

**THE EFFECT OF AUDIT QUALITY, ACCOUNTABILITY AND
INTERNAL CONTROL ON THE QUALITY OF FINANCIAL
REPORTS IN ZAKAT MANAGEMENT**

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Abstract

The quality of financial reports is a structured report regarding the statement of financial position and transactions carried out and accounted for by a reporting entity. The quality of financial reports is considered good if the information presented in these reports can be understood and meets the needs of users in making decisions. It should be free from misleading notions, material errors, and should be reliable, allowing for comparisons with previous periods of financial statements. This research was conducted to determine the effects of audit quality, accountability, and internal control on the quality of financial reports. The research focused on the Amil Zakat Institute and the National Amil Zakat Agency for the City of Depok and DKI Jakarta as the population. The research sample was selected using purposive sampling methods and included 30 respondents. Data were processed using SPSS software and analyzed using multiple linear regression analysis. The results of this study indicate that audit quality, accountability, and internal control have a positive effect on the quality of financial reports.

Keywords: *Audit Quality, Accountability, Internal Control, Quality of Financial Statements*

1. INTRODUCTION

Zakat is the third pillar of Islam after prayer. Paying zakat is an obligation for Muslims when they meet the criteria set by religious rules, and it is given to 8 beneficiaries known as "asnaf." The word "zakat" is derived from the Arabic word "zaka," which means purity, goodness, blessing, growth, and development. According to Sabiq (2009), zakat is the name of the right that a person gives to the poor. It is called zakat because it is expected to bring blessings, cleanse the soul, and nurture it with various virtues.

In Indonesia, there are numerous zakat management institutions, consisting of two types: the National Zakat Collection Body (BAZNAS) and the National Zakat Institution (LAZNAS). BAZNAS is a national zakat management institution established by the government, while LAZNAS is a zakat management institution established by the community with government approval. There are National Zakat Institutions officially licensed by the Ministry of Religious Affairs, such as the Zakat House Foundation of Indonesia and Zakat Sukses.

The 2022 zakat outlook explains that the challenges in zakat management include the ongoing COVID-19 pandemic, increasing poverty during the pandemic, and digital inequality. These challenges were the main focus of zakat management in 2022, requiring collaborative efforts within the zakat movement to address them. Despite the COVID-19 pandemic, it is essential to maintain the quality of audits. High audit quality presents an opportunity for auditors to identify errors in financial reports. Quality audit is crucial because high-quality audits produce financial reports trusted as the basis for decision-

making. Therefore, zakat management institutions must maintain good audit quality to earn the trust of the public and adhere to Shariah regulations.

The issue of high-quality zakat institutions is closely related to the problem of accountability in preparing financial reports. The lack of responsibility in producing quality financial reports hinders their creation. These financial reports must adhere to Shariah principles and be of high quality. According to the research of Waluya & Mulauddin (2020), Quran Surah Al-Baqarah verse 282 implicitly contains accountability values, requiring the recording of non-cash transaction activities and documenting debts and receivables for recording. Recording these transactions provides information and accountability regarding the actual conditions to the public, who also have the right to question them.

Efforts to produce high-quality financial reports require internal control. Internal control is a process designed to provide adequate assurance that control objectives have been achieved. This includes providing accurate and reliable information and preparing financial reports that meet established criteria. Therefore, internal control is one way to minimize errors or mismanagement of zakat funds in the preparation and presentation of financial reports, resulting in high-quality financial reports.

Financial reports are beneficial for stakeholders who need information for future decision-making. Financial reports are highly beneficial when they meet standardized financial reporting standards. Characteristics of quality financial reports include being reliable, honest, trustworthy, accountable, and relevant to the information provided. There is a phenomenon where many parties use financial reports as a reference for future decisions. Financial reports are prepared to meet the common needs of most users. However, financial reports do not provide all the information that users may need for decision-making, as they generally depict the financial impact of past events and are not required to provide non-financial information.

