shows that the number of data analyzed is 60 respondents. The average value of the internal control system questionnaire is 4.48 which is identical to the criteria strongly agree, means that respondents strongly agree that the application of the principles of good corporate governance has an effect on the quality of financial statements effectively by involving the five elements, namely transparency, accountability, responsibility, identity and fairness.

Description of Quality Variables in Financial Statements

The quality of financial statements is related to the quality of accounting information presented in financial statements, namely normative measures that need to be realized in accounting information so that information in financial statements is useful to users. This variable is measured by 4 reflective dimensions which can be seen in table 4.

### Table 4: Description of Quality Variables in Financial Statements

<table>
<thead>
<tr>
<th>No</th>
<th>Dimension</th>
<th>Indicator</th>
<th>Frequency and Percentage</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relevant</td>
<td>Y1</td>
<td>0 0 4 33 23</td>
<td>4,32</td>
</tr>
<tr>
<td>2</td>
<td>Has productive benefits</td>
<td>Y2</td>
<td>0 0 3 32 22</td>
<td>4,51</td>
</tr>
<tr>
<td>3</td>
<td>On time</td>
<td>Y3</td>
<td>0 0 6 33 22</td>
<td>4,30</td>
</tr>
<tr>
<td>4</td>
<td>Relatele</td>
<td>Y4</td>
<td>0 0 4 33 23</td>
<td>4,20</td>
</tr>
<tr>
<td>5</td>
<td>Can be verified</td>
<td>Y5</td>
<td>0 0 6 33 22</td>
<td>4,27</td>
</tr>
<tr>
<td>6</td>
<td>Can be compared</td>
<td>Y6</td>
<td>0 0 4 33 23</td>
<td>4,54</td>
</tr>
<tr>
<td>7</td>
<td>External comparison</td>
<td>Y7</td>
<td>0 0 4 33 23</td>
<td>4,54</td>
</tr>
<tr>
<td>8</td>
<td>Y8</td>
<td>0 0 6 33 22</td>
<td>4,27</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Can be understood</td>
<td>Y9</td>
<td>0 0 4 33 23</td>
<td>4,54</td>
</tr>
<tr>
<td>10</td>
<td>Y10</td>
<td>0 0 6 33 22</td>
<td>4,54</td>
<td></td>
</tr>
</tbody>
</table>

Source: output Results SPSS 23

Based on table 4 above, it shows that the number of data analyzed is 60 respondents. The average value of the
financial report quality questionnaire of 4.39 which is identical to the criteria strongly agree, meaning that the respondents strongly agree that the quality of financial statements provides information that is relevant, reliable, comparable and can be accounted for by users.

Validity test
Validity test results show that all correlation values are greater than the $r$ table value of 0.3. Thus the questions in these variables are declared valid and can be used as a data collection tool in this study.

Reliability Test
Reliability test results indicate that the construct or variable is declared reliable if it has a cronbach's $\text{v}$ value above 0.70. From the results of the above data all constructs or variables have a non-cronbach value greater than 0.7 so that the construct or variable can be concluded to have good reliability and is worthy of being used as a data collection tool.

Validity test results show that all correlation values are greater than the $r$ table value of 0.3. Thus the questions in these variables are declared valid and can be used as a data collection tool in this study.

Table 5: Validity Test and Reliability Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach Alpha</th>
<th>Cut off</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of the Internal Control system</td>
<td>0.923</td>
<td>0.6</td>
<td>Reliable</td>
</tr>
<tr>
<td>The principles of Good Corporate Governance</td>
<td>0.792</td>
<td>0.6</td>
<td>Reliable</td>
</tr>
<tr>
<td>Quality of Financial Statements</td>
<td>0.867</td>
<td>0.6</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: output Results SPSS 23

Classic assumption test
Normality test
The results of the Normality test show that the KSZ values obtained are 0.704 and Asymp.sing. amounting to 0.705 greater than 0.05. Because the sig value is greater than 0.05, the decision is to accept $H_0$, which means that the residual data is normally distributed, and the results are consistent with previous results where the regression model meets the normality assumption, or the residue of the model can be considered normally distributed (Nurlaela 2018: 199). Then the hypothesis $H_0$ is accepted or the residual value of the quality of financial statements is normally distributed.

