

# Influence of Internal Control System Effectiveness and Government Accounting Standards Implementation on Financial Report Quality

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## Abstract

**Purpose:** This study examines whether the effectiveness of the Internal Control System (ICS) and the implementation of Government Accounting Standards (GAS) affect the quality of financial reports in local government institutions in Palembang City. It aims to understand how these factors, both individually and jointly, improve the reliability, clarity, and responsibility of financial disclosures.

**Methodology/approach:** The study involved 32 local government institutions in Palembang City and used a quantitative survey. Data were collected from 96 financial management employees through purposive sampling and analyzed using multiple linear regression with SPSS version 25.

**Results:** The findings indicate that the effectiveness of ICS positively and significantly influences the quality of financial reports. The execution of GAS also has a beneficial and noteworthy impact. Additionally, both factors concurrently affect the integrity of financial reports of Palembang's local government agencies.

**Conclusions:** This study confirms that the standard of financial reports generated by local government bodies is reliant on the efficiency of internal controls and the appropriate application of GAS, thus promoting accountability and transparency in the financial management of local governments.

**Limitations:** This research is limited to three variables: ICS effectiveness, GAS implementation, and financial report quality tested both partially and simultaneously in 2025. The research object includes all local government institutions in Palembang City, with respondents involved in the preparation of financial reports.

**Contributions:** This study highlights that the financial report quality in local governments depends on effective internal controls and proper implementation of Government Accounting Standards (GAS), which strengthen accountability and transparency.

**Keywords:** *Financial Report Quality, Government Accounting Standards, Internal Control System, Local Government Institutions, Public Sector Accounting*

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## 1. Introduction

Based on the provisions of Article 56 paragraph (4) of Law Number 1 of 2004, Local Government Financial Statements function as the accountability report of regional heads regarding the implementation of the Regional Revenue and Expenditure Budget Law. The Local Government Financial Statements are accompanied by a statement confirming that financial management has been

carried out in accordance with Government Accounting Standards (GAS) and the internal control system. Thus, local government financial statements serve as official reports that must be submitted annually by local governments as a form of accountability for regional revenue and expenditure budget management.

Local government financial statements play an important role in providing the financial information needed by various stakeholders, such as the public, the Regional House of Representatives, the Audit Board of Indonesia, and the central government. The financial information contained in government financial statements is used as a basis for disclosing financial performance, making decisions, and supervising budget implementation by local governments. Local government financial statements must meet the qualitative characteristics of financial reporting, namely comparability, relevance, and reliability, to provide valuable information to stakeholders.

From a good governance perspective, [Myas \(2022\)](#) emphasizes that the preparation of high-quality government financial statements reflects local governments' commitment to accountability and transparency in managing public funds. Accurate and high-quality information is an essential foundation for decision-making in planning, supervision, and budgetary control. In preparing government financial statements, it is not sufficient to merely present financial data; compliance with standards as well as accuracy in recording and presenting information must also be considered. The quality of local government financial statements is influenced by various interrelated factors. According to [Rahmadhanty and Firmansyah \(2025\)](#), the quality of financial statements is an important indicator for evaluating local government financial performance.

Based on theoretical foundations, previous studies, and the opinions of [Goo and Lamawitak \(2021\)](#) important elements affecting financial statement quality include the implementation of Government Accounting Standards (GAS), completeness of information disclosure, compliance with applicable regulations, human resource quality, effectiveness of Internal Control Systems (ICS), organizational commitment, and utilization of information technology. These aspects play a crucial role in producing financial statements that are informative, reliable, and comparable. Such conditions constitute the main foundation for local governments to obtain an Unqualified Opinion from the BPK. A unqualified opinion from the BPK indicates that financial statements are prepared in accordance with relevant accounting standards and reflect accountable and transparent financial management ([Rahmadhanty & Firmansyah, 2025](#)).