Islamic auditing is very beneficial and constructive for the development of zakat management because it helps establish more professional zakat management organizations. To enhance professionalism, governance, and transparency in zakat in Indonesia, the Ministry of Religious Affairs emphasizes the importance of Islamic auditing for Zakat Management Institutions. More people will fulfill their zakat obligations when LAZ and BAZNAS have reputable and responsible reputations. Specifically, zakat institutions are required to undergo two audits, financial audits and Islamic audits, in accordance with Law No. 23 of 2011 concerning Zakat Management. Therefore, Islamic auditing is crucial for LAZ, as donors want to ensure that their zakat is managed properly and in accordance with Shariah.

There is a gap in research findings. Based on the research by Nanda (2021), internal control does not affect the quality of financial reports. This research supports Mardiasmo's theory that a weak accounting system leads to weak internal control and ultimately results in less reliable and less relevant financial reports for decision-making. Similarly, the research by Putra (2022) concludes that internal control does not affect the quality of financial reports. This is because employees may still find loopholes in the internal control system for personal gain, leading to financial reports that do not accurately reflect the actual situation. Inconsistent findings from previous research highlight the research gap, the primary objective of this research is to conduct an in-depth

analysis of the influence of Audit Quality, Accountability, and Internal Control on the Quality of Financial Reports in Zakat Management.

2. LITERATURE REVIEW

2.1. Audit Quality

The concept of audit quality refers to key indicators that enable the consistent execution of quality audits in accordance with professional standards and applicable legal provisions. High audit quality can shield auditors from legal liabilities. In Firdaus (2017), the Financial Accounting Standard Committee states that audit quality is determined by two factors: competence and independence. These two factors are critical in determining audit quality and can even interact to influence it. Besides these two contributing factors to low audit quality, users of financial reports also have opinions on the independence and competence of auditors.

According to Winwin Yadiati et al. (2017), audit quality is the accuracy of information provided by auditors in line with the audit standards they employ, including identifying accounting violations in the financial reports of client companies. Turnip (2018) emphasizes that the effectiveness of an audit depends on the auditor's ability to discover, recognize, and report client violations, along with providing supporting documentation. Concisely, it can be said that audit quality involves procedures related to an auditor's ability to conduct audits, identify and report client violations, and provide an opinion on the fairness of financial statements created by management.

2.2. Accountability

The concept of accountability, as per Lawton and Rose in (Sari et al., 2018), is described as a cycle where an individual or a group is expected to report on their activities and how they have completed their tasks, either consciously or unconsciously, to fulfill their responsibilities. Thus, an entity is expected to be responsible by providing clear data about the choices made during its activities, and stakeholders should be able to easily access this data. As presented by Rusdiana & Nasihudin (2018), accountability is the duty of an individual or a group receiving commands to complete specific tasks for the commanding authority, both vertically and horizontally.

According to Regulation Number 23 of 2011 regarding Zakat Management, responsibility, as a sign of standard responsibility, is realized through the reservation and distribution of evaluated financial reports. As expressed by Kusumasari et al. (2015), responsibility is a commitment to be achieved. Responsibility refers to the commitment of every person, group, or institution to fulfill their assigned obligations. Therefore, accountability is the obligation to disclose information as a means for an institution or group to regularly carry out actions that achieve its goals.

2.3. Internal Control

Internal control is a process employed by the board of commissioners, management, and other employees of an entity designed to provide adequate assurance about the achievement of three objectives: the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable laws and regulations, according to Mulyadi (2017) based on SA Article 319.

According to COSO's definition of internal control, it consists of procedures carried out by the board of directors or commissioners, management, and other personnel intended to provide sufficient confidence or assurance regarding the achievement of objectives related to a company's activities, reporting, and compliance. From the above definitions, it can be concluded that internal control is a process to achieve specific goals. According to Mulyadi (2017), internal control is considered adequate when it can achieve the objectives of financial reporting reliability, compliance with applicable laws and regulations, and operational effectiveness and efficiency.

2.4. Financial Reporting Quality

Financial reports serve as a crucial form of accountability for an entity's economic resources. They provide a structured overview of an entity's financial position and performance, grounded in monetary terms, as mandated by PSAK No.1. To ensure meaningful comparisons with past periods and other companies, these reports must adhere to accounting standards. The creators of financial reports must possess the ability to transparently depict a company's financial health, aiding informative decision-making while avoiding fraudulent practices. High-quality financial reporting is a consistent goal for organizations.

