

Analysis Of Financial Performance Quality Influenced By Financial Literacy And Internal Control Systems Moderate By Internal Audit In The Convection Business

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Abstract: *This research aims to analyze and test the influence of the internal control system and financial literacy moderated by internal audit to obtain the quality of SME financial performance. The convection data in the city of Malang is a population of 30 convection shops, while all those who answered the questionnaire were collected using the questionnaire method, namely by providing a list of questions sent to 60 respondents in the finance department. The technical analysis of this research uses moderated regression analysis calculated using SPSS software. The research results show that the influence of financial literacy and the internal control system moderated by internal audit has proven to be positive and significant on the quality of financial performance.*

Key words: *financial literacy, internal control system, internal audit, quality of financial performance*

Abstrak: Penelitian ini bertujuan untuk menganalisis dan menguji pengaruh sistem pengendalian internal dan literasi keuangan yang dimoderasi oleh audit internal untuk memperoleh kualitas kinerja keuangan UKM. Data konveksi di kota Malang berjumlah 30 toko konveksi, sedangkan seluruh yang menjawab kuisioner dikumpulkan dengan metode kuisioner yaitu dengan memberikan daftar pertanyaan yang dikirimkan kepada 60 responden bagian keuangan. Teknis analisis penelitian ini menggunakan analisis regresi yang dimoderasi yang dihitung dengan menggunakan software SPSS. Hasil penelitian menunjukkan bahwa pengaruh literasi keuangan dan sistem pengendalian internal yang dimoderasi oleh audit internal terbukti positif dan signifikan terhadap kualitas kinerja keuangan.

Kata kunci: literasi keuangan, sistem pengendalian internal, audit internal, kualitas kinerja keuangan

INTRODUCTION

Micro, small and medium enterprises have an important role in the Indonesian economy as the main drivers of economic growth. People's economic empowerment is a sentence that often appears when discussing small and medium enterprises (MSMEs). In the era of fast-paced globalization, business competition has become increasingly competitive and complex, because convection business players have to compete with domestic competitors and business people from other countries. The main factor in business competition is the creation of quality financial performance. Quality financial performance means understanding sufficient financial literacy regarding aspects of business management such as marketing, finance, production and human resources. Apart from that,

they have practical skills in managing a business such as financial planning and supervision to increase effectiveness and efficiency. If MSMEs experience difficulties in managing their business, this will result in poor quality financial performance and many other operational problems. Here the need for an internal control system is an important role in running a business. The internal control system is a form of controlling a business. An internal control system is a series of procedures, principles and methods used to record, manage and report financial information of a business entity or organization (Nugraha et al. 2023). The main objective of an accounting system is to provide accurate and relevant information about an entity's finances, so that owners, management, investors, creditors and other related parties can obtain the information needed to make the right business decisions (Nugraha et al. 2023). The accounting system generally consists of several parts, such as recording financial transactions, preparing financial reports, internal control, and auditing or accounting checks. Financial transactions are recorded using journals and ledgers, which record every business transaction that occurs in a certain period (Rasyid and Felice 2022). Internal control is very important in the accounting system, because it can help prevent misuse or errors in financial reporting (Siallagan 2022). Internal controls include limiting access to financial data, dividing tasks and responsibilities between employees, and using a safe and reliable accounting information system. A business that wants to progress and develop requires a good accounting system because accurate and relevant financial information is very important for making the right business decisions (Sari and Hwihanus 2023). A good accounting system can help business actors manage their business finances more effectively and efficiently, as well as minimize the risk of errors or misuse of financial data. By having a good accounting system, business actors can accurately track cash inflows and outflows, calculate income and costs incurred, and measure the financial performance of their business (Shalsabilla 2023).

In surviving the tough global competition, company performance is always a concern, with improvements in internal control systems and financial literacy, performance in the process of preparing MSME financial performance is the most important process for an organization to find out how the performance or existence of an organization is in one period. The most important process for an organization to find out how the performance or existence of an organization is in a period requires a monitoring component of the internal control structure, one of the elements of which is internal audit.