The government has established Government Accounting Standards (GAS) as the main reference for preparing financial statements. The GAS serves as a guideline to ensure uniformity, comparability, and transparency of financial statements in the public sector. The implementation of GAS includes a series of processes covering the recognition, measurement, recording, and reporting of financial transactions, all of which are based on accrual principles. In practice, regional work units must consistently and accurately implement GAS provisions when preparing financial statements. Non-compliance with GAS implementation, such as misclassification of accounts or inadequate disclosure, has the potential to reduce the quality of information presented in financial statements.

An effectively functioning internal control system is also an important element in the quality of financial statement presentations. According to [Fadya, Ningsi, and Siregar \(2024\)](#) this system involves various elements, including the segregation of duties, authorization systems, supervision, and audit procedures to ensure that every transaction is properly recorded. Organizations, whether operating in the public or private sector, require effective internal control systems to achieve organizational objectives efficiently and in accordance with existing regulations. The Internal Control System (ICS) consists of rules and procedures designed to provide reasonable assurance regarding the achievement of financial management objectives, reliable financial reporting, and compliance with laws and regulations.

The effectiveness of the ICS can prevent errors and fraud while ensuring that all transactions are recorded and reported accurately in accordance with applicable regulations. This system also supports administrative orderliness and controlled management of regional government assets and liabilities. The

effectiveness of internal control greatly influences the accuracy and reliability of the data recorded in financial statements. According to [Fahrani et al. \(2024\)](#) High-quality government financial statements are free from fraud or material misstatements, accurately reflect actual conditions, and present reliable information.

As an autonomous region, the Palembang City Government is required to prepare annual financial statements. However, referring to the Audit Results Report of BPK, the opinions given on the Palembang City government’s financial statements in recent years still indicate weaknesses. The opinions obtained have not fully reached the unqualified opinion due to problems with ICS effectiveness and GAS implementation. This indicates that Palembang City’s financial reporting standards still need to be improved to meet higher accountability standards. Based on information from the BPK Representative Office in South Sumatra, the opinions issued by the BPK on the Palembang City government’s financial statements for the 2019–2023 period are as follows:

Table 1. Development of BPK opinions on Palembang City government financial statements 2019–2023

Year	Opinion Result
2019	Unqualified Opinion
2020	
2021	
2022	Qualified Opinion
2023	Unqualified Opinion with Explanatory Paragraph

Table 1 shows the audit results by BPK on the Palembang City government financial statements show a change in opinion from Unqualified in 2021 to Qualified in 2022, indicating weaknesses in financial statement quality, particularly related to GAS compliance and ICS effectiveness. Ideal financial statement quality should not only rely on proper GAS implementation but also on the role of effective ICS to ensure that transactions are recorded accurately, transparently, and responsibly. The Summary of Semester Audit Reports for Semester I of 2023 and 2024 found several issues contributing to the decline in opinion, particularly in transparency and internal control aspects.

In 2022, the BPK opinion declined to WDP due to material findings reflecting weaknesses in financial management and ICS, including price-setting and specification arrangements in furniture procurement at the Education Office, irregularities in capital expenditure on roads, irrigation, and networks, weak verification processes, improper provider selection, lack of supervision, and insufficient work volumes across 211 packages. Other issues included non-compliance with *Permendagri No. 77 Tahun 2020*, regarding non-cash transactions, unjustified increases in housing and transportation allowances for *DPRD* members, delays in capital expenditure projects without penalty sanctions, and potential regional revenue losses exceeding IDR 659 million. These findings reflect weak ICS effectiveness and improper GAS implementation, resulting in decreased financial-statement credibility.

In this study, the authors specifically selected two variables: the effectiveness of the Internal Control System (ICS) and the implementation of Government Accounting Standards (GAS). This selection was based on the urgency and relevance of the issues faced by the Palembang City Government. The BPK audit results indicate that the government’s financial statements have not fully achieved WTP due to ineffective ICS and improper GAS implementation. Therefore, focusing on these two variables is essential to assess their influence on achieving a full WTP opinion.

