

The Influence of Adopting Accrual-Based Accounting, Utilization of Information Technology and Internal Control on the Quality of Financial Statements (Survey of Regional Apparatus Organizations in Karisidenan Surakarta)

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Abstract: This study aims to examine the effect of applying accrual basis accounting, the use of information technology and internal control on the quality of financial reports. This research is a quantitative research type with a causality approach, the sample of this study is the BPPKAD office in Surakarta by using a purposive sampling method. The data in this study are primary data in the form of questionnaires which are directly distributed to each BPPKAD office. The results of this study show the sig results for X1 of 0.000, X2 of 0.759, and X3 of 0.021 which means the application of accrual basis accounting and internal control affects the quality of financial reports while the use of information technology does not affect the quality of financial reports.

Keywords: quality of financial reports, accrual basis accounting, utilization of information technology, internal control

1. Introduction

The phenomenon of government financial reporting in Indonesia is something interesting to study. There are still many government financial reports that have not presented data in accordance with regulations, and there are still many irregularities and problems that have been found by the Supreme Audit Agency (BPK) in auditing government financial reports (Ramadhani et al., 2018). The resulting financial reports must comply with Government Accounting Standards (SAP). Preparation of financial reports using Government Accounting Standards on a cash-to-accrual basis or Cash Toward Accruals (Ahmad et al., 2022). However, the Government Accounting Standards on the basis of Cash Toward Accrual (CTA) are not able to produce the information as expected because the financial reports do not describe actual expenditures because the expenditures recorded are only expenditures in the budget realization report (Chudri et al., 2023).

In an effort to support the application of the accrual basis of accounting, the use of reliable technology is very much needed to support successful data processing both during the transition period and during the full application of the accrual basis (Rahmansyah et al., 2021). Preparation in the field of information technology is mainly directed to the development of accounting systems. Utilization of Information Technology is the behavior of using information technology to complete tasks and improve performance, computers and networks are information technology used in preparing financial reports (Rahmawati, 2017). Utilization of computers and networks will help speed up the processing of transaction data and presentation of financial reports so that financial reports do not lose the value of information, namely timeliness (Mene et al., 2018). The timeliness of financial reporting will cause the value of the information to be relevant and the financial reports to be of high quality.

In order to realize effective, efficient, transparent and accountable state financial management, ministers/heads of institutions, governors and regents/mayors are required to exercise control over the implementation of government activities. Control over the implementation of government activities is carried out by referring to the Government Control System (SPIP) (Yusriwati & Susanti, 2022). The purpose of the SPIP is to provide adequate assurance for the effectiveness and efficiency of achieving the objectives of administering state governance, reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations.

Research by Rahmansyah et al., (2021) in which the results of his research stated that the application of accrual-based accounting and information technology systems had a very significant positive effect on the quality of regional financial reports, this research was conducted at the Regional Work Unit (SKPD) level of Wonogiri Regency. However, the results of this study are not in line with Annessa Holle et al., (2019) who concluded that the application of the accrual-based accounting system has an insignificant effect based on the hypothesis which states the level of understanding of human resources regarding accrual-based accounting will add a significant effect.

2. Literature Review and Hypothesis

Agency Theory

Agency theory is a theory that explains the relationship between agents and principals, where the agent is the manager of the company while the principal is the owner. The relationship between agency theory and this research is that regional apparatus organizations as agents (government managers) must provide accountability to principals or the public in the form of quality financial reports. This is in line with Ternalemta's research, (2021), which uses a theory where there is a principal and agent relationship. Quality financial reports can reduce information asymmetry between regional apparatus organizations (government) and the community (Ternalemta, 2021).