The role of the internal audit function is being expanded to improve the quality of financial reporting, which was initially only the responsibility of management. One of the core objectives of internal audit is to systematically organize and evaluate internal control within

the company. However, in reality, internal control often does not work according to its concept, due to a lack of responsibility within the company and many irregularities within the company. Internal auditors as moderators are parties who play an important role in the company's control system. Internal auditors not only carry out evaluations related to company finances but also non-financial matters related to the company's operational activities. This will help managers improve company performance through internal auditor recommendations obtained from the evaluation. Internal auditors are required to be professional in carrying out audit functions well. The importance of the existence of an internal auditor requires internal auditors to have competence and independence in carrying out their duties.

The aim of carrying out internal audits is to help employees so that they can carry out their responsibilities effectively. For this reason, internal audit will provide various analyses, assessments, recommendations, instructions regarding the activities being examined. So that internal auditors can carry out their functions well and provide optimal work results, internal auditors must have adequate freedom or independence from the part they audit. Internal audit or internal financial audit is an independent assessment function in an organization to test and evaluate the organizational activities carried out. The purpose of internal audit is to help members of the organization to carry out their responsibilities effectively. For this reason, the internal examiner will carry out analysis, assessment and submit suggestions. According to Mulyadi (2013) it is as follows: "Audit is a systematic process for objectively obtaining and evaluating evidence regarding statements about economic activities and events, with the aim of determining the level of conformity between these statements and predetermined criteria and delivery. the results to interested users".

Audit quality is the auditor's attitude in carrying out his duties which is reflected in reliable audit results in accordance with applicable standards. Audit results are said to be of quality if the examination (audit) can increase the weight of accountability and can provide information proving whether there are deviations from audit standards. The competence of an internal auditor is very much needed in conducting audits. The competency of an internal auditor is tested based on the knowledge and experience they have. An internal auditor must have knowledge which is measured by how high the auditor's education is, because this means that more and more internal auditors will have knowledge (views) about the field they are involved in so they can understand various problems in more depth. An internal auditor must also be experienced in conducting audits. The longer the auditor carries out the inspection, the more experience he has as an internal auditor. Work experience as an internal auditor should

have advantages in detecting errors, understanding errors in depth, and looking for the causes of these problems in financial reports.

Financial reports are records of a company's financial information in an accounting period that can be used to describe the company's performance. Wati et al (2014) stated that financial reports are a reflection of whether a government activity is running well, therefore the government is required to be able to produce quality financial reports, so that the publication of these financial reports can be useful for interested parties and become the basis for decision making. Information in financial reports is the responsibility of management. However, with the development of the global era, the intervention of internal auditors is also needed to ensure the quality of a company's financial reports. The quality of financial reports can be caused by several factors, including the role of internal audit. The role of internal audit as an internal supervisory apparatus, carrying out the functions of audit, review, evaluation and monitoring activities on the implementation of organizational tasks and functions in order to provide adequate confidence that activities have been carried out in accordance with predetermined benchmarks and provide suggestions for improvement (AAIPI , 2013). To be able to produce quality financial performance, the capacity of human resources that implement the accounting system is very important, because the accounting system as an information system requires human ability to run the existing system.

Internal auditors are required to be able to understand and master the internal control system and financial literacy. If auditors do not improve their understanding and mastery of the internal control system and financial literacy which continues to develop, then the audit segment for auditors will also be limited. Understanding information control systems and financial literacy will help internal auditors determine appropriate audit procedures and complete tasks better. The use of internal control systems and financial literacy in remote audit techniques has been ongoing recently. Along with the need to carry out internal audits in accordance with regulations/laws or the urgent need to carry out audits, there has been renewed discussion and attention to internal audit efforts to be implemented as soon as possible.

