

Moderating Effect of Good Governance on Determinants of the Quality Region Government Financial Reports

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ABSTRACT

The purpose of this study was to analyze the effect of Accrual-Based Government Accounting Standards (GAS) implementation, apparatus competence and the role of internal audit on the quality of local government financial statements with good governance as a moderating variable. This type of research is eksplanatory research. The population in this study were auditors who worked at the Financial and Development Supervisory Agency (BPKP) Representative of Papua Province, totalling 91 auditors. The technique for determining the sample was by using purposive sampling with the final sample was 74 respondents. Hypothesis testing uses multiple regression analysis and residual test for moderating variables with the help of the SPSS program. The results of this study prove that the implementation of accrual-based GAS has an positive dan significant effect on the quality of local government financial reports, apparatus competence has no effect on the quality of local government financial reports, the role of internal audit does not affect the quality of local government financial reports, good governance as a moderating variable can moderate the relationship between accrual-based GAS implementation.

Keyword: Accrual-Based GAS Application; Apparatus Competence; Internal Audit Role; Good Governance; Financial Report Quality

Efek Moderasi Good Governance Terhadap Penentu Kualitas Laporan Keuangan Pemerintah Daerah

ABSTRAK

Tujuan penelitian ini adalah untuk menganalisis pengaruh penerapan GAS berbasis akrual, kompetensi aparatur dan peran audit internal terhadap kualitas laporan keuangan pemerintah daerah dengan good governance sebagai variabel moderasi. Jenis penelitian ini adalah penelitian kausal. Populasi dalam penelitian ini adalah auditor yang bekerja pada Badan Pengawasan Keuangan dan Pembangunan (BPKP) Perwakilan Provinsi Papua yang berjumlah 91 auditor. Teknik penentuan sampel menggunakan teknik purposive sampling dengan sampel akhir sebesar 74 responden. Pengujian hipotesis menggunakan analisis regresi berganda dan uji residual untuk variabel moderasi dengan bantuan program SPSS. Hasil penelitian ini membuktikan bahwa penerapan GAS berbasis akrual berpengaruh terhadap kualitas laporan keuangan pemerintah daerah, kompetensi aparatur tidak berpengaruh terhadap kualitas laporan keuangan pemerintah daerah, peran audit internal tidak berpengaruh terhadap kualitas laporan keuangan pemerintah daerah, good governance sebagai variabel pemoderasi dapat memoderasi hubungan antara implementasi GAS berbasis akrual.

Kata Kunci: Penerapan GAS Berbasis Akrual, Kompetensi Aparatur, Peran Audit Internal, Tata Kelola yang Baik, Kualitas Laporan Keuangan.

Artikel dapat diakses: <https://ojs.unud.ac.id/index.php/Akuntansi/index>



e-ISSN 2302-8556

Vol. 32 No. 10
Denpasar, 26 Oktober 2022
Hal. 3019-3033

DOI:
10.24843/EJA.2022.v32.i10.p09

PENGUTIPAN:

Pattiasina, V., Noch, M. Y., Rumasukun, M. R., Seralurin, Y. C., & Tamaela, E. Y. (2022). Moderating Effect of Good Governance on Determinants of the Quality Region Government Financial Reports. *E-Jurnal Akuntansi*, 32(10), 3019-3033

RIWAYAT ARTIKEL:

Artikel Masuk:
17 Juni 2022
Artikel Diterima:
10 Agustus 2022

INTRODUCTION

The development of government financial reporting in Indonesia is an interesting thing to study further. The government continues to strive to improve or reform the management of state finances to achieve better financial governance within the sphere of government. However, in reality, there are still discrepancies that the Supreme Audit Agency has found in the audit of government financial reports.