Financial reports, at their core, represent a robust assessment of items, administration, cycles, and conditions, either meeting or surpassing expectations, as described by Tjiptono. According to Fahmi, as cited in Fajri (2013), these reports affirm a monetary position and transactions through organized disclosures. In essence, financial reports are a form of accountability for an organization's financial position, providing valuable insights for planning and decision-making. Quality financial reporting ensures that information is comprehensible, meets user needs, avoids misrepresentation, material errors, and is reliable for comparative analysis with previous periods.

3. RESEARCH METHODS

3.1. Research Time and Place

This research was conducted in the Zakat institutions of the Depok City and DKI Jakarta regions. Given that the research addresses issues within BAZNAS and LAZ, these locations were chosen. The research focuses on the influence of audit quality, accountability, and internal control on financial reporting quality. The research duration spanned approximately three months, from May 2023 to July 2023, encompassing data collection to result analysis.

3.2. Research Design

This study employed a quantitative research method. According to Sugiyono, (2018), quantitative research is based on positivist philosophy and is used to analyze specific populations or samples, collect data using research instruments, and analyze data quantitatively or statistically. The quantitative method aims to test predetermined hypotheses.

3.3. Population and Sample

According to Sugiyono (2018), a population is a group of people or individuals that are generalized, selected as subjects of research, and possess specific qualities and characteristics defined by the researcher for analysis and drawing conclusions. The population in this study comprises financial management personnel in Zakat institutions. The research population consists of Zakat institutions located in Depok City and DKI Jakarta.

The definition of a sample, as per Sugiyono (2018), is a component of the size and composition of the population. The determination of sample size used in research is a multi-step process. The researchers used purposive sampling, with the criteria being financial management, internal auditors, and finance department managers or leaders. Based on the number of respondents in these categories, questionnaires were sent to each Zakat institution. After the survey, it was found that there were 30 Zakat institutions as the sample. The distribution of this research questionnaire was done using Google Form, and the link was sent to the 30 respondents located in the Zakat institutions in the Jabodetabek area.

3.4. Instrument Development

Instrument development in this study consisted of independent variables: audit quality (X1), accountability (X2), internal control (X3), and dependent variable: financial reporting quality (Y). The development of research instruments included operational definitions, indicators, questionnaire items, and measurement tools.

3.5. Data Collection Technique

In data collection, the author used a convenience sampling approach. Sugiyono (2018) defines convenience sampling as a sampling approach where anyone the researcher encounters can become a respondent and sample if they fit the criteria as a data source.

The author utilized both primary and secondary data in this research. Specifically, the information processed includes numerical data from questionnaires distributed to respondents and data from financial reports, which were subsequently processed using SPSS 26. The questionnaires distributed to respondents consisted of a series of questions. The data source for this research was BAZNAS and LAZ in the Depok City and DKI Jakarta regions.

3.6. Data Analysis Techniques

3.6.1. Descriptive Analysis

In this research, descriptive analysis is used to provide details about the characteristics or attributes of the main research variables. Without attempting broad generalizations or conclusions, descriptive statistics describe or characterize the acquired data as is.

3.6.2. Quality Tests

A. Validity Test

Validity testing is used to evaluate the legitimacy of a research questionnaire. If the survey questions can be considered valid in addressing the subject matter to be measured, then the survey is deemed valid.

B. Reliability Test

Reliability testing is a tool to measure a research questionnaire that represents an indicator of a variable or construct. Reliability testing is also used to test the consistency of data over a specific period, to determine to what extent the measurement used can be relied upon.

C. Classic Assumption Tests

a. Normality Test

The Normality Test aims to test whether independent and dependent variables in a regression model follow a normal distribution. The Kolmogorov-Smirnov non-parametric statistical test (K-S test), which is part of the SPSS software, can be used to determine whether residuals are normally distributed. The Kolmogorov-Smirnov approach includes a condition that states that if the significance level is less than 0.05, the data is not normally distributed, and if it is greater than 0.05, the data is normally distributed.

b. Multicollinearity Test

The Multicollinearity Test aims to test whether there is a correlation between independent variables in a regression model. The values used to indicate multicollinearity are:

- Tolerance value < 0.10 or VIF value > 10.00
- Tolerance value > 0.10 or VIF value > 10.00

c. Heteroskedasticity Test

The Heteroskedasticity Test aims to determine whether there are varying variances in the regression model with other observations. If the significance value between independent variables and absolute residuals is greater than 0.05, then there is no heteroskedasticity issue.

