

## **The Influence of Government Accounting Standards and Internal Control Systems on the Quality of Regional Financial Reports with Accountability as a Moderating Variable**

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### **Abstract**

*This study aims to analyze and determine the effect of government accounting standards and internal control systems on the quality of regional financial reports, with accountability as a moderating variable (an empirical study in Medan City Regional Apparatus Organizations). Therefore, this research analysis can educate readers about the quality of Medan City regional financial reports. This study uses a quantitative approach with a questionnaire as the data collection technique with 78 samples. The analysis method used is the Statistical Program for Social Science (SPSS). The results of this study indicate that government accounting standards and internal control systems influence the quality of regional financial reports.*

**Keywords:** *Government Accounting Standards, Internal Control System, Quality of Regional Financial Reports, Accountability*

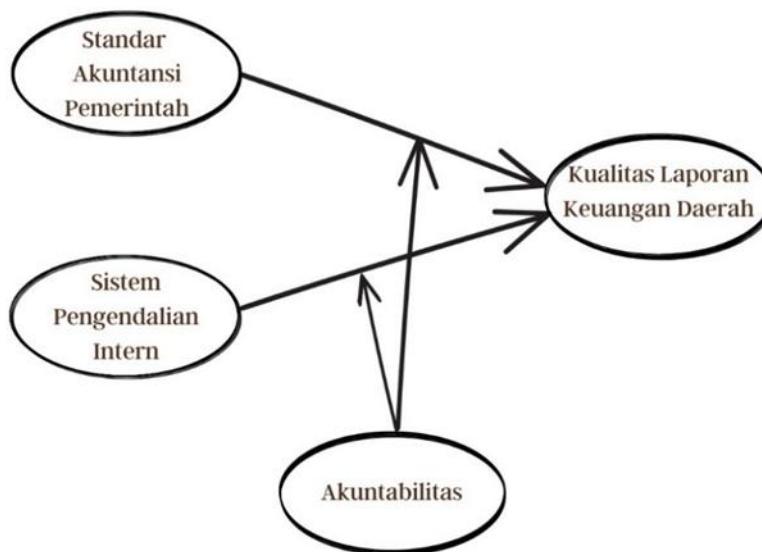
### **INTRODUCTION**

As an autonomous region with Metropolitan City status, city development aims to make the city better in various sectors, especially the trade, financial and industrial services sectors, to increase production, income and welfare of city residents evenly, which is characterized by increasing purchasing power, investment, City Government expenditure and net exports in a sustainable manner. In order to realize this vision, the Medan City Government has various Regional Apparatus Organizations (OPD) which are responsible for managing various sectors of city life such as the Regional Secretariat, DPRD Secretariat, Regional Services, Regional Technical Institutions and other Institutions(Medan City Government, 2006). Medan City's Regional Apparatus Organizations (OPD) are responsible for preparing high-quality and reliable regional financial reports. Quality financial reporting stems from sound regional financial management, in accordance with accounting principles and applicable laws and regulations. The government has determined how to prepare sound financial reports. In Government Regulation Number 71 of 2010, the Government established the accrual-based Government Accounting Standards Statement (PSAP). According to Hanum and Ritonga(2021), states that the implementation of internal control in an organization is to ensure the process of achieving goals can be carried out properly and reduce various unwanted risks. Furthermore, accountability is one of the characteristics of the application of good governance, not just the ability to demonstrate that public funds have been spent economically, efficiently, and effectively (Alpi,(2019). Therefore, the Government must prepare financial reports in accordance with applicable regulations while also paying attention to the accountability aspect in their preparation. Based on this explanation, the author is interested in conducting research on the Medan City Government, which is stated under the research title "The Influence of Government Accounting Standards and Internal Control Systems on the Quality of Regional Financial Reports with Accountability as a Moderating Variable (Empirical Study on Medan City Regional Government Organizations).".

## LITERATURE

Financial reports are the output of an accounting system that is useful for providing information to parties who will use the financial information as a basis for decision-making (Rohman, 2020). The quality of financial reports is the qualitative characteristic that makes the information in financial reports useful for decision-making by users.(Jati, 2019)The quality of financial reports is a normative measure that needs to be realized in accounting information so that it can fulfill its objectives.(Republic of Indonesia, 2010). Government accounting standards are the accounting principles applied in preparing and presenting government financial reports. These accounting standards regulate accounting treatment in preparing financial reports on transparent and accountable government financial management, in line with the qualitative characteristics of financial reports, namely relevance, reliability, comparability, and understandability.(Rahmawati et al., 2018). Government Accounting Standards (SAP) regulate several accounting principles and concepts that form the basis for measuring, recording, reporting, and disclosing government financial information.

According to Government Regulation No. 60 of 2008 concerning the government internal control system, SPI is an integral process of actions and activities carried out continuously by leaders and all employees to provide adequate assurance of achieving organizational goals through effective and efficient activities, reliable financial reporting, safeguarding state assets and compliance with laws and regulations. Alpi(2019)In his research, he revealed that accountability is a social psychological drive that individuals possess to fulfill their obligations, which they will be held accountable to their environment. Accountability is a manifestation of the recipient's responsibility to the trustor. In a government system, particularly in relation to the public, accountability refers to the government's responsibility to the community. The implementation of government activities and decision-making must pay attention to the rights of the public as trustees.(Febriani et al., 2019). A quality financial report is a financial report that pays attention to the applicable preparation principles, by paying attention to all forms of internal control system processes so that it can be properly accounted for.