Based on data from the Papua Province Representative Audit Board (BPK) regarding the 2016 government financial report audit, the total findings of state losses or shortage of state revenues reached IDR 1.4 trillion however, Rp. 57.3 billion has been returned, leaving Rp. 1.3 trillion remaining (www.kompas.id). The disadvantages consist of several findings. One of them is the use of tender funds for the procurement of goods and services that exceed the value stipulated in the work contract document. In addition, there is no accountability for the use of social assistance funds in some regions. Based on information quoted from www.kompas.id media, it is stated that concerning the 2016 regional government financial reports, there are 12 local governments in Papua that received a disclaimer from the BPK. These 12 regional governments financial reports do not fulfil the four elements of BPK's examination, namely compliance with government accounting standards, adequacy of disclosure, compliance with laws and regulations, and effectiveness of the internal control system. There are a number of obstacles faced by the BPK in auditing the 12 regional governments' financial reports, among others, the absence of evidence of accountability for the implementation of some government activities (www.kompas.id). In addition to 12 regions, the financial statements of local governments in nine districts in Papua also still have a fair status except for a total of 21 local governments in Papua that have not received an Unqualified Financial Opinion (UFO). UFO is BPK's highest opinion in auditing financial statements (www.kompas.id).

This kind of phenomenon is very contradictory to the efforts to achieve governance. New institutions such as the Komisi Pemilihan Umum (KPU) and Komisi Pemilihan Umum Daerah (KPUD) which incidentally are filled by people from outside the bureaucracy, both academics and non-governmental organizations (NGOs), are considered to have high integrity and honesty, as well as are given more than salary/income and facilities. The amount received by government officials who have a position at the same level is not automatically able to carry out the process of procuring goods/services that are clean from corruption, collusion and nepotism.

Local government financial management is not much different from the central government. Corrupt practices also occur in many local governments throughout the Republic of Indonesia. Research from Michael Buehler (sindonews.com, 27/7/2015) regarding the reform of the government procurement system for goods and services and referring to the Indonesia Procurement Watch (IPW) data shows that 70% of corrupt practices are rooted in the government procurement system for goods and services (www.bpkp.go.id). Deputy Chairman of the Corruption Eradication Commission Alexander Marwata stated that more than 80% of corruption cases in the regions involving the

procurement of goods and services even though almost all goods/services procurement processes have gone through e-procurement (www.suara.com).

Head of Public Relations of the KPK in 2017 said that the corruption case allegedly involving the Head of the Public Works Office of Papua Province occurred even though the procurement of projects was based on electronics (news.detik.com). Irregularities in electronic auctions, one of which still occurs due to meetings of the authorities or having influence with other parties, which should have been resolved by the electronic system.

Based on the quotation above, it can be seen that the function of the government auditors did not play a role as it should have caused the budget not to be realized as expected. It can also be seen that there is still negligence in the field which causes the budget not to be implemented according to budget planning (Alfiati, 2017; in Lamba et al. 2020).

One of the factors that can affect the quality of local government financial reports is the application of actual-based government accounting standards. According to the opinion of Permana (2011), it is stated that there is an influence between government accounting standards on the quality of local government financial reports. It is believed that the application of government accounting standards will have an impact on improving the quality of financial reporting in the central and regional governments.

Moreover, the second factor that affects the quality of regional government financial reports is the competence of the government apparatus, where the competence of the local government apparatus means the capacity that the apparatus must have in the form of the knowledge, skills, attitudes and behavior needed to carry out its duties (Aruan 2003). This statement is in contrast to the research Adh (2003) that the apparatus competence did not affect the quality of financial statement information.

Furthermore, the third factor that can affect the quality of local government financial reports is the role of internal audit. In article 9 paragraph (1) of Indonesian Law Number 15 of 2014, it is stated that in conducting audits of the management and accountability of state finances, BPK can take advantage of the results of the inspection by the government internal control apparatus. The role and function of internal audit is an important element in an adequate organizational control system. This statement is in contrast to research conducted by Inapty et al (2016) that the role of internal audit and the internal control system had no effect on the quality of financial statement information.

The last factor that can affect the quality of local government financial reports is good governance. According to Standards Audit (SA) and Financial and Development Supervisory Agency (BPKP) (2001: 6), defining good governance is the implementation of a state government that is solid and responsible, as well as efficient and effective by keeping constructive interactions between the domains of the state, private sector and society. This statement is in line with the results of research Thua (2015) and Oktariana, et al (2016) show that good governance affects the quality of financial statement information.

