

The Effect of Application of Accrual-Based Government Accounting Standards, Apparatus Quality, Public Accountability and Government Internal Control Systems on Quality of Financial Statements

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Abstract:- This study aims to look at the effect of implementing accrual-based government accounting standards, apparatus quality, public accountability and the Government Internal Control System on the quality of financial statements based on previous research. The study was conducted by examining articles relating to the variables of the application of accrual-based government accounting standards, apparatus quality, public accountability and Government Internal Control Systems that affect the quality of financial reports. Articles with appropriate titles are then collected for later review. Articles collected from 2010-2019 (ten years), with the consideration that the article is still quite relevant to the current conditions. Based on the articles that have been implemented, it can be concluded that the application of accrual-based government accounting standards, apparatus quality, public accountability and the Government Internal Control System have an effect on the quality of financial reports.

Keywords:- Implementation of Accrual Based Government Accounting Standards, Apparatus Quality, Public Accountability, Government Internal Control Systems, Quality of Financial Statements.

I. INTRODUCTION

In an effort to improve public sector financial management, Indonesian government has implemented full accrual-based accounting since 2015 both in national and sub-national level. It is argued that accrual-based accounting provide better financial information and therefore increase public accountability. In public sector, accountability is the provision of information and disclosure of government financial activities and performance to stakeholders. The increasing pressure on accountability requires government agencies to provide information to the public, one of which is information in financial reports. The publication of financial reports is needed as form of transparency which is a requirement of accountability in the form of openness of the government to

public resource management activities. Government Accounting Standards Board (1999) in Concepts Statement No. 1 of Objectives of Financial Reporting states that accountability is the basis of financial reporting in government based on the public right to acknowledge and receive explanations for the collection of resources and their use.

In the wake of implementation of full accrual-based government accounting, it has been new norm among the government officials to pursue unqualified opinion for their respective department financial reports as part of their performance achievement. Since 2015 the number of national government institutions that achieve unqualified opinion from Supreme Audit Board (BPK) has risen steadily. In 2019 85 out of 88 or 97% of government institutions achieved unqualified opinion. It was compared to 56 out of 86 institutions or 65% that attained unqualified opinion in 2015. The number of qualified opinions also dropped drastically from 26 in 2015 to 2 in 2019. While disclaimer opinion also decreased significantly from 4 in 2015 to 1 in 2019. The data shows that government's effort to increase accountability of its public finance is gaining momentum overtime.

Accountability in public finances management is important in supporting national development programs. Therefore, government financial reports must provide useful information to its stakeholders to assess accountability and to make economic, social or political decisions (Adhi et al., 2013). The publication of financial statements provides useful information to users, one of which is done by improving the practice of accounting techniques used in preparing financial statements. The technique is in the form of accrual basis accounting. In accrual basis accounting, an economic transaction and other events are recognized, recorded and presented in the financial statements as they occur regardless of when income or expenses are received or paid (Zelmiyanti, 2015).

Based on this, starting in 2015 the Government of Indonesia has implemented accrual-based accounting in full as the implementation of the mandate of Law No. 17 of 2003 concerning State Finance in accordance with the deadline for applying full accrual based accounting. The policy as stated in Government Regulation (GR) Number. 71 of 2010. The policy of implementing full accrual accounting is not only aimed at increasing accountability in the management of state finances, but it also a follow-up policy in the context of reform management of state finances which began in 2004.

Accrual-based accounting is considered better than the cash-basis that has been applied in Indonesia since 2004, especially given that cash-based accounting is considered to be no longer satisfactory, due to its shortcomings in presenting an accurate financial picture and in providing management information that is useful and adequate to facilitate planning and process performance (Cohen, et al. 2007; Zanalina, 2016). With the increasingly complex state financial transactions, the cash-basis is inadequate to record transactions that reflect the government's commitment regarding payments and state revenues. According to the IMF (2016) the cash-basis system has several weaknesses in terms of transparency and accountability. Because on a cash basis, new transactions are recognized when there are cash inflows or outflows, there is a tendency to hold large cash disbursements or accelerate cash receipts in an effort to improve the balance sheet. A government that uses a cash basis also tends to maintain records of assets and liabilities that are not up-to-date. This causes government entities to transfer assets (such as mineral exploitation rights) or bring liabilities (such as pension funds or public-private partnership contracts) to third parties without informing the consequences to the government or citizens. On an accrual basis, increases or decreases in assets and liabilities are recognized when a transaction occurs, not only when there is a cash transfer, so it is more comprehensive.