Government Accounting Standards

RI Government Regulation No. 71 of 2010, SAP is the accounting principles that are applied in preparing and presenting government financial reports. SAP currently used is Government Regulation No. 24 of 2005 which uses a cash basis and must immediately be replaced with an accrual basis Government Regulation no. 71 of 2010 which is considered more accountable and reflects the principles of Good Government Governance/ Good Public

Quality of Financial Statements

The quality of financial reports according to Hasmi & Sunarsi, (2022), quality financial reports are financial reports that are able to provide useful information for users to make economic and business decisions. Furthermore, explained by Mardiana & Fahlevi, (2017) states that financial reports are a product produced by the accounting field or discipline. Therefore, it takes a competent person to produce a quality financial report. Likewise in government entities, to produce quality regional financial reports requires internal control that understands and is competent in government accounting, regional finance and even organizational governance.

Application of Accrual Basis Accounting

Accrual-based accounting is an accounting basis in which economic transactions and other events are recognized, recorded and presented in the financial statements when the transactions occur, regardless of when cash or cash equivalents are received or paid. In accrual-based accounting, the recording time corresponds to the time when the flow of resources occurred (Ayu & Kusumawati, 2020). . Thus local government financial reports prepared and presented based on accrual-based government accounting standards can produce more comprehensive information (Jati, 2019).

H1: The Effect of Adopting Accrual Basis Accounting on the Quality of Financial Statements

Utilization of Information Technology

In the explanation of Government Regulation no. 65 of 2010 concerning Regional Financial Information Systems states that in order to follow up on the implementation of a development process that is in line with the principles of good governance, the government and local governments are obliged to develop and utilize advances in information technology to increase the ability to manage regional finances, and distribute regional financial information to public services. The government needs to optimize the utilization of advances in information technology to build a management information system network and work processes that enable the government to work in an integrated manner by simplifying access between work units (Ramadhani et al., 2018).

H2: The Effect of Using Information Technology on the Quality of Financial Statements

Internal control

According to Chudri et al., (2023) internal control is an organizational plan and business methods that are used to maintain assets, provide accurate and reliable information, encourage and improve the efficiency of organizational operations, and encourage compliance with established policies.

H3: The Effect of Internal Control on the Quality of Financial Statements

3. Methodology

This study used a quantitative approach with causality research. This research was conducted at the Regional Government Organizations in Karisidenan Surakarta. The data used in this research is primary data. The population in this study were employees of the Regional Apparatus Organizations in the Karisidenan Surakarta. The sample in this study used a *side purposive sampling technique*. Sampling criteria determined as follows:

- 1) Regional Apparatus Organizations that carry out activities related to regional finance (BPPKAD).
- 2) Structural employees or officials who carry out accounting or financial administration functions in each BPPKAD

The data used in this research is primary data. Primary data was obtained through questionnaires which were submitted directly to the respondents. The questionnaire distributed was in the form of a list of written statements to respondents regarding the effect of accrual-based accounting and the use of information technology systems on the quality of government financial reports.

Data Analysis Techniques

The analytical method used in this research is multiple linear regression analysis. This regression analysis aims to get a picture of the relationship between the dependent variable and the independent variable partially or simultaneously. Multiple linear regression analysis is used to test the effect of two or more independent variables on one dependent variable (Diah Yuliana, Marhamah, 2017). The equation of the research model to be used in data analysis is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

4. Results and Discussion

Descriptive statistical Analysis

Table 2 Descriptive Statistical Test Results

	N	Minimum	Maximum	Means	std.Deviation
Application of Accrual Basis Accounting	80	32	48	35,21	3,761
Utilization of Information Technology	80	13	27	18.33	2,736
Internal control	80	14	23	16,36	2,446

Source: SPSS data is processed, 2023

The application of accrual basis accounting (X1) has the lowest score of 32 at the BPPKAD office in Surakarta, while the highest score is 48 at the BPPKAD office in Surakarta with an average value (mean) of 35.21 and a standard deviation of 3.761. Utilization of Information Technology (X2) has the lowest score of 13 at the BPPKAD office in Surakarta, while the highest score is 27 at the BPPKAD office in Surakarta with an average value (mean) of 18.33 and a standard deviation of 2.736. Internal Control (X3) has the lowest score of 14 at the BPPKAD office, while the highest score is 23, with an average value (mean) 16.36 and a standard deviation of 2.446.

