

## Determinants of government financial statements quality with moderating variables in leadership commitment

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**ABSTRACT:** The purpose of this study is to analyze the determinants of Government Financial Statements quality by adding leadership commitment as moderating variables. The determinants are the implementation of Government Accounting Standards and Government Internal Control Systems and the use of Information Technology. This is a quantitative study by distributing questionnaires to financial administration officials in 34 work units in the Local Government using Partial Least Squares (PLS) as a method of data analysis with the help of the SmartPLS statistical program. Measuring the quality of Local Government Financial Statements formally was shown by a fair opinion from The Audit Board of Indonesia (BPK-RI), that found weaknesses in the Internal Control System with non-compliance on laws and regulations. It is assumed that other factors moderate the aforementioned determinants so that the quality Regional Government financial report is accomplished.

**Keywords:** financial statements, government accounting standards, government internal control systems, information technology, organizational commitment

### 1 INTRODUCTION

Demands for accountability of public institutions, both central and regional, are currently growing rapidly. Accountability is the responsibility of governments to provide, present, report, and account for all their activities to stakeholders who have the right and authority to hold that responsibility (Zeyn, 2011). Government Regulation Number 71 in 2010 (Indonesia, 2010) concerning Government Accounting Standards states that financial statements are reports that are structured presented about the financial position and transactions carried out by the reporting entity. The purpose of presenting financial statements is to provide information about the financial position, financial performance, and cash flow that is useful for users in making decisions. Law Number 15 in 2004 (Indonesia, 2004) concerning the Audit of State Financial Management and Responsibility states that the results of audits conducted by BPK-RI on Regional Government Financial Reports are set forth in the form of an opinion as a measure of quality financial statements and reflect compliance with the Internal Control System and applicable statutory provisions. Achieving the highest opinion is a Fair Opinion without Exception (WTP), which is a statement by the examiner's professional regarding the fairness of information based on criteria in accordance with government accounting standards, adequacy of disclosure, compliance with laws and regulations and the effectiveness of the internal control system. Regulation of the Minister of Home Affairs of the Republic of Indonesia (Permendagri) No. 64 in 2013 (Indonesia) on the implementation of Accrual Based Government Accounting Standards in Local Governments is necessary to ensure consistency in financial reporting and to avoid the negative implications of the low reliability and objectivity of the information presented in the financial statements so that it can cause difficulties in auditing.

## 2 LITERATURE REVIEW

### 2.1 *Government accounting standards*

In his research, Dwitayanti (2019) revealed that the Application of Government Accounting Standards affects the quality of financial statements in the Province of South Sumatra, where the better the application of the Regional Government Financial Reports, the better the quality of the financial statements. This research supports previous research conducted by Opeh Yusnita (2017), which obtained the results that the application of government accounting standards has a significant and positive influence on the quality of financial statements. A similar study was also conducted by Santoso (2016) revealed that the adoption of Government Accounting Standards produces a positive effect on the quality of Regional Government Financial Statements when the level of application of Regional Government Financial Statements is getting better it will have a positive impact on improving the quality of Financial Statements. According to Karmila, Tanjung and Darlis (2013, in Lasoma, NOHOLO, and BOKIU, 2013) argued that Government Accounting Standards are accounting principles applied in the preparation and presentation of government financial statements in the context of transparency and accountability in government accounting administration, as well as the Government.

### 2.2 *Government internal control system*

The internal control system is an inseparable process and activity that is carried out continuously by the government, as quoted from Government Regulation Number 60 of 2008 concerning Government Internal Control Systems. Based on this understanding, it is expected that all employees can provide adequate guarantees regarding the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, the security of state assets, and compliance with laws and regulations. Government financial reports should be presented based on the proper Government Internal Control System. Pratiwi and Suratno (2017) suggested that internal control, both simultaneously and partially influences good governance. In his research, Yusnita (2017) revealed that the Government Internal Control System has a significant positive effect on the quality of financial statements. Whereas different results were obtained by Dwi Jayanti (2019), who stated that the quality of financial statements was not influenced by internal controls.

### 2.3 *Information technology*

Government management is now entering a new phase with the issuance of Presidential Regulation No. 95 of 2018 concerning Electronic Based Government Systems (SPBE). Based on this policy, all government agencies must implement e-government by utilizing Information Technology in running the government. In the decision-making process, strategic information is needed (Sutabri, 2014), and technology is used to obtain strategic information. Information technology is the technology that is used to process, organize, store and manipulate data in order to obtain quality, relevant, accurate, and timely information that is used for personal, business, and government purposes. Research conducted on the use of information technology in the preparation of government financial reports is a research conducted by Yusnita (2017), who found that the use of information technology has a significant positive effect on the quality of financial statements. As previous research conducted by Santoso, (2016) which states that the higher the level of utilization of information technology will accelerate the process of preparing and presenting the financial statements of local governments. In addition, the financial statements presented are more accurate, relevant, and credible.

### 2.4 *Leadership*

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