The application of accrual-based government accounting standards is also expected to provide a complete picture of financial position, present actual information about rights and obligations, and be useful in evaluating performance (Lamonisi, 2016) so as to improve the quality of financial statements (Setiawan & Gayatri, 2017). Through improving the quality of financial statements, it is expected to have a positive impact on the provision of opinions on public sector financial statements which include financial statements of the central government, regional governments, ministries and institutions (Haryadi, et. Al., 2015).

Therefore, through the adoption of accrual-based government accounting standards, it is expected to be able to present financial reports can provide relevant and accountable information as an effort to harmonize various regulations in various public sector organizations both organizational units within the central and regional governments with Government Accounting Standards (Asfiansyah , 2015). Adjustment to the preparation of

financial statements based on Government Accounting Standards (GAS) is a requirement that has legal force in an effort to improve the quality of government financial reports in Indonesia (Lamonisi, 2016). This is important because stakeholders will be more trust on information in financial statements published by governments as a basis for decision making. The function of information in financial statements will be useless if the presentation and delivery of financial information is untrustworthy and not timely. The reliability and timeliness of financial statement information are two important elements related to decision making by stakeholders and they are also form of accountability in the management of public finances and in accordance with GR 71/2010.

Several studies on the application effect of government accounting standards on the quality of financial statements conducted by Zeyn (2011) concluded that the application GAS influence the quality of financial statements. These results are in line with the results of other studies conducted by Adhi and Suhardjo (2013), Nugraeni and Budiantara (2015) and Setiawan and Gayatri (2017), which provide results that the implementation of government accounting find a positive effect on the accountability of financial statements. However, these results are different from research conducted by (Inapty et al, 2016) which shows that the application of government accounting standards does not affect the quality of financial statement information.

The second factor influencing the quality of financial statements is the quality of the apparatus. Much of technical and manual works in preparing the financial statements is carried out by civil servants and therefore their skill and knowledge are important to determine the quality of financial reports. Therefore, there is a need for government attention in efforts to achieve the goal of improving the quality of financial statements as a reflection of the overall performance of a ministry and agency. In this case, one thing that able to be done besides the policy of applying accrual-based accounting is by paying attention to the quality of the apparatus as the executor of the use of the state budget they manage. This is important to do because the state apparatus is the administrative aspects needed in the administration of government or the state and as a tool to achieve organizational goals, especially institutional or organizational and staffing. One of these efforts can be done through intensive training for financial managers at the ministry level to the work unit (Satker). The ability of the apparatus as human resources in an organization is very important and means to improve the quality and productivity of work within the organization, so that it can sustain the implementation of the preparation of public sector financial statements and the achievement of the quality, accountability and performance of public sector financial reporting.

Several studies on the effect of the application of the quality of local government apparatuses on the quality of financial statements, among others, were conducted by Adhi and Suhardjo (2013) who concluded that the quality

of local government officials affects the quality of financial reports. These results are in line with the results of research conducted by Nugraeni and Budiantara (2015), but different from the results of research conducted by Inapty and Martiningsih (2016) which show that apparatus competence has no effect on financial quality of statement information.

The third factor that is considered influencing the quality of financial reports is public accountability. Public sector organizations are all state institutions both central and regional governments that are financed from public funds, including the Ministry of Finance which is a central government apparatus. The Ministry of Finance as a central government apparatus has a work unit (*satker*) under it. Each work unit receives funding from the central government through the Ministry of Finance. Furthermore, the *satker* managed the funding in a decentralized manner together with the work units (*subsatker*) below it. Considering that the funds given to the work units are funds from the government, each *satker* must use and account for them in an accountable, transparent, effective and efficient manner (Asfiansyah, 2015). So that a government financial report can be achieved both the central government, regional ministries and quality institutions. Criteria and elements forming the quality of information that makes information in government financial statements have a value or benefit mentioned in the Government Accounting Conceptual Framework (Regulation of Government Number 24 of 2005) in term of Government Accounting Standards which consists of: (1) relevant, (2)) reliably, (3) can be compared, (4) can be understood.