Table 6: Normalitas One-Sample Kolmogorov-Smirnov Test

<table>
<thead>
<tr>
<th>Normal Parameters $^{abc}$</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>60</td>
</tr>
<tr>
<td>Mean</td>
<td>0.000000</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>2.17151400</td>
</tr>
<tr>
<td>Absolute</td>
<td>.091</td>
</tr>
<tr>
<td>Positive</td>
<td>.073</td>
</tr>
<tr>
<td>Negative</td>
<td>-.091</td>
</tr>
<tr>
<td>Test Statistic</td>
<td>.704</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.705</td>
</tr>
</tbody>
</table>

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: output Results SPSS 23

Multicolinearity Test
Multicolinearity test results show that the tolerance value of all independent variables is greater than 0.10 and the VIF value is smaller than 10.00. Where the internal control system variable has a tolerance value of 0.484 and VIF 2.065 and the good corporate governance variable has a tolerance value of 0.484 and VIF 2.065. It can be concluded that there is no multicollinearity between independent variables in the regression model. So that the test results are said to be reliable or reliable and the partial regression coefficient is said to be reliable and robust or immune to changes that occur in other variables in the multiple regression model.

Table 7: Multicolinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.686</td>
<td>.3705</td>
<td>.455</td>
<td>.651</td>
<td></td>
</tr>
<tr>
<td>System Pengelitian Internal</td>
<td>204</td>
<td>.051</td>
<td>.414</td>
<td>3.196</td>
<td>.004</td>
</tr>
<tr>
<td>Good Corporate Governance</td>
<td>.552</td>
<td>.117</td>
<td>.490</td>
<td>4.721</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Kualitas Laporan Keuangan

Source: output Results SPSS 23

Heteroscedasticity test
The heteroscedasticity test results show that it can be seen that the points spread above and below the number 0 (zero) Y axis which means that the data does not occur Heteroscedasticity. If there is no clear pattern, and the points spread above and below the number 0 on the Y axis, there is no heteroscedasticity. (Ghozali, 2016: 134).

![Figure 1: Heteroscedasticity test](image)

Source: output Results SPSS 23

Test of Multiple Regression Analysis
The test results of Multiple Regression Analysis show that the obtained regression equation between the Internal Control System and Good Corporate Governance on the Quality of Financial Statements is as follows:

$$ Y = 1.686 + 0.204X_1 + 0.552X_2 + e $$

The interpretations of the regression above are as follows: 1. Constants (A) This means that if all independent variables have a value of zero (0) then the value of the dependent variable (quality of financial statements) is 1.686. 2. Internal Control System (X1) on the Quality of Financial Statements (Y) The Internal Control System coefficient value is 0.204. This means that every increase in one unit's internal control system, the financial report quality
variable (Y) will increase by 0.204 assuming that the other independent variables of the regression model are fixed.

3. Principles of Good Corporate Governance (X2) on the Quality of Financial Statements (Y) The coefficient value of the principles of good corporate governance is 0.552 and this implies that every increase in the principles of good corporate governance is one unit then the variable quality of financial statements (Y) will increase by 0.552 assuming that the other independent variables

<table>
<thead>
<tr>
<th>Table 8: Test of Multiple Regression Analysis Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1.</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Hypothesis testing

Determination Coefficient Test

The coefficient of determination in this study is used to determine the amount of contribution given by independent variables to the dependent variable. The results obtained by the R-square value of 0.693, this indicates that the variable ability of the Internal Control System and Good Corporate Governance in explaining the Quality of Financial Statements is 69.3% while the rest (100% - 69.3% = 30.7%) is explained by other variables not in this study with a standard error rate of 2.209%.

<table>
<thead>
<tr>
<th>Table 9: Determination Coefficient Test Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>0838^a</td>
</tr>
</tbody>
</table>

Model Conformity

The results of the suitability of the model show abhwa significance with the probability of error rates smaller than the expected level of significance (0% < 5%). This shows that the suitability test of the Internal Control System model and Good Corporate Governance on the Quality of Financial Statements is appropriate.

<table>
<thead>
<tr>
<th>Table 10: Model Conformity ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1. Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Significance Test (t Test)

The value of the P-value of the internal control system variable is 0.000 with a positive coefficient, the value is smaller than 0.05, H1 is accepted so that it can be concluded that the internal control system has a significant effect on the financial report quality. The value of P-value for good corporate governance variable is 0.0000 with a positive coefficient, the value is smaller than 0.05, H1 is accepted so that it can be concluded that good corporate governance has a significant effect on the quality of financial statements.