D. Hypothesis Testing Method

a. Coefficient of Determination Test (R^2)

The coefficient of determination (R^2) essentially measures how well the model can explain the variation in the dependent variable.

b. Partial Test (t-test)

The t-test, tested at a significance level of 0.05, is used to determine the influence of each independent variable on the dependent variable. This test is conducted to determine the impact of each independent variable on the dependent variable, with a 5% significance level and a 95% probability for the effect of each independent variable on the dependent variable. Independent variables affect the dependent variable if the t probability value is less than 0.05.

c. Multiple Linear Regression Coefficient Test

Analyzing the impact of multiple independent variables on a dependent variable is known as multiple linear regression. The multiple linear regression equation used by the researcher is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e....$$

Description:

Y : Quality of Financial Statements

$\beta_1 X_1$: Audit Quality

- β_2 : Accountability
 β_3 : Internal Control
 α : Constant
 e : Confounding Variable

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistical Analysis

Descriptive statistics in this research consist of frequency distribution, mean of frequency distribution, mean (average), median, standard deviation, median, standard, and histogram graphs for each variable in this study. The following are the results of descriptive statistical analysis for each variable in Table 1, as follows:

Table 1. Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation
kualitas lapkeu	30	12	38	50	1327	44.23	4.216
kualitas audit	30	15	35	50	1344	44.80	4.559
akuntabilitas	30	14	36	50	1328	44.27	4.593
pengendalian internal	30	16	34	50	1317	43.90	3.809
Valid N (listwise)	30						

4.2. Normality Test

Table 2. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		30
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	3.87983198
Most Extreme Differences	Absolute	.094
	Positive	.094
	Negative	-.092
Test Statistic		.094
Asymp. Sig. (2-tailed)		.200 ^{c,d}

- a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the results of the normality test in the table above, it shows that the significance value of the normality test with the one-sample Kolmogorov-Smirnov test is 0.200. Thus, the researcher can conclude that the data is normally distributed because the significance value obtained is greater than the significance value criterion of 0.05.

4.3. Heteroscedasticity Test

The results of the heteroskedasticity test indicate the significance values (sig. (2-tailed)) for each variable, namely the audit quality variable (X1) is 0.978, followed by the accountability variable (X2) which is 0.696, and the internal control variable (X3) which is 0.630. Based on the above results, the researcher can conclude that there is no indication of heteroskedasticity in the data, as each significance value for the independent variables is greater than the significance criterion value of 0.05. For more details, please refer to the table below:

Table 3. Heteroscedasticity Test Results

		Correlations				
			kualitas audit	akuntabilitas	pengendalian internal	Unstandardized Residual
Spearman's rho	kualitas audit	Correlation Coefficient	1.000	.271	-.121	.005
		Sig. (2-tailed)	.	.148	.523	.978
		N	30	30	30	30
	akuntabilitas	Correlation Coefficient	.271	1.000	.387*	.074
		Sig. (2-tailed)	.148	.	.034	.696
		N	30	30	30	30
	pengendalian internal	Correlation Coefficient	-.121	.387*	1.000	.092
		Sig. (2-tailed)	.523	.034	.	.630
		N	30	30	30	30
Unstandardized Residual	Correlation Coefficient	.005	.074	.092	1.000	
	Sig. (2-tailed)	.978	.696	.630	.	
	N	30	30	30	30	

*. Correlation is significant at the 0.05 level (2-tailed).