THEORETICAL

This research is supported by several references in previous research literature which aims to encourage researchers to innovate their research. The following previous research is presented to support the research. Previous research on the effectiveness of internal audits contained several research results conducted by several researchers. Based on writing from Hevesi (2005), the cause of unreliability in financial reports is the existence of problems related

to the internal control system. According to Tugiman (2000) that internal control in an organization has a very significant influence on achieving organizational goals and performance. This is in line with research by Nuryanto & Afiah (2013) and Indriasih (2014) which shows that the internal control system has an effect on financial reports. This explains that internal control for organizational development and maintenance will help ensure financial performance.

Previous research analyzed the influence of financial literacy on financial performance according to Rahayu & Musdholifah, 2017) that the ability to manage a business owner's finances is very necessary for business performance and business continuity. In line with Kimunduu & Erick, 2016, the bookkeeping skills needed in their business help MSMEs to avoid setting goals that cannot be achieved with limited financial resources. Financial literacy has a positive impact on entrepreneurs to make good financial decisions and business survival (Kumar & Naidu, 2017; Iramani, Fauzi, Wulandari, & Lutfi, 2018; Sanistasya, Rahardjo, & Iqbal, 2019; Rahayu & Musdholifah, 2017; Esiebugie, Richard, & Emmanuel, 2018; Asenge et al., 2010; Adomako & Danso, 2014). With financial literacy, small business actors can use financial products and services effectively according to their needs (Sanistasya et al., 2019). Financial literacy should also help businesses to face challenges in credit markets. Financial literacy allows entrepreneurs to manage risk through strategies, such as maintaining financial reserves, diversifying their investment portfolio and purchasing insurance. Inadequate Financial Literacy has been identified as one of the main obstacles to sustainable SME development (Ye & Kulathunga, 2019). Financial literacy is so important in contributing to business performance. SMEs must have knowledge of the financial condition of their business, so they can analyze and make important decisions in the future. Knowledge of financial literacy also helps entrepreneurs to overcome challenges in accessing funds and exposes them to better decision-making skills leading to appropriate loans, savings, investments, risk-taking and record-keeping (Asenge et al., 2010).

Research conducted by Gamayuni (2016), shows the results that the competence and objectivity of internal auditors influence the effectiveness of the internal audit function. Rahadhitya's (2015) research results show that auditor experience, education and training influence the effectiveness of internal audits, while risk management and management support do not influence the effectiveness of internal audits. The research results of Bawono and Singgih (2010) show that independence, due professional care, accountability influence audit quality, but experience has no effect on audit quality. Meanwhile, the research results of Parasayu and Rohman (2014) show that objectivity, work experience, integrity audit ethics

have a significant effect on the quality of internal audit results, while independence and knowledge have no effect on the quality of internal audits. The results of Gamayuni's (2016) research show that internal auditor competency does not have a significant effect on the effectiveness of the internal audit function, but the interaction between auditor competency and management support is proven to strengthen the effectiveness of the internal audit function, thus management support acts as a moderating variable that strengthens the relationship between internal auditor competency. with the effectiveness of the internal audit function, internal auditor objectivity is proven to increase the effectiveness of internal auditors, however the conflict of interest dimension cannot represent the internal auditor objectivity variable, organizational culture has a significant effect on internal audit effectiveness.

Next, research conducted by Zamzam and Mahdi (2017), the results of the research show that the professional expertise of internal auditors, the quality of the auditor's work, the independence of auditors have a significant effect on the effectiveness of internal audit, the career and level of auditors and internal top management support do not have a significant effect on the effectiveness of internal audit. The results of Mayangsari's (2018) research show that integrity does not have a positive effect on the effectiveness of internal audits, while objectivity and competence have a positive effect on the effectiveness of internal audits, democratic leadership style has a positive effect on the effectiveness of internal audits, democratic leadership style does not strengthen the effect of integrity on the effectiveness of internal audits, style Democratic leadership does not strengthen the effect of objectivity on the effectiveness of internal audit, but democratic leadership style strengthens the effect of competence on the effectiveness of internal audit.