The fourth factor that is considered influential on the quality of financial reports in the public sector finances is the application of the Government Internal Control System as a form of internal control. Government internal control is regulated by Government Regulation Number 60 of 2008 concerning the government internal control system. Article 1 explains that the Internal Control System is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and obedience to laws and regulations. Whereas the Government Internal Control System, hereinafter abbreviated as SPIP, is as Internal Control System which is carried out comprehensively within the central and regional government (Yendrawati, 2013). This government internal control system was born as a form of response to the weakness of the Indonesian state financial system in the New Order era, namely: (1) weaknesses in the design and application of internal control systems, (2) non-compliance with laws and regulations, (3) storage of state finances that chaotic, (4) the absence of information about state assets and debt, and (5) the disclosure of government financial statements that are inconsistent and inadequate (Herawati, 2014).

Several studies have been conducting on the influence of the Government Internal Control System on the quality of financial reports, including research conducted by Yendrawati (2013) which found that the control system has a negative effect on the quality of financial statement information. While research conducted by Herawati (2014) who conducted research on the reports local government finance found that the Government Internal Control System has no effect on the quality of local government financial reports, this result is in line with the results of a study conducted by Budiawan and Purnomo (2014) who conducted research on district / city regional governments in Bogor Region I, West Java Province , and states that the Government Internal Control System has no effect on the quality of the government blood financial reports, thus, there is a research gap on the effect of the Government Internal Control System on the quality of the laps of financial people.

Based on this description, researchers are interested in conducting research on the effect of the adoption of accrual-based government accounting standards, apparatus quality, public accountability and Government Internal Control System on the quality of financial reports.

II. LITERATURE REVIEW

A. *Accrual Based Accounting*

According to Maryati et al., (2015) that the accrual basis is the basis of accounting where transactions or economic events are recognized, recorded, and presented in the financial statements at the time the transaction occurs without regard to the time cash is received or paid. Expenses and income are carefully equated. Recording using this method recognizes expenses when transactions occur even though cash has not been paid. Similarly, income. Revenues are recorded when an income transaction occurs even though cash on income transactions has not been received.

Whereas according to Government Regulation/GR Number 71 year 2010 paragraph (8) in article 1 states that accrual-based Government Accounting Standards are government accounting standards that recognize income, expenditure, assets, debt, and equity in accrual-based financial reporting, and recognize revenue, expenditure, and financing in budget implementation reporting based on the basis stipulated in the national budget (APBN) or APBD – regional budget (Lamonisi, 2016).

B. *Apparatus Quality*

Quality is a measure that states how far various requirements, specifications and expectations have been met (Sedarmayanti, 2017: 59). While the understanding of the apparatus according to Setyawan (2004: 169) is that workers who are paid by the government carry out technical tasks of the government to provide services to the community based on applicable regulations. Meanwhile, according to Law Number 5 of 2014 concerning State Civil Apparatus is a profession for civil servants and government employees, with employment agreements working for

government agencies. State Civil Apparatus is abbreviated as ASN.

Thus, it is able to be concluded that the quality of the apparatus is a condition related to the quality of civil servants/government officials who carry out services to the community/public in accordance with applicable rules/regulations so as to provide satisfaction to the community.

C. Public Accountability

According to Halim (2007). Public accountability is the obligations of peoples/individuals or authorities entrusted with managing public resources and with an interest in it to be able to answer matters relating to the responsibilities of government/states employees to the public who are consumers of their services. Whereas Mardiasmo (2009), public accountability is the obligation of a mandate holder to provide information, accountability, present, report and disclose all activities which are their responsibility to the trust provider who has the right and authority to hold this accountable. Financial accountability is related to preventing misuse of public funds, through stages starting from the preparation of a financial plan (process in budgeting), implementation including activity in financing, financial performance review, and implementation of reporting. In other words accountability contains the obligation to present and report regional financial management in the regional financial reports. Financial reports are one of the tools to facilitate transparency/openness and public accountability. Regional government financial reports are comprehensively presented.