Departing from the results of the empirical studies above, it turns out that the research results are ambivalent. It means that the ambivalence or contradiction

of the research results is a research gap which Agusthy (2006), states that the research gap can or should be developed as a research problem that needs to be further investigated. Based on these considerations, the purpose of this research is to analyze the application of accrual-based GAS, apparatus competence and the role of internal audit on the quality of local government financial reports with good governance as a moderating variable.

Kiswara (2011) states that the decision-usefulness theory of accounting information is a reference for the preparation of the Financial Accounting Standard Boards (FASB) conceptual framework, namely the Statement of Financial Accounting Concepts (SFAC) in effect in the United States. The usefulness of accounting information decisions contains components that need to be considered by presenters of accounting information so that the existing coverage can meet the needs of decision-makers who will use it. The relationship between this theory and the topic of this research is implementation of accrual-based accounting system is expected to be able to produce accurate, timely, relevant and flexible information for decision making by management and operating personnel within the organization.

Government accounting standards regulate the presentation of financial reports for general purposes in order to improve the comparability of financial reports both against budgets, between periods, and between entities. Purpose financial statements to meet the common needs of most users of the report. To achieve this, government accounting standards establish all considerations in the framework of the presentation of financial statements, guidelines for the structure of financial statements and minimum requirements for the content of financial statements (Zeyn 2011).

The application of GAS requires each reporting entity, which in this case includes local governments to report the efforts that have been made and the results achieved in implementing activities in a systematic and structured manner in a reporting period for accountability, management, transparency, the balance between generations and evaluation performance. In order for financial reports to contain meaningful information financial statements must be prepared based on GAS. Based on this concept support, the first hypothesis proposed in this study is that there is a direct effect of accrual-based GAS implementation on the quality of local government financial reports

The competence of local government officials means the abilities that an apparatus must-have in the form of knowledge, skills, attitudes and behaviors needed in carrying out their duties (Aruan 2003). Educational indicators used in this study are the level of formal education of employees, the suitability of competence in education, and the ability to present reports following applicable GAS. Based on this concept support, the second hypothesis proposed in this study is that there is no direct effect of apparatus competence on the quality of regional government financial reports.

In conducting audits of the management and accountability of state finances, the BPK can take advantage of the results of the inspection by the government internal control apparatus. The role and function of internal audit is an important element in an adequate administrative control system. Internal audit

is an objective consulting and belief activity that is managed independently within the organization and is directed by a value-added philosophy to improve company operations. Such audits assist the organization in achieving its objectives by applying a systematic and disciplined approach to evaluating and improving the effectiveness of risk management processes, control adequacy, and organizational management. Based on this concept support, the third hypothesis proposed in this study is that there is no direct influence on the role of internal audit on the quality of local government financial reports.

Good governance, according to SAA and BPKP (2001: 6), is the implementation of a state government that is solid and responsible, as well as efficient and effective by keeping constructive interactions between the domains of the state, private sector and society. Thus governance is the use of political economy and administrative authority to manage State affairs at all levels. According to the SAA (2003: 7), there are principles of good governance government, including 1). Participation. 2). The rule of law. 3). Transparency. 4). Responsiveness. 5). Consensus orientation. 6). Equity. 7). Efficiency and Effectiveness. 8). Accountability and 9). Strategic vision.

Based on the support of this concept, the fourth hypothesis proposed in this study is that good governance moderated the relationship between the application of accrual-based GAS to the quality of local government financial reports. The fifth hypothesis proposed in this study is that good governance moderated the relationship between apparatus competence to the quality of local government financial reports and the last (sixth hypothesis) proposed in this study is that good governance moderated the relationship between the role of internal audit to the quality of local government financial reports.

Financial reports used to compare realized revenue, expenditure, transfers, and financing with a predetermined budget, assess the financial condition, evaluate the effectiveness and efficiency of a reporting entity, and help determine its compliance with laws and regulations. In government accounting standards, it is explained that the qualitative characteristics of financial statements are: 1). Relevant, namely, the information contained in it can influence user decisions by helping them evaluate past or present events and predict the future, as well as correct the results of their past evaluations. 2) Reliable. 3) Can be compared, and 4). Can be understood.