The research results of Alamri et al (2017) show that expertise and experience have no effect on audit judgment, while task complexity and independence have a positive effect on internal auditors' audit judgment. The research results of Paramarta and Ardiana (2016) show that management support has a positive effect on the performance of internal auditors and financial compensation has no effect on the performance of internal auditors. Research results from Sukriah and Inapty (2009), show that work experience, objectivity and competence have a positive effect on the quality of examination results. The results of research by Arles and Anugrah (2017) reveal that independence and management support have a positive effect on the effectiveness of internal audit, while competence has no effect on the effectiveness of internal audit. Apart from that, management support weakens the relationship between independence and internal audit. This research is based on a number of studies conducted by

Zamzam and Mahdi (2017), Gamayuni (2016), Arles and Anugrah (2017). The difference in research lies in the time, place/location of research and research variables.

Previous research conducted by Maulidina (2020) and Suherman (2018) stated that the implementation of internal audits and the quality of financial reporting at PT. Damar Bandha Jaya is very good. The test results show that there is a significant positive influence from internal audit on the quality of financial reports. The better the role of internal audit in the company, the higher the quality of the financial reports that will be produced by the company. Because internal auditors have extensive knowledge regarding various aspects of the company or also known as the company's internal control, they can detect fraudulent financial reporting effectively. The involvement of the internal audit function in the financial reporting process results in greater transparency in company operations. From this relationship, a hypothesis is:

H1: Financial Literacy has a significant effect on the Quality of Financial Performance.

The development of the number of MSMEs can be said to be very rapid, but currently MSMEs are still in the small business zone and it is difficult to become a large business. In general, MSMEs often face conventional problems that are not completely resolved (closed loop problems), such as problems with HR capacity, ownership, financing, marketing and various other problems related to business management, making it difficult for MSMEs to compete with large companies (Abor & Quartey, 2010). MSMEs are a creative industry that tends to have a short-term orientation in making business decisions. This can be seen from the absence of a concept of sustainable innovation and inconsistent core business activities. In the end, the long-term performance of MSMEs operating in the creative industries tends to be stagnant and not well directed (Manurung & Barlian, 2012). In order to improve the performance and sustainability of MSMEs for the long term, it is necessary to establish strategic efforts, such as: enriching the knowledge of MSME players regarding financial management and accountability. This needs to be done so that MSMEs can account for their finances better and more regularly like large companies. So far, many MSME players have paid little attention to managing their business finances by combining their personal and business money. This is one of the factors that hampers the development of MSMEs. One way that can be done to enrich knowledge in managing finances is to use financial literacy. Financial literacy is an understanding of money and financial products that a person can apply to their financial choices to make informed decisions about how to handle their finances (Amisi, 2012). Having financial literacy skills allows individuals to make informed decisions about their

money and minimizes the chances of being misled in financial matters (Garg & Singh, 2018). The higher the level of financial knowledge, the better the management of your business will be. Financial literacy influences a person's way of thinking about financial conditions and influences strategic decision making in financial matters and better management for business owners (Anggraeni, 2016). Financial literacy causes individuals to make financial reports more often for their businesses. Entrepreneurs who more often produce better financial reports will have a high level of profitability from loan payments and the continuity of their business will be higher (Wise, 2013).

H2: The internal control system has a significant effect on financial reports

In the Professional Standards for Public Accountants, internal control is defined as follows: "The Internal Control System includes the organization and all coordinated methods and provisions adopted in a company to protect its assets, check the accuracy and reliability of accounting data, increase business efficiency, and encourage compliance with management policies that have been outlined". With regard to the components or main elements of internal control, COSO in Jusup (2001); Messier (2000), says that internal control has 5 components, namely: a. Control environment b. Risk interpretation c. Accounting information and communication systems d. Control activities e. monitoring. According to Rai, 2008 states that the internal control system is policies and procedures designed to provide adequate confidence for management that the organization achieves its goals and objectives. This internal supervision is implemented to achieve goals and minimize things that may occur outside of the plan. Internal supervision also increases efficiency, prevents losses on assets, increases the level of reliability of data in financial reports and encourages compliance with established laws and regulations. So basically internal supervision is an active action, because it seeks corrective action if things deviate from what has been determined. This agrees with research (Djiloy, 2016) which states that the internal supervision system has a positive and significant effect on the performance of government organization. This is also supported by research findings (Azlina & Amelia, 2014) stating that the internal control system has a significant effect on government performance. Research (Anisatu et al., 2016) found that internal control had a significant effect on financial performance.