Meanwhile, financial accountability according to (Zeyn, 2011), is the responsibility of public/government institutions to use public funds/money efficiently, economically, and effectively, without waste, leakage, and corruption of funds. Financial accountability is vital due to become community focus, thus requiring public institutions to make financial reports to be able explain to outsider how organization performance manage their financial.

From this description, it can be said that accountability is manifestation of the obligation of a person or organizational unit to be accountable for the management and control of resources and the execution of policies that he must carry out to achieve the goals/objectives set out in the master plan/document through periodic accountability media.

D. Government Internal Control System

Internal control is one of the strongest foundations of good governance. The internal control system includes a variety of management tools that aim to achieve a broad range of objectives. These objectives are to ensure compliance with laws and regulations, guarantee the trust of financial/data reports, facilitate the efficiency and effectiveness of government activities, and guarantee the security of state assets. According to Mardiasmo (2009), a weak accounting system causes weak internal control and

ultimately the financial reports/statements less reliable also less relevant for decision making.

Internal control is a part of risk management that must be carried out by each institution or organization to realize the goals of the institution/organization. The application of adequate internal control will deliver confidence enough in the quality or reliability of financial statements, and will increase stakeholder confidence.

According to the Indonesian Institute of Certified Public Accountants (2011) the internal control system is a process carried out by the board of commissioners, management and other personnel designed to provide adequate confidence regarding the achievement of the three categories of objectives in financial reporting, effectiveness and efficiency of operations as well as compliance with laws and regulations. Applicable.

Management is responsible for designing and implementing the five elements of the internal control system (elements of internal control) to achieve the three internal control objectives. The elements are the control environment, risk assessment, control activities, information and communication and monitoring.

E. Quality of Financial Reporting

Statement in Government Accounting Standards (PSAP) Number 1 in paragraph 9 as contained in Government Regulation Number 71 of year 2010 concerning Standards of Government Accounting states that financial statements are structured reports on the financial position and transactions carried out by a reporting entity. The general purpose of financial reports is to present information about the real budget, financial pose, cash inflow/outflow, and financial performance of a reporting entity that is helpful for users in making and evaluating decisions regarding resource allocation. Basically, government financial reports are assertions from government management that provide information/data that is useful for decision making and to show the accountability of the reporting entity for the resources entrusted to it.

F. Research Framework

Financial statements are the final output of an accounting process that has been carried out by a reporting entity in the form of a systematic report on the financial transaction which carried out by a reporting entity within one period. The information showed in the financial reports is intended to meet the general information needs of all user groups (Herawati and Nopianti, 2017). This information can be used as consideration in making a decision. Therefore, the good financial statement information becomes very important, hence the decisions made based on the financial statement information presented are correct. This includes financial statements in the public sector. The quality of public sector financial statements is a public demand for good governance that requires a paradigm shift and the principles of regional financial

management, both at the budgeting, implementation and accountability stages.

The good financial statements presented will be obtained if you pay attention to various factors that can influence them. These factors are in accordance to the implementation of accrual-based accounting standards of Government (Nugraeni and Budiantara, 2015), apparatus quality (Adhi and Yohanes, 2013), public accountability and the Government Internal Control System (Setiawan and Gayatri, 2017).

Based on this description, it can be described the following framework:

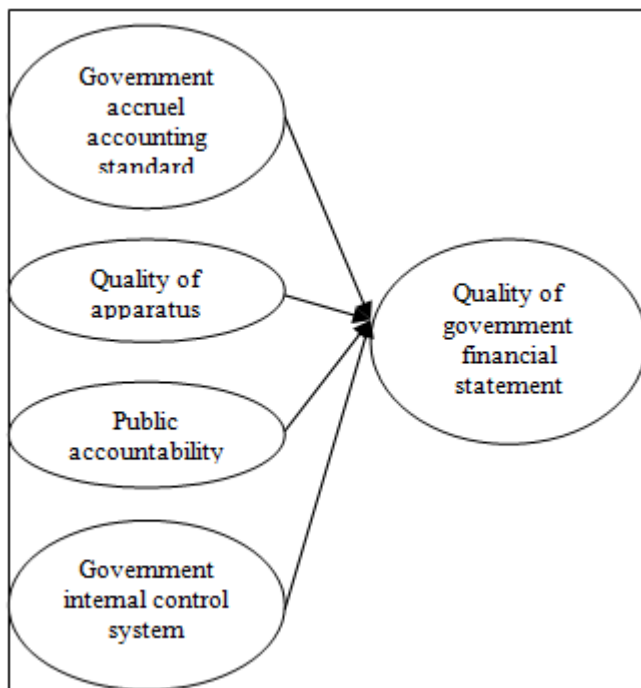


Fig 1

III. RESEARCH METHOD

This study intends to analyze the influence of the influence of the adoption of accrual-based government accounting standards, apparatus quality, public accountability and the Government Internal Control System on the quality of financial statements.