4.4. Multicollinearity Test

Table 4. Multicollinearity Test Results

		Coefficients ^a					Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients				
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	30.191	12.470		2.421	.023		
	kualitas audit	-.115	.181	-.125	-.639	.529	.853	1.173
	akuntabilitas	.304	.194	.332	1.566	.129	.726	1.377
	pengendalian internal	.131	.228	.118	.574	.571	.769	1.300

a. Dependent Variable: kualitas lapkeu

Based on the results in the table above, it shows the VIF (Variance Inflation Factor) values for all independent variables (audit quality = 1.173; accountability = 1.377; and internal control = 1.300), which are less than the VIF value of 10. Based on these results,

the researcher can conclude that there is no indication of multicollinearity in the data in this study because the VIF values generated are less than 10.

4.5. Multiple Linear Regression Analysis

Table 5. Multiple Regression Analysis Result

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-8.150	7.868		-1.036	.310
	kualitas audit	.359	.129	.372	2.787	.010
	akuntabilitas	.388	.113	.408	3.439	.002
	pengendalian internal	.445	.144	.414	3.095	.005

a. Dependent Variable: kualitas lapkeu

Based on the results of multiple regression analysis in the table above, the regression equation in this study is obtained as follows:

- a. The constant value of 8.150 indicates that the quality of financial reports will have a value of 8.150 when all independent variables in this study (audit quality, accountability, and internal control) have a value of 0.
- b. The coefficient of the audit quality variable (X1) has a value of 0.359, indicating that if the audit quality variable increases by one unit, the quality of financial reports variable will increase by 0.359 times.
- c. The coefficient of the accountability variable (X2) has a value of 0.388, indicating that if the accountability variable increases by one unit, the quality of financial reports variable will increase by 0.388 times.
- d. The coefficient of the internal control variable (X3) has a value of 0.445, indicating that if the internal control variable increases by one unit, the quality of financial reports variable will increase by 0.445 times.

4.6. Coefficient of Determination Test

Table 6. Coefficient of Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.797 ^a	.636	.594	3.120

a. Predictors: (Constant), pengendalian internal, akuntabilitas, kualitas audit

Based on the results of the coefficient of determination (R) test in the table above, it explains that the Adjusted R-Square value obtained is 0.636 or 64%. Based on these results, the researcher can conclude that the variables of audit quality, accountability, and internal control can influence the quality of financial reports by 64%.

4.7. T-Statistic Test

Table 7. T-Statistic Test Results
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-8.150	7.868		-1.036	.310
	kualitas audit	.359	.129	.372	2.787	.010
	akuntabilitas	.388	.113	.408	3.439	.002
	pengendalian internal	.445	.144	.414	3.095	.005

a. Dependent Variable: kualitas lapkeu

To provide an interpretation of the T-test, as explained in Table 7:

- The computed t-value for the audit quality variable is 2.787 with a significance level (sig) of 0.010. The analysis result of sig 0.010 is less than 0.05, which means that the audit quality variable individually influences the quality of financial reports.
- The computed t-value for the accountability variable is 3.439 with a sig of 0.002. The analysis result of sig 0.002 is less than 0.05, indicating that the accountability variable has a significant individual influence on the quality of financial reports. The computed t-value for the internal control variable is 3.095 with a sig of 0.005. The analysis result of sig 0.005 is less than 0.05, suggesting that the internal control variable individually has a significant impact on the quality of financial reports.

5. CONCLUSION

This study has found that audit quality, accountability, and internal control exert significant influence on the quality of financial reports in Zakat Institutions. Higher audit quality enhances financial report credibility and fosters trust among the public, while lower audit quality raises concerns about potential fraud and diminishes public trust. The research underscores the importance of these factors in ensuring the reliability and transparency of financial reports within Zakat Institutions.

To further strengthen financial reporting in Zakat Institutions, it is recommended that they prioritize improving audit quality, enhancing accountability practices, and strengthening internal control systems. Investing in these areas will contribute to more reliable and transparent financial reporting, ultimately enhancing the reputation and credibility of these institutions. Furthermore, regular monitoring and evaluation of these factors should be an ongoing practice to ensure continuous improvement in financial report quality and overall organizational performance. Policymakers, regulators, and Zakat Institutions should collaborate to establish and enforce standards that promote accountability, transparency, and high-quality financial reporting in the Zakat sector, which plays a crucial role in supporting charitable activities and social welfare.

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