RESEARCH METHOD

The population in this research are all of auditors at the Papua Provincial Representative Office for Finance and Development (BPKP). The technique for determining the sample was by using purposive sampling. The criteria for determining the sample used in this study are as follows: a) Auditors who have worked for at least 1 (one) year. b) Auditor who lives in Papua. Based on the criteria that have been determined, the number of respondents who were sampled in this study was 74 respondents. Methods of data collection using interview techniques and through a questionnaire instrument. The test of the questionnaire instrument was carried out through validity and reliability tests.

Operational definition of research variables as follows; government accounting standards are rules that regulate the presentation of financial

statements for general purposes in order to increase the comparability of financial statements both against budgets, between periods, and between entities. This variable consists of 5 indicators that are described in 9 statement items. Competence of local government apparatus means the ability that must be possessed by an apparatus in the form of knowledge, skills, attitudes and behaviors needed in carrying out their duties. This variable consists of 3 indicators that are described in 5 statement items. The role of internal audit is activities related to providing independent and objective reassurance and consulting, designed to add value and improve the organization's operations. This variable consists of 5 indicators that are described in 6 statement items. Good governance is the implementation of a state government that is solid and responsible, as well as efficient and effective, by keeping constructive interactions between the domains of the state, private sector and society. This variable consists of 6 indicators that are described in 6 statement items. The quality of regional financial reports are normative measures that need to be realized in accounting information reports so that they can meet their objectives. This variable consists of 4 indicators that are described in 6 statement items

To answer the research problems, it is adjusted to the hypothetical model, where to test the hypothesis of this study using moderated regression analysis. The form of the mathematical equation formulation from the moderated regression analysis used is as follows;

$$QFR = \alpha + \beta_1 AGAS + \beta_2 AC + \beta_3 IAR + \beta_4 AGAS * GG + \beta_5 AC * GG + \beta_6 IAR * GG + e \dots (1)$$

Note:

QFR	=	Quality of financial reports	GG	=	Good governance
AGAS	=	Application of accrual-based GAS	α	=	Constant
AC	=	Apparatus competence	β	=	Coefficient
IAR	=	Internal audit role	e	=	Error term

RESULT AND DISCUSSION

The results of descriptive statistical testing of research variables are as follows.

Table 1. Descriptive Statistics

	N	Range	Min	Max	Mean	Std. Deviation
	Stat	Stat	Stat	Stat	Stat	Std. Error
Application of Accrual Based Apparatus Competence	74	26	39	65	54.03	.686
The Role of Internal Audit	74	6	9	15	12.39	.181
Good Governance	74	8	12	20	16.22	.233
Quality of Local Government Financial Reports	74	8	12	20	16.28	.216
Valid N (listwise)	74	14	21	35	28.78	.386

Source: Research Data, 2021

The validity test, in this study, used a comparison between the Product Moment and Person correlation index with a significance of 5%. If the probability of the correlation result is less than 0.05, the instrument is declared valid. Conversely, if the correlation result is greater than 0.05, the instrument is declared invalid. The results of this test are summarized in the following table.