The research method used is a study of several studies that have been conducted previously related to the effect of the influence of the adoption of accrual-based government accounting standards, apparatus quality, public accountability and Internal Control System in Government institution on the quality of financial statements.

This research was conducted by collecting several articles related to the problem under study and then examining each article one by one and then drawing a conclusion.

IV. RESULTS AND DISCUSSION

A. Effect of Application of Accrual Based Government Accounting Standards on the Quality of Financial Statements

The adoption of Government Accounting Standards guarantees that financial statements are prepared in accordance with applicable regulations. SAP is a standard that guarantees that financial statements are prepared that meet the qualifications of useful financial information for its users. Useful information is an indicator that financial statements meet information qualifications. One of the efforts to increase financial statement information is by improving the practice of accounting techniques used in preparing financial statements, namely accrual-based accounting. Accrual-based accounting is considered better than the cash basis because it can present an accurate financial picture sufficient to facilitate planning and process performance (Cohen, et al. 2007; Zanalina, 2016).

Government financial reports must present useful information for users in assessing accountability and making decisions both social-economic, and political decisions (Adhi and Suhardjo, 2013). Government Accounting Standards are one of the tools to facilitate reporting that is increasingly transparent and accountable. Financial statements are mostly used to compare the real revenue, expenditure, transfers, and financing with a determined budget, assess financial conditions, evaluate the effectiveness and efficiency of a reporting entity, and help determine compliance with laws and regulations.

Government financial information will become the basis for government decision making and also the realization of transparency and accountability (Nugraeni and Budiantara, 2015). The Government's efforts in increasing accountability and transparency in the management of state finances continue to be carried out, starting from the presentation of financial statements in the form of the State Budget Calculation (PAN), obliging them to present other financial statements in the form of balance sheets, budget realization reports, cash flow reports, and notes to financial statements, as well by applying accrual-based Government Accounting Standards (SAP) which are carried out in stages from the application of cash-based SAP to accrual (Cash Toward Accrual Basis) to the implementation of accrual-based SAP.

This is done by issuing GR 24/2005 concerning Government Accounting standards and GR 71/2010 concerning accrual-based government accounting standards. The Accrual basis is an accounting basis where transactions or economic events are recognized, recorded and presented in the financial statements at the time the transactions occur without regard to the time the cash is received or paid. So that it is expected to improve the limitations and inadequacy of information provided by the cash base to improve the quality of financial statements (Maryati, et al, 2015).

Financial statements are the media of an entity in this case the government to account for its financial performance to the public. The government afford to present financial reports containing good financial information. In GR No. 71/2010 explained that quality financial statements that meet the characteristics; relevant, reliable, comparable and understandable. Along with the GR No. 71/2010 Local governments are required to use an accrual-based accounting system, changing financial statements from the cash basis to the accrual basis is indeed a challenge for local governments to be able to complete financial statements in order to provide the information needed for its users.

The results of research conducted by Adhi and Suhardjo (2013) with the title Effect of Application of Government Accounting Standards and Quality of Local Government Apparatuses on the Quality of Financial Statements conducted on 38 respondents who came from Civil Servants of the Tual City Government showed the results that the Application of Accounting Standards of Government (SAP) affect the Quality of Financial Statements. Through the F test it result that the Application of SAP and the Quality of Local/regional Government Apparatuses jointly influence the Quality of Financial Statements.

Another study was conducted by Nugraeni and Budiantara (2015) with the title Effect of government accounting standards on the quality of financial reports and their implications for performance accountability conducted on 65 respondents from Regional Government Work Unit (SKPD) employees of the Yogyakarta city government. The results showed that the variable implementation of government accounting standards affect the quality of financial statements.