H3: Financial literacy has a significant effect on financial performance with internal audit as a moderating variable.

MSMEs with high literacy will be wiser in choosing capital structure decisions that are facilitated by ease of accessing financial institutions. Meanwhile, MSMEs that have low levels of literacy and financial inclusion tend to manage their funding decisions simply. So the problem that arises is the relationship between financial literacy and MSME capital structure decisions, with the presence of financial inclusion factors as a moderating variable. MSMEs that are financially literate (well literate) find it easier to understand and understand the ins and outs of the financial institution sector, which in turn will make optimal use of financial products and services to improve welfare and protect themselves from potential financial losses (National Survey of Financial Inclusion, 2016). Financial literacy has the additional dimension that individuals are able to have the ability and level of confidence in applying the knowledge they have to make financial decisions. Based on PISA 2012: Financial literacy Assessment Framework (OECD INFE, 2012), it is formulated that financial literacy is a fundamental factor for economic change and financial stability. From the perspective of consumers or those accessing financial services, good financial literacy will lead to spending decisions that prioritize quality. This will result in healthy competition in the industry and competition will prioritize innovation in the products and services offered to consumers. Apart from that, good financial literacy will minimize the occurrence of wrong decisions regarding economic issues and financial issues that arise. (Adomako & Danso, 2014) argue that the direct effect of financial literacy on performance depends on internal forces (availability of financial capital and resource flexibility). This situation can influence financial decisions that are used for long-term goals such as investments and profitable activities. From a broader perspective, MSME activities are disrupted when they do not have the skills in the form of financial knowledge needed to manage finances effectively. (Kurihara, 2013) and (Rumbianingrum & Wijayangka, 2018) show that financial literacy has a significantly positive effect on financial management, the financial literacy possessed by the owner will then develop into financial skills to make rational and effective financial decisions regarding finances and their economic resources. . However, different research was shown by (Eresia-Eke & Raath, 2013) which found evidence that the financial literacy of business owners in the Gauteng Province of South Africa had no relationship with capital and MSME growth.

H4: The Internal Control System has a significant effect on financial reports with internal audit as a moderating variable.

An organization must be controlled by the people who work in it to ensure that its strategic goals can be achieved. The control process will force management at all levels to ensure and control that the people who work in them implement the intended strategy effectively and efficiently. The control process measures progress toward goals and allows managers to detect deviations from plans in time to take corrective action. According to Simon, (1995) classifies management control systems for strategy implementation into four, namely (1) interactive control systems are management controls that focus on strategic uncertainty by analyzing opportunities and challenges, (2) diagnostic control systems are management controls that guarantee the achievement of targets/ performance, (3) boundary control systems, namely control that focuses on identifying actions and errors that must be avoided, and (4) beliefs control system, namely control that is oriented towards finding the organization's core values. According to Tuanakotta (2012) in Atmadja & Saputra (2017) states that internal control is the first step in preventing fraud. Fraud prevention in general is an activity carried out in terms of establishing policies, systems and procedures that help ensure that the necessary actions are taken by the board of commissioners, management and other personnel in the company/organization to be able to provide adequate confidence in achieving organizational goals, namely: operational effectiveness and efficiency. , reliability of financial reports, and compliance with applicable laws and regulations. Simons in 1995 in Papat, Ismael, & M Fajar, (2000), has developed a Control System framework by emphasizing a formal system, an information system that can maintain or change activity patterns, which is not only oriented towards achieving targets but also innovation. This framework is called Levers of Control, namely belief systems, boundary systems, diagnostic control systems, and interactive control systems that work together for the benefit of an organization. The research results of Nisak, Fitri, & Kurniawan (2013) state that internal control has a significant influence on fraud prevention. This indicates that improving the internal control system is a benchmark for the success of fraud prevention.