Table 2. Validity Test Results

Variable	Item	Correlation Coefficient	Sig	Note
Application of GAS Accrual Based	X _{1.1}	0.909	0,000	Valid
	X _{1.2}	0.732	0,000	Valid
	X _{1.3}	0.881	0,000	Valid
	X _{1.4}	0.837	0,000	Valid
	X _{1.5}	0.831	0,000	Valid
	X _{1.6}	0.764	0,000	Valid
	X _{1.7}	0.753	0,000	Valid
	X _{1.8}	0.782	0,000	Valid
	X _{1.9}	0.850	0,000	Valid
Apparatus Competence	X _{2.1}	0.732	0,000	Valid
	X _{2.2}	0.795	0,000	Valid
	X _{2.3}	0.756	0,000	Valid
	X _{2.4}	0.747	0,000	Valid
	X _{2.5}	0.758	0,000	Valid
	X _{2.6}	0.788	0,000	Valid
The Role of Internal Audit	X _{3.1}	0.822	0,000	Valid
	X _{3.2}	0.773	0,000	Valid
	X _{3.3}	0.837	0,000	Valid
	X _{3.4}	0.693	0,000	Valid
	X _{3.5}	0.780	0,000	Valid
Good Governance	Z _{1.1}	0,715	0,000	Valid
	Z _{1.2}	0,772	0,000	Valid
	Z _{1.3}	0,684	0,000	Valid
	Z _{1.4}	0,782	0,000	Valid
	Z _{1.5}	0,697	0,000	Valid
	Z _{1.6}	0,762	0,000	Valid
Quality of Local Government Financial Reports	Y _{1.1}	0,715	0,000	Valid
	Y _{1.2}	0,772	0,000	Valid
	Y _{1.3}	0,684	0,000	Valid
	Y _{1.4}	0,782	0,000	Valid
	Y _{1.5}	0,697	0,000	Valid
	Y _{1.6}	0,762	0,000	Valid

Source: Research Data, 2021

The validity test results above can be concluded as valid because the probability level (sig) is smaller than 0.05. Reliability test was conducted to produce a consistent size statement and results of this test (cronbach alpha) are summarized in the following table.

The test results above show that the efficiency of cronbach alpha based on standardized items is higher than 0.60, so it can be concluded that the data for the five variables studied are reliable. Testing whether the data distribution is normal or not is done by looking at the distribution of data on a normal probability plot.

The display of the normal probability plot test results for this research data is shown below.

Table 3. Reliability Test Results

Variable	Cronbach Alpha Based on Standardized Items	Note
Application of GAS Accrual Based	0,937	Reliable
Apparatus Competence	0,815	Reliable
The Role of Internal Audit	0,873	Reliable
Good Governance	0,673	Reliable
Quality of Local Government Financial Reports	0,830	Reliable

Source: Research Data, 2021

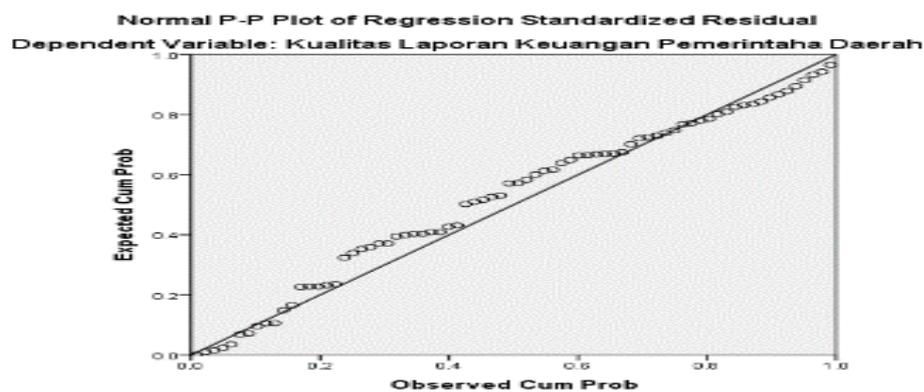


Figure 1. Normality Test Results

Source: Research Data, 2021

The normal probability plot graph in the Figure above shows that the data points spread around the diagonal line and the distribution follow the direction of the diagonal line. Thus the data distribution can be said to be normally distributed so that that regression can be carried out with multiple linear models.

Heteroscedasticity testing in this study was carried out by looking at scatterplot charts. The following are the results of the heteroscedasticity test shown in the scatterplot charts below.