These results are in line with the results of research conducted by Setiawan and Gayatri (2017) The influence of accrual-based accounting, internal control systems and work motivation on the quality of financial statements conducted on 141 respondents consisting of SKPD in Gianyar Regency consisting of SKPD heads, sub-heads the financial section, and the head of the reporting subdivision that participates in making financial statements. The analysis shows that accrual-based accounting in preparing financial statements has a positive effect on the quality of financial statements.

Based on this discussion, it can be concluded that the application of accrual-based accounting standards in the government positively effect on the quality of financial statements.

B. Effect of Apparatus Quality on the Quality of Financial Statements

The application of accrual-based accounting must be applied carefully, bearing in mind that the Government Accounting Standards (SAP) based on cash towards new accruals are issued and have not been fully implemented by local governments. This condition, however, will allow

difficulties in the adoption of accrual-based government accounting standards for those who have just applied them. This transition requires time to be able to apply it. The lack of basic skills about the understanding of accrual-based accounting standards of the government is one of the obstacles in the adoption of accrual-based government accounting standards. The obstacles that will be experienced are the difficulty of the mindset of staff or financial management officials, the complexity, and the variety of financial transactions that are recorded on an accrual basis, the number of trainers in government who are able to educate accrual accounting is limited and requires considerable time and effort to develop a reliable system. Therefore, the quality of the executing apparatus that is in direct contact with the implementation of accrual-based government accounting standards is an important thing to consider. This is considering that the application of correct government accounting standards and a good understanding of financial accounting will certainly improve the quality of financial statements (Inapty&Martiningsih, 2016).

In order to achieve this in practice, it is inseparable from the perception, insight and professionalism of the government apparatus itself. This is considering that the financial statements are a product produced by the field or discipline of accounting through experts in their fields. Therefore we need competent human resources to produce a quality financial report, who understands and is competent in government accounting, regional and even organizational finance about government, or in other words that to make quality financial reports that meet the qualitative characteristics requires management apparatus finance that has the ability in the field of accounting (Putra, 2018). This also reinforces the findings of Yenni's research (2017) which proves that the understanding of the apparatus in the field of accounting can facilitate the preparation of local government financial reports.

These abilities can be obtained in various ways, such as (1) through education, (2) through training, and or (3) through experience (Romandhon, 2019). The level of education is a unit of activity to improve the mastery of theory and decision-making skills on issues relating to activities to achieve goals (Jayanti, 2013), whereas training is a process of systematically changing employee behavior to achieve organizational goals, which are generally related to expertise and ability employees to carry out the current work. Training is the current orientation and helps employees to achieve certain skills and abilities in order to succeed in carrying out their work (Melani and Suwarni, 2013). The work experience of the apparatus can affect the understanding of financial statements because of an experience will be a requirement with the aim that the employee will not be awkward to be able to position themselves appropriately in a variety of conditions, dare to take risks, able to face challenges with full responsibility and able to communicate well against various parties (Sutrisno and Edi, 2009). Thus, it can be said that the availability of competent and quality apparatus will have implications for the financial statements prepared by each government work unit.

The results of research conducted by Adhi and Suhardjo (2013) provide evidence that the quality of local government apparatus affects the quality of financial statements. The study was conducted through a survey of 38 respondents who were civil servants in the Tual City area who were treasurers of the Regional Work Unit (SKPD), accounting / bookkeeping / financial staff of the Regional Work Unit (SKPD), head of the financial subdivision of the Regional Work Unit (SKPD) SKPD), head of Administration / Secretariat of the Regional Government Work Unit (SKPD) of the City Government of Tual. The results showed that the quality of local government apparatus influences the quality of financial statements. Through the F test, the result seems that the Application of SAP and the Quality of Local Government Apparatuses jointly influence the Quality of Financial Statements.

Based on this discussion, it can be concluded that the quality of the apparatus positively effect on the quality of financial statements.