## METHODOLOGY

The purpose of this study is to analyze and determine the effect of government accounting standards and internal control systems on the quality of regional financial reports with accountability as a moderating variable (an empirical study in Medan City Regional Apparatus Organizations). To achieve this objective, researchers collected questionnaire data from respondents from the finance department of the Medan City Regional Apparatus Organization Office. This study used non-probability sampling, a method that uses selected samples based on the researcher's subjectivity and is not random. The method used was consecutive sampling, which selects samples by creating boundaries based on the characteristics of the subjects to be used as research samples, such as gender, job title, age, and length of service. The sample in this study was 19 Regional Apparatus Offices in Medan City, each using 5 respondents for a total of 95 respondents. After being distributed, 78 questionnaires were returned and used in this study. The technique for analyzing research data uses regression analysis, aimed at determining the extent of influence of the SAP (X1) and SPI (X2) variables on the Quality of Regional Financial Reports (Y). The equation model is  $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon$  (Description: Y = Quality of Financial Reports,  $\alpha$  = Constant,  $\beta_1$ ,  $\beta_2$  = Regression coefficient,  $X_1$  = SAP,  $X_2$  = SPI). The technique used to test the moderating variable is Moderated Regression Analysis (MRA). The equation model is  $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1 Z + \beta_4 X_2 Z + \epsilon$  (Note: Y = Quality of Regional Financial Reports,  $\alpha$  = constant,  $\beta_1 - \beta_2$  = regression coefficient,  $X_1$  = SAP,  $X_2$  = SPI, Z = Accountability).

## RESULTS AND DISCUSSION

To determine the influence of government accounting standards and internal control systems on the quality of regional financial reports, multiple linear regression can be used. The multiple linear regression equation can be seen from the B coefficient in the following table:

Table1. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	(Constant)	4.444	1.148		3.869	<.001
	Standar Akuntansi Pemerintah	.149	.063	.319	2.345	.022
	Sistem Pengendalian Intern	.340	.109	.425	3.124	.003

a. Dependent Variable: Kualitas Laporan Keuangan

Based on the table above, the multiple linear regression is obtained as follows:  $Y = 4.444 + 0.149X_1 + 0.340X_2 + \epsilon$ . The interpretation of multiple linear regression is:

- The constant value (a) is positive, namely 4.444. This means that if the independent variables, namely Government Accounting Standards (X1) and Internal Control System (X2), are close to being considered constant at zero, then the value of the Quality of Regional Financial Reports (Y) is 4.444.
- The regression coefficient value of the Government Accounting Standards variable (X1) is 0.149, a positive value. This means that if the Government Accounting Standards variable increases, the Regional Financial Report Quality variable will increase by 0.149.

c) The regression coefficient value of the Internal Control System variable (X2) is 0.340, a positive value. This means that if the Internal Control System variable increases, the Regional Financial Report Quality variable will increase by 0.340.

Based on the multiple linear regression analysis above, it can be concluded that implementing SAP and SPI in regional financial reports will improve the quality of regional financial reports.

To find out whether accountability is a moderating variable or not, it can be seen from the results of the Moderated Regression Analysis as follows:

Table2. *Moderated Regression Analysis*

Model	Coefficients <sup>a</sup>					
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	(Constant)	9.717	1.025		9.480	<.001
	Standar Akuntansi Pemerintah	-.170	.640	-.364	-.265	.792
	Sistem Pengendalian Intern	-.240	1.024	-.301	-.235	.815
	X1Z	.015	.044	.680	.349	.728
	X2Z	.030	.070	.783	.421	.675

a. Dependent Variable: Kualitas Laporan Keuangan

Based on the table above, the test results show that the influence of government accounting standards variables on the quality of regional financial reports has a significant value  $> 0.05$ . With a significant value for the government accounting standards variable is 0.729 and the internal control system variable is 0.815. Therefore, it can be concluded from the test results that the accountability variable is not able to moderate the government accounting standards variable (X1) and the internal control system (X2) on the quality variable of regional financial reports. In other words, Accountability is not a moderating variable (accountability is not strong enough/moderate in influencing the relationship between government accounting standards and internal control systems on the quality of regional financial reports).

## CONCLUSION

Based on the results of research and discussion on the influence of government accounting standards and internal control systems on the quality of regional financial reports with accountability as a moderating variable (empirical study on Medan City OPD). Government accounting standards and internal control systems have a positive and significant partial effect on the quality of regional financial reports at the Medan City OPD Office. However, accountability cannot moderate the relationship between SAP and the quality of regional financial reports and also cannot moderate the relationship between SPI and the quality of regional financial reports. The limitation in this study is that it only uses respondents from the finance department of each of the 19 Offices in Medan City OPD and not the Medan City OPD as a whole.

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