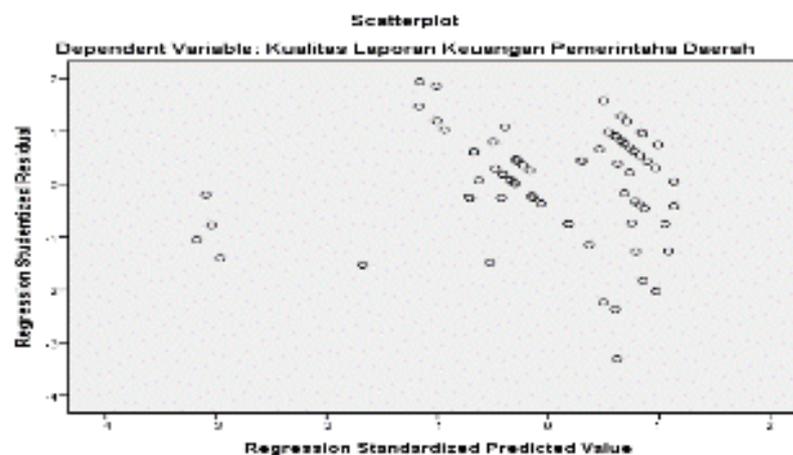


Figure 2. Heteroscedasticity Testing Results

Source: Research Data, 2021

The picture above shows that the research data is heteroscedasticity free because the data points spread above and below the 0 on the Y-axis

The multicollinearity test of this study uses the Variance Inflation Factor (VIF) value or the variance increase factor. If the value of $VIF > 10$, then multicollinearity occurs, conversely if $VIF < 10$ then multicollinearity does not occur. The following are the results of the multicollinearity test, as seen below.

Table 4. Multicollinearity Testing

Model	Collinearity Statistics	
	Tolerance	VIF
Application of GAS Accrual Based	0.171	5.839
Apparatus Competence	0.220	4.542
The Role of Internal Audit	0.164	6.084

Source: Research Data, 2021

The test results using regression analysis to test the application of accrual-based GAS, apparatus competence, and the role of internal audit on quality of local government financial reports as shown in the table below.

Table 5. Results of Multiple Regression Analysis

Independent Variable	Beta	t Count	Sig.
Application of GAS Accrual Based (X1)	0.279	3.678	0.003
Apparatus Competence (X2)	0.230	1.565	0.122
The Role of Internal Audit (X3)	0.171	1.285	0.203
R Square	0.708		

Source: Research Data, 2021

The first hypothesis proposed in this study is that there is a direct effect of accrual-based GAS Implementation on the quality of local government financial reports. Based on the table above, it is known that the t-value of 3.608, with a value of 0.003, is less than the p-value of 0.05. Therefore, H_0 is rejected, which means that the path coefficient is significant. Thus, it can be concluded that the accrual-based GAS Application affects the quality of regional government financial reports.

The second hypothesis proposed in this study is that there is no direct effect of apparatus competence on the quality of regional government financial reports. Based on the table above, it is known that the t-value of 1.565, with a significance of 0.203, is greater than the p-value of 0.05. Therefore, H_0 is accepted, meaning that the path coefficient is not significant. Thus, it is concluded that the competence of the apparatus does not affect the quality of local government financial reports.

The third hypothesis proposed in this study is that there is no direct influence on the role of internal audit on the quality of local government financial reports. Based on the table above, it is known that the t value of 1.285 with a significance of 0.203 is greater than the p-value of 0.05 so that H_0 is accepted, meaning that the path coefficient is not significant. Thus, it can be concluded that the role of internal audit does not affect the quality of local government financial reports.

Table 6. Hypothesis Testing 4

Independent Variable	Beta	t Count	Sig.
$X_1 * Z$	0.279	-2.388	0.020
R Square	0.765		

Source: Research Data, 2021

The fourth hypothesis proposed in this study is that there is an effect of the application of accrual-based GAS on the quality of local government financial reports. Based on the table above, it is known that the t-value of -2.388, with a significance of 0.020, is greater than the p-value of 0.05. Therefore, H0 is rejected. It means that the path coefficient is significant. Thus, it can be concluded that good governance moderates the relationship between the role of internal audit and the quality of local government financial reports.

Table 7. Hypothesis Testing 5

Independent Variable	Beta	t Count	Sig.
X ₂ *Z	0.230	-2.992	0.004
R Square	0.758		

Source: Research Data, 2021

The fifth hypothesis proposed in this study is that there is an influence of the competence of the apparatus on the quality of local government financial reports. Based on the table above, it is known that the t-value of 3.608, with a value of 0.003, is less than the p-value of 0.05. Therefore, H0 is rejected, which means that the path coefficient is significant. Thus, it can be stated that good governance moderates the relationship between apparatus competence and the quality of government financial reports.