C. Effect of Public Accountability on the Quality of Financial Statements

One form of government agency services is to provide transparent and accountable financial information. Factors that have the potential to influence both the poor and quality of local government financial reports are Internal Control System of government and accountability. Based on GR 71/2010, the reports quality of national/regional government must meet qualitative characteristics, which are: reliably relevant, comparable and understandable. The preparation of financial statements is a form of transparency requirement that is a supporting requirement for accountability in the form of openness of the government for public resource management activities. The government is obliged to provide financial information that will be beneficie for social, economic, and political decision making by interested parties. The main purpose of financial reporting is to facilitate control of public expenditure by showing accountability for compliance with an approved budget. Financial reporting ensures operational transparency that is mostly requested by taxpayers and other stakeholders to build confidence in the proper use of public finances collected (Chalam&Ngeni, 2016). Therefore, the preparation of financial statements must provide quality and accountable information.

Accountability is defined as the relationship between the party who holds the control and regulates the entity and the party who has formal power over the controlling party. Actually, accountability is capability to provide all informastion in financial activities openly. The government, both central and regional, must be able to be the subject of information providers in the context of fulfilling public rights, namely the right to know, the right to be informed, and the right to be heard aspirations (right to be heard and to be listened to) (Mardiasmo, 2009). Through this principle, a decision making process or performance can be monitored, assessed, and criticized. Financial accountability helps control the misuse of public

resources by focusing on those entrusted with public funds to facilitate the smooth delivery of public social services (Chalam&Ngeni, 2016). The dimensions of public accountability in the form of legality, managerial, program, policy and financial.

Managerial accountability is the most urgent part to create the credibility of local government management. Failure to fulfill the principle of accountability can have broad implications. If the community considers the regional government to be unaccountable, the community can demand change of government, officials and so on. Low levels of accountability can increase investment risk, and also reduce the ability to compete and make efficiency. Accountability is also an instrument for control activities, especially in achieving results in public services. Performance evaluations are carried out to assess the extent of achieving results and ways to achieve them.

Based on this discussion, it can be concluded that public accountability has a positive effect on the quality of financial statements.

D. Effect of Government Internal Control Systems on the Quality of Financial Statements

Internal Control System is an integral process which carried out amongs leadership and all staffs in of actions and activities continuously. It aims to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, trustworthy financial reports, securing state assets and adherence to laws and regulations.

Within the government environment, the Government Internal Control System, hereinafter referred to as SPIP, is the Government Internal Control System which is implemented comprehensively within the central government and regional governments. The internal control aims to achieve effective, efficient, transparent and accountable management of state finances, ministers / heads of institutions, governors, and regents / mayors must exercise control over the administration of government activities, as well as to provide adequate confidence for the achievement of effectiveness and efficiency in achieving the purpose of the administration of the state, the reliability of financial reporting, security of state assets, and compliance with laws and regulations.

The results of research conducted by Setiawan and Gayatri (2017) with the title Effect of accrual-based accounting, internal control systems and work motivation on the quality of financial statements conducted on 141 SKPD respondents in Gianyar Regency consisting of SKPD heads, heads of financial subdivisions, and heads reporting sub-section participating in preparing financial statements. The results of the analysis show that accrual-based accounting in the preparation of financial statements without supervision and motivation from the supervisor of the financial statements that are prepared obtain better results, with an internal control system that oversees and directs the principal and agent so that they can provide the

actual information to be submitted in preparing financial reports, there is a need for work motivation in preparing financial reports so that local governments can complete financial reports on time and can deliver true information to its users. This study concludes that accrual-based accounting, internal control systems, and work motivation have a positive effect on the quality of financial statements.

Based on this discussion, it can be concluded that the Government Internal Control System has a positive effect on the quality of financial statements.

V. CONCLUSIONS AND SUGGESTION

A. Conclusions

Summary from the discussion above, it can be resumed the results of the study as follows:

- The application of accrual-based government accounting standards positively effect on the quality of financial reports
- The quality of the apparatus has a positive effect on the quality of financial statements
- Public accountability has a positive effect on the quality of financial statements
- The Government Internal Control System has a positive effect on the quality of financial statements

B. Suggestions

Based on the conclusions above, it can be submitted suggestions for further research, including:

- It is necessary to have empirical testing on the application of accrual-based government accounting standards, apparatus quality, public accountability and internal control systems to influence the quality of financial statements.
- Conducting testing using moderation variables in addition to testing the effect of independent variables on the dependent variable, as has been done in the research of Adhi and Suhardjo (2013) by placing the quality of the apparatus as a moderating variable the effect of the application of government accounting standards on the quality of financial statements.

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