<table>
<thead>
<tr>
<th>Table 11: Significance Test (t Test) Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>0838^a</td>
</tr>
</tbody>
</table>

6. Discussion

Effect of an internal control system on the quality of financial statements

Based on the results of the significance test shows that the Internal Control System has a positive effect on the Quality of Financial Statements. This means that the more effective the implementation of the Internal Control System in a sharia banking institution, the better the quality of financial statements. The Internal Control System is a process that is carried out comprehensively by the leadership and all employees to provide adequate guarantees so that organizational goals can be achieved, namely the reliability of the quality of financial reports that are relevant, reliable, understandable and comparable. The implementation of the sharia banking internal control system in the cities of Bekasi, Depok and Jakarta City has been going well.

This was proven on 12 September 2014 Bekasi Syariah Banking received an award for achieving the implementation of a good Internal Control System with a very good predicate from the results of the maturity level of the implementation of the Internal Control System in West Java and Jakarta Provinces in 2014 so that the study objectives appeal for other sharia banks. From 2004 to 2018 Islamic Banking in the City of Bekasi, Depok and Jakarta have won WTP opinions.
This shows that Islamic Banking in the City of Bekasi, Depok and Jakarta are very good or quality. The results of this study are in line with Herawati (2014) and Jumiatu (2016) indicating that the Internal Control System has a significant effect on the quality of financial statements. Likewise research conducted in line with Sri Rohkilnasari and Adi Hidayat (2016) shows that the Internal Control System has a significant effect on the quality of financial statements. But the different results obtained from the Setiyawati (2013) study, Eka Widyaningtyas (2014) Budiawan and Purnomo (2014), Nurlis and Yadiati (2017) prove that the implementation of the Internal Control System does not affect the quality of financial statements.

The influence of the principles of good corporate governance on the quality of financial statements

Based on the results of the significance test that the principles of good corporate governance have a positive effect on the quality of financial statements. This means that the more effective the implementation of the principles of Good Corporate Governance in a sharia-compliant agency, the better the quality of financial statements. The principles of Good Corporate Governance are processes that are carried out comprehensively by the leadership and all employees to provide adequate guarantees so that the organization's goals can be achieved, namely the quality of financial statements for stakeholders and interested parties.

Good Corporate Principles Governance of Islamic banking in the areas of Bekasi City, Depok and Jakarta is indicated by the issuance of a Bank Indonesia Regulation issued no. 11/33 / PBI / 2009 dated 7 December 2009 and Circular Letter of Bank Indonesia Number 12/13 / DPbs dated 30 April 2010, concerning the implementation of GCG for Sharia Commercial Banks and Sharia Business Units.

The principles of Good Corporate Governance of Islamic banking in the areas of Bekasi, Depok and Jakarta City has been going well. This was evidenced on 12 September 2014 Bekasi City Syariah Banking received an award for the achievement of good Good Corporate Governance implementation with a very good predicate from the results of GCG banking maturity assessment of the best implementation of GCG in the Regency / City of West Java and Jakarta in 2014 comparative study for other sharia banks. From 2004 to 2018 Islamic Banking in the City of Bekasi, Depok and Jakarta have won WTP opinions. This shows that Islamic Banking in the City of Bekasi, Depok and Jakarta are very good or quality.

Good, clean, open corporate governance will increase public trust. This means that the elements of good corporate governance, namely: transparency, accountability, accountability, independence and fairness play a major role in improving the quality of financial reporting.

The results of this study are in line with Noviolanita (2016) and Yusniyar et al (2016) showing that the application of the principles of good corporate governance has a positive and significant influence on the quality of financial statements. Therefore, the research conducted by Setiyawati (2017) states that the application of the principles of good corporate governance has a positive and significant influence on the quality of financial statements. But the different results obtained from the research of Kristiani et al (2014), Ardiansyah (2014) and Gunawan et al (2015) prove that the application of the Principles of Good Corporate Governance does not affect the quality of financial statements

7. Conclusion

The results of this study can be concluded that the effect of the implementation of the internal control system and the principles of good corporate governance has a significant influence on the quality of financial statements in the Amanah Insani Islamic Financing Bank.

8. Suggestion

In the results of this study, provide evidence that this study provides suggestions relating to this research are as follows:

1) Implementation of a good, directed and well-evaluated internal control system to improve performance, service and quality of financial statements.

2) Syariah Banking Leaders in the areas of Bekasi City, Depok and Jakarta are expected to continue to apply the principles of good corporate governance, so that employee performance will continue to increase so as to become more public trust, especially customers, investors and stakeholders.

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