METHODS

The research was carried out at a convection business located in Malang City. The research was conducted with the research object being convection business actors in the city of Malang. With a population of 30 convections and 60 respondents in the accounting/finance

department. All processes required in planning and implementing research are stages of research design. In a narrower sense, research design is only about data collection and analysis. The research process consists of two parts, namely research planning and research implementation or research operational processes. The independent variables in this research are financial literacy (X1) and Internal Control System (X2), and the dependent variables are financial performance quality (Y), internal audit (Z) as a moderating variable. The population of this research is employees of the accounting and finance department. The total population in 30 convections and 60 employees in each accounting and finance department is 2 people. The sample used was employees of the accounting and finance department, namely a financial manager as an employee and at the same time controlling the internal system in the convection business.

Epistemologically, as expressed by Manurung (2009) financial literacy is a set of skills and knowledge that allows a person to make effective decisions with all the financial resources they have. The following can be explained, financial literacy is the skills and knowledge to be able to make effective decisions in managing finances. Manurung has not explained in detail what skills and knowledge are needed to make financial decisions. Meanwhile, Sukumaran (2014) defines literacy. Kinmutai himself (2015) defines financial literacy as a way for people to understand and participate in using basic concepts of financial science to plan and manage financial decisions in the form of insuring, investing, saving and making budgets. The Internal Control System is a process carried out by the Board of Commissioners, Management and Personnel of other entities which is designed to provide adequate assurance regarding the achievement of the following three groups of objectives: (a) reliability of financial reporting (b) Operational effectiveness and efficiency, and (c) Compliance with applicable laws and regulations (Amin Widjaja Tunggal, 2010).

Research on the role of internal audit has been carried out by Sari and Raharja (2011) but examining the influence of the role of internal audit on Good Corporate Governance mechanisms, the results show that there is an influence of the role of internal audit on GCG mechanisms. Nugraha and Susanti (2010) in Sukmaningrum (2012) examined research on the influence of internal control systems on the reliability of regional government financial reports. The results of his research state that the internal control system has a positive effect on the reliability of financial reports. The research results of Sukmaningrum (2012) show that the internal control system influences the quality of local government financial report information, while human resource competency has no influence.

Financial reports have the ability to clearly present the financial health of a company in order to provide informative business decisions. Financial reports are very important for company management, especially for decision making and planning. Therefore, the accounting information obtained must meet certain criteria. The main criterion for accounting information is that it must be useful for decision making (Zaki Baridwan, 2013). To be useful, information must have two main characteristics, namely relevance and reliability. For information to be relevant, there are three characteristics that must be met, namely having predictive value, having feedback value, and being timely. Reliable information has three characteristics, namely being verifiable, neutral, and presenting what it should. Besides the two main characteristics, relevant and trustworthy, accounting information also has two secondary and interactive properties, namely comparable and consistent. The quality of financial reports is a structured report regarding the financial position report and transactions carried out and accounted for by a reporting entity. Fahmi in Sri Nurul Fajri (2013).

RESULTS AND DISCUSSION

Results

The quality of financial reports can be said to be good if the information presented in the financial reports can be understood, and meets the needs of users in making decisions, is free from misleading meanings, material errors and is reliable, so that the financial reports can be compared with previous periods (Emilda, 2014). The company's financial reports will show how successful the company is in carrying out its business activities. If the company's financial reports are of good quality, it can be said that business actors have succeeded in carrying out their business activities and have been able to minimize the risk of irregularities that could be carried out by certain parties. Data were analyzed using moderated regression analysis to determine the influence of financial literacy (X1), Internal Control System (X2) on the quality of financial performance (Y) which was moderated by internal audit (Z). The software used for research data analysis is SPSS version 20.