Table 8. Hypothesis Testing 6

Independent Variable	Beta	t Count	Sig.
X ₃ *Z	0,171	-3.001	0.004
R Square	0,749		

Source: Research Data, 2021

The sixth hypothesis proposed in this study is that there is an influence on the role of internal audit on the quality of local government financial reports. Based on the table above, it is known that the t-value of -3.001, with a significance of 0.004, is greater than the p-value of 0.05. Therefore, H0 is rejected. Thus, it is concluded that good governance moderates the relationship between the role of internal audit and the quality of local government financial reports. The answers to these research problems can be summarized in the table below.

Table 9. MRA Analysis Results

Correlation	MRA Coefficient	T Statistic	R Square	Note
X ₁ *Z→Y	0,279	-2.388	0.765	Significant
X ₂ *Z→Y	0,230	-2.992	0.758	Significant
X ₃ *Z→Y	0,171	-3.001	0.749	Significant

Source: Research Data, 2021

The results of testing the MRA analysis produce a regression coefficient which is described in the research model as follows:

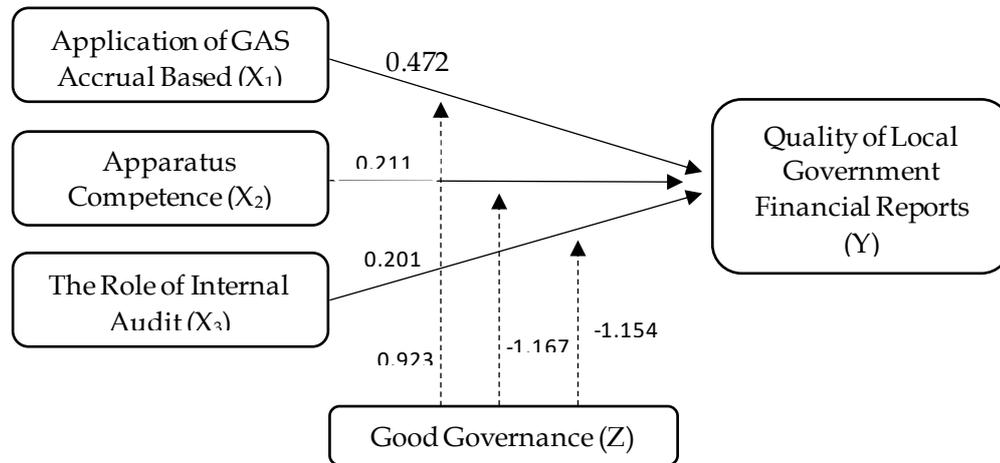


Figure 3. Research Model with MRA Coefficient

Source: ResearchData, 2021

The results of this study indicate that the application of GAS has a positive effect on the quality of local government financial reports. It can be interpreted that the higher the application of Accrual-based GAS, the higher the quality of local government financial reports. This result is in line with research conducted by Anggraini (2017) and Munasyir (2015) which found a positive and significant relationship between the application of GAS to the quality of local government financial reports. Accrual-based government accounting standards are said to be good because most of the accrual-based government accounting standards have been implemented and implemented according to their functions and operational standards. This statement is in line with previous research, namely Adhi et al, (2013), Juwita (2013) and Sanjaya (2017). They also concluded that government accounting standards affect the quality of financial reports.

The results of this study indicate that the competence of the apparatus does not affect the quality of local government financial reports. It can be interpreted that it is suspected that because some auditor are still less competent to preparing financial reports, the government should be expected to evaluate officials who are not in accordance with the ability of the positions they currently hold and also carry out education and training so that the understanding of preparing financial reports is better in the future. The results of this study are in line with the results of Inapty, et al (2016). The results of the study show that the competence of the apparatus does not affect the quality of information on the financial reports of the MTB Provincial government.