Discussion

In this study using multiple linear regression analysis to examine the effect of the independent variables on the dependent variable. Following are the results of multiple linear regression analysis:

Table 2 Results of Multiple linear Regression Analysis

Variables	t	Sig.	Information
Application of Accrual Basis Accounting	9,314	0.000	H1 is accepted
Utilization of Information Technology	2034	0.759	H2 is rejected
Internal Control	-375	0.021	H3 is accepted

Source: SPSS data is processed, 2023

Based on Table IV.9 the regression equation is as follows: $Y = 1.047 + 0.034X_1 + 0.049X_2 + 0.063X_3 + e$ Judging from the results of the regression, it can be interpreted as follows: The constant value indicates a

result of 1.047 which means that the independent variable is the application accrual-based accounting (X1), utilization of information technology (X2) and internal control (x3) has a value of 0, so that the value of the dependent variable, namely the quality of financial reports, is 1.047. The accrual-based accounting application variable (X1) has a coefficient value of 0.034 meaning that if the accrual-based accounting application has increased, the quality of financial reports has also increased. The information technology utilization variable (X2) has a coefficient value of 0.049 meaning that if the use of information technology has increased, the quality of financial reports has also increased. Variable Internal control (X3) has a coefficient of 0.063 meaning that if internal control has increased, the quality of financial reports has decreased.

The results of statistical analysis for the accrual basis accounting implementation variable have a coefficient value of 0.019 and in the t test it is known that the significance value is $0.000 < 0.05$. This shows that H1 is accepted. Therefore, it can be concluded that the application of accrual-based accounting affects the quality of financial reports. Accrual-based accounting is an accounting basis in which economic transactions and other events are recognized, recorded and presented in the financial statements when the transactions occur, regardless of when cash or cash equivalents are received or paid. local government financial reports prepared and presented based on accrual-based government accounting standards can produce more comprehensive information. The results of this study are in line with research conducted by (Ternalemta 2021), (Rahmansyah et al., 2021) and (Aulia et al., 2019) which explain that the application of accrual-based accounting.

The results of statistical analysis for the use of information technology have a coefficient value of 0.027 and in the t test it is known that the significance value is $0.759 > 0.05$. This shows that H2 is rejected. Therefore, it can be concluded that the use of information technology has no effect on the quality of financial reports. The use of information technology is actually a supporting factor in preparing financial reports. Where in every financial report that is made requires media such as computers, networks and other devices that can facilitate and use appropriate software that can assist in preparing financial reports that are comprehensive and in accordance with public accounting standards. This study shows that the use of information technology is rejected, which means it does not affect the quality of financial reports, which is different from research conducted by (Chodijah et al., 2018), (Mene et al., 2018) and (Pattiasina, V., & Noch, 2019) which shows that the use of information technology has a significant effect.

The results of statistical analysis for internal control variables have a coefficient value of 0.035 and in the t test it is known that a significance value is $0.021 < 0.05$. This shows that H3 is accepted. Therefore, it can be concluded that internal control affects the quality of financial reports. Internal control is an organizational plan and business methods used to safeguard assets, provide accurate and reliable information, encourage and improve the efficiency of the organization's operations, and encourage conformity with established policies. When internal control is implemented properly, it can affect the quality of financial reports. This research is in line with research conducted by (Musi & Utara, 2019) and (Andriani, 2019) which states that internal control affects the quality of financial reports.

5. Conclusion

This study aims to determine the effect of applying accrual-based accounting, the use of information technology and internal control on the quality of financial reports at OPD in Surakarta residence. Based on the results of data analysis and discussion in CHAPTER IV, it is concluded as follows: The application of accrual basis accounting has an effect on the quality of financial reports on OPD in Surakarta residence, so that H1 is accepted, Utilization of information technology does not affect the quality of financial reports on OPD in Surakarta residence, so H2 rejected, internal control has an effect on the quality of financial reports at OPD in Surakarta residency, so H3 is accepted.

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