Tabel 1. Regression Result

Variables	Coefficient	Std. Error	T	P
Constanta	-12.563	9.341	-1.345	0.191
Financial Literacy (X1)	0.406	0.164	2.476	0.021
Internal Control System (X2)	0.282	0.123	2.289	0.031
Internal Audit (Z)	0.458	0.132	3.457	0.002
Interaksi X1Z	0.002	0.053	0.029	0.977
Interaksi X2Z	0.099	0.044	2.236	0.035

$R^2 = 0,609$; $F = 7,479$ ($p = 0,001$)

The respondents in this research were employees of the accounting department of 30 guest houses in Malang Regency. Respondent descriptions are gender, length of service, final education level, educational background, and participation in year-long training specifically for internal auditors. Most of the convection employees in the financial department (90%) were female, while 10% were male. This research did not provide a description of the length of work and the type and frequency of participation in training. All respondents had a final education at the high school/vocational school level with a background in accounting (60%), other fields (40%). The results of the moderation regression analysis in Table 1, in which there is an interaction variable between the independent variable and the moderating variable which is calculated from the corrected product for the respective average value. The moderation regression equation is as follows:

$$Y = -12.563 + 0.406X_1 + 0.282X_2 + 0.458Z + 0.002X_1Z + 0.099X_2Z; R^2 = 60.9\%$$

The results of the analysis explain the results of testing the regression equation which explains the influence of a number of determining variables on dysfunctional audit behavior. In the F test section, the value $F = 7.479$ ($p=0.001$) and the coefficient of determination was 60.9%. The results of this test explain that the contribution of the variables financial literacy, internal control system and internal audit in explaining variations in the quality of financial reports is 60.9%.

The partial influence of the internal audit variable on the quality of financial performance is 0.406. The test results for this regression coefficient are significant ($p=0.021$). These results explain that good financial literacy results in better quality financial performance. The partial influence of the internal control system variable on the quality of financial performance is 0.282. The test results for this regression coefficient are significant ($p=0.031$). These results explain that a good internal control system results in better quality financial performance. The partial influence of the internal audit variable on the quality of financial performance is 0.458. The test results for this regression coefficient are significant ($p=0.002$). These results explain that good internal audits result in better quality financial performance.

The partial effect of the interaction of financial literacy and internal audit variables on the quality of financial performance is 0.002. The test results for this regression coefficient were not significant ($p=0.977$). These results explain that internal audit does not moderate the influence of internal audit on the quality of financial performance. The partial effect of the interaction of internal control system variables and the use of information technology on the quality of financial reports is 0.099. The test

results for this regression coefficient are significant ($p=0.035$). These results explain that internal audit moderates the influence of the internal control system on the quality of financial performance.

Discussion

The influence of financial literacy on the quality of financial performance

The results of this research explain that a convection business that has good financial literacy will be a driving factor for better quality financial performance. In general, currently there are no major problems in the convection industry because convection management seeks to provide experienced internal control personnel. Convection employees who carry out the internal control function have their duties expanded to improve the quality of financial performance as part of management responsibility. The main role of internal control is to systematically organize and evaluate internal control within the company. Internal controllers are parties who play an important role in the company's control system because they not only carry out evaluations related to company finances but also non-financial matters related to the company's operational activities. Internal auditors must work professionally to carry out the audit function well. In this system, management assesses the importance of the existence of an internal auditor with the characteristics of having competence and independence in carrying out his duties. The current fact in the field is that opportunities to participate in training regarding compliance knowledge in financial statement audits have been provided for all internal audit staff.