The quality of the report is said to increase if the report can be supported by government officials who understand how government accounting itself is. Apparatus competence is the main factor and driving the wheels of the organization which aims to make the report well and correctly and is also a very important organizational element. Apparatus competence must be managed as well as possible in order to provide a good relationship in achieving organizational goals. If each individual in the organization works well and gives their best

contribution to the organization, then the overall quality of organizational performance will be good (Mahmudi 2007). Research is contrary to research results Oktarina et al. (2016), Kiranayanti et al, (2016), and Gumelar (2014). The above statement can be justified that the competence of the apparatus is a key indicator in producing good quality financial reports. The quality of the apparatus which has accounting skills and expertise will make it easier for employees to prepare financial reports. In addition, talented human resources can minimize the occurrence of errors that may have an impact on the results of the financial statements made. This statement is in line with the results of research produced by Kiranayanti et al, (2016) which prove that HR competencies have a positive and significant effect on the quality of financial statements.

The results of this study indicate that the role of internal audit does not affect the quality of local government financial reports. The findings of this study do not support the previously proposed hypothesis where the results of the study show that the role of internal audit does not affect the quality of local government financial reports. This finding means that to realize good governance still requires the support of the role of external auditors. This finding indirectly indicates that it is possible that the competence, independence or work experience of internal auditors and other factors need improvement in improving the performance of government agencies. The above statement is in line with the findings of Inapty et al, (2016) where the research results show that the role of internal audit does not affect the quality of financial statement information.

The role of internal audit is one of the aspects that ensures the quality of local government financial reports. It is explained that the better the process of monitoring or review activities carried out by the role of the internal auditor (APIP) to government agencies will certainly improve the quality of local government financial statement information. However, the results of the above research are contrary to the research conducted by Sari (2012). The results show that there is an influence on the role of internal audit on the quality of local government financial reports.

Statistically, the results of this study show that the variable good governance moderates the influence of the role of internal audit on the quality of local government financial reports. It can be explained that the higher the value of Good Governance will affect the stronger the influence of the role of internal audit on the quality of local government financial reports. This statement is in line with research results (Ikbal et al., 2019).

The role of the internal auditor represents one of the professional institutions that strongly supports the realization of good governance where good governance has become a major component in improving the performance of government agencies to be more economical, effective and efficient in regional financial management. With the increasing process of supervision or review carried out by internal auditors (APIP) to government agencies, it will certainly increase the impact on the quality of information on local government financial statements. This statement research, on the role of internal audit, has been carried out by Inapty et al, (2016). They proved that there is an influence on the role of internal audit on the quality of local government financial reports through good

governance. This statement on the role of internal audit, has been carried out by of Inapty et al, (2016). They proved that there is an influence on the role of internal audit on the quality of local government financial reports through good governance. This statement is also in line with the results of the study conducted by Girsang (2017). The results of the study show that there is a significant direct influence between internal auditor quality on the quality of financial statements (Ikbal et al, 2019) and good governance moderates the influence of variable management ability and auditor quality. It means that the higher the value of good governance, the higher the influence of management ability and the quality of internal auditors on the quality of financial statements.

CONCLUSION

Based on the results of the testing and research discussion, the following conclusions were obtained; the implementation of accrual-based government accounting standards has a significant effect on the quality of the keermom regency government's financial reports. Apparatus competence and the role of internal audit does not affect the quality government financial reports. The results of the moderation test show that good governance is proven to be able to moderate the relationship between; the relationship of accrual-based GAS application to the quality government financial reports, apparatus competence and the quality government's financial reports and between the role of internal audit and the quality of the government financial reports. The limitations of this study are as follows that the variables used in this study to measure the influence of these variables on the quality of regional financial reports are limited to the application of accrual-based government accounting standards, apparatus competence, the role of internal audit and good governance as moderating variables where this study does not consider other variables that may affect the quality of local government financial reports.

Based on the research conducted, the researcher suggests some suggestions as follows; the next researcher should conduct direct and in-depth interviews with the auditors as respondents in the study so that the information obtained from the research results can be represented and explain the actual situation. The next researcher also adds and considers other variables that are thought to be able to influence the quality of local government financial reports such as SKPD reviews and audit findings variables.

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