The Influence of Internal Control Systems on financial performance

The results of this research explain that a convection business with a well-designed internal control system will improve the quality of financial performance. The positive relationship between these two variables is in line with research by Bahtiar (2013) and Rokhlinasari and Hidayat (2016) which states that the internal control system is implemented by dividing tasks and separating responsibilities in operations. Efforts to create good financial performance are by dividing the tasks in preparing financial reports. Back office recording and preparation of financial report officers, cash clerks and tellers who are fully supervised by management and internal control. To prepare timely daily financial reports. The financial reports prepared have the aim of providing financial information to interested parties, namely the head office for consideration in making economic decisions and other parties. The advantages of the internal

control system in most guest houses are relatively good. Convection management continues to strive to have a good internal control system in order to prevent fraud from occurring. Convection management must pay careful attention to the four components in this internal control system, namely: organizational structure, authorization system and recording procedures, healthy practices and high quality employees. The deficiencies that appear in the field are actually relatively small in the sense that very few hotels face internal control system problems. Hotel management finds the weakness of internal control systems which requires measurable competency standards for each task and function in each position within the agency and the existence of integrated assignment procedures in all internal control systems work activities.

Moderating Effect Internal Audit on Financial Literacy on Financial Performance

The results of this research explain that internal audit does not moderate the influence of financial literacy on financial performance. This research is not in line with that conducted by Yuliyanti & Hanifah (2018) and Deviani & Badera (2017) who explained that auditor competence and competence have a positive effect on audit quality. This means that audit quality can be achieved if the auditor has good competence, and time budget pressure has a positive effect on audit quality. This is due to the work mechanism that has been implemented, the auditor's work area is based on inspection objects that are fixed and repeated every year, making it easier for auditors to carry out their work. An understanding of the information system for appropriate audit procedures can reduce the complexity of audit activities, reduce pressure caused by limited time budgets and help inexperienced auditors. Auditors' understanding of information technology and controls related to information technology helps them to learn more about information systems that are relevant for financial reporting and their constraints. The use of computer tools in auditing makes it easier for auditors to create audit working papers, obtain information related to auditing, detect fraud, carry out regular monitoring, create audit reports, make it easier to store audit files, and make it easier for auditors to carry out data analysis.

Moderating Effect of Information Systems on Internal Control Systems on the Quality of Financial Reports

The results of this research explain that the information system moderates the influence of the internal control system on the quality of financial reports. This research is in line with I Nyoman & Ni Luh (2019) explaining that increasing monitoring and supervision in the

implementation of internal control is carried out so that there are no gaps for irregularities or fraud. Regularly increasing human resource competency by holding education, training and training activities related to the preparation of financial reports in order to improve the quality of financial reports, and paying attention to the placement of human resources which are still not adapted to each individual's expertise, especially in the accounting section . Improvements are made by maximizing the use of information technology in the government environment to support human resource competence and the implementation of internal control in the preparation of regional financial reports.

This moderation in the application of information systems means that if a hotel decides to involve the role of technology in many ways, the existence of a good internal control system will further improve the quality of financial reports. And if it is related to working patterns during the COVID19 pandemic, the availability of an internal control system designed according to the needs of the Work from Home (WFH) era will provide much better quality financial reports if convection management maximizes the use of information technology. Until now, the government has implemented a policy in many sectors, including hotels, that some employees do their work from home, known as Work from Home (WFH), that is, employees have the freedom to manage their working time using the help of information and communication technology. There are many things that must be done online, starting from the stage of collecting evidence, testing and evaluating evidence, everything is done computerized, processing data in the form of electronic data or soft copy (paperless). The role of information and communication technology has become a very important main tool for government internal auditors so that they can continue to carry out their duties and responsibilities effectively and efficiently using computer and internet facilities as well as other applications which are still very limited, for example the Supervision Management Information System application, financial management applications and Electronic Procurement System applications and other applications.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Financial literacy improves the quality of financial performance. The internal control system improves the quality of financial performance. Internal audit moderates the influence of internal audit quality on the quality of financial reports. Internal audit moderates the influence of the internal control system on the quality of financial reports. In general, the results of this research can be concluded that the increase in the quality of financial reports in the

convection industry will be higher if you combine high utilization of internal audit with the availability of a good internal control system. If a convection business does not have a good internal control system, internal audit will not be successful in improving the quality of financial performance.

Recommendations

Based on the findings from the research results, there are several things that can be used as input for convection business managers in Malang City so that they can achieve quality financial performance with internal audit moderation influenced by financial literacy and internal control systems.

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