Other findings include deficiencies in volume, specifications that did not comply with contracts, and prices higher than appropriate in capital expenditures across 11 regional work units (SKPD), resulting in excess payments of more than IDR 40 billion and potential excess payments of IDR 6.6 billion. In

addition, the procurement of construction goods and services has not fully complied with applicable regulations, resulting in inefficiencies and procurement outcomes that do not meet the principles of good governance. The WTP-PP opinion indicates that although the financial statements have been prepared in accordance with GAS in terms of presentation and material disclosure, there are deficiencies in internal control and regulatory compliance that need to be improved.

In this study, the authors specifically selected two variables: the effectiveness of the Internal Control System (ICS) and the implementation of Government Accounting Standards (GAS). This selection was based on the urgency and relevance of the issues currently faced by the South Sumatra Provincial Government, particularly the Palembang City Government. Based on the Audit Results Report of BPK on the financial statements of the Palembang City Government, the opinion issued has not fully achieved an Unqualified Opinion due to the continued ineffectiveness of ICS and the improper implementation of GAS. Therefore, focusing on these two variables is considered important for further analysis to determine the extent of their influence, particularly in efforts to achieve an Unqualified Opinion from BPK.

The effectiveness of the internal control system ensures the reliability of the recording and reporting processes while minimizing the potential for errors and fraud that may affect the quality of financial statements. Through the implementation of control elements, including the control environment, risk assessment, control activities, information and communication, and monitoring processes, ICS ensures that organizational activities are carried out in accordance with established regulations and objectives. Proper GAS implementation serves as the normative basis for preparing financial statements in alignment with accrual-based accounting principles applied in the public sector. GAS systematically regulates the processes of recording, measurement, presentation, and disclosure of financial transactions so that the resulting financial statements accurately reflect the financial condition of the government.

These two variables, the effectiveness of ICS and the implementation of GAS, cannot stand alone but instead complement each other in creating financial statements that meet the quality standards. The ICS provides a safeguarding system that supports the optimal implementation of GAS, while GAS serves as a framework that guides financial reporting to be consistent and accountable. When the ICS operates effectively and GAS is properly implemented, the resulting financial statements will have high levels of relevance, reliability, understandability, and comparability, fulfilling the qualitative requirements of financial reporting standards to achieve the best possible opinion from the BPK.

[Atharrizka, Nurjanah, and Andrianto \(2021\)](#) examined the effect of Accounting Information Systems (SIA) and ICS on the quality of financial statements in the Bogor City Government, with respondents consisting of regional financial management officials. The results showed that neither SIA nor ICS had a significant effect, even though both were normatively implemented, indicating the need for further research to examine the gap between theory and practice, particularly in reassessing the effectiveness of ICS and implementing GAS in other regions. Examined the implementation of the Village Financial System (*SISKEUDES*), the effectiveness of ICS, and the utilization of SIA on the quality of village financial statements in Rokan IV Koto District and found that all three variables had a positive and significant effect.

However, further research is still needed because the results were limited to a single region, and differences in human resources, digital literacy, infrastructure, and regulations in other regions may produce different outcomes. [Dzahabiyah and Ardini \(2023\)](#) examined accounting understanding, the utilization of SIA, and ICS on the quality of financial statements at the Regional Financial and Asset Management Agency of the Sidoarjo Regency. The results showed that the utilization of SIA was significant, while accounting understanding and ICS were not. This indicates that ICS effectiveness has not been optimal; thus, further research is needed to examine weaknesses in its implementation and to identify solutions so that ICS can truly support the quality of financial statements.

[Mahartini, Yuesti, and Sudiartana \(2021\)](#) examined the effect of GAS, ICS, and SIA on the quality of financial statements in the Karangasem Regency Government and found that GAS and ICS had no

effect, while SIA had a significant effect. These findings raise questions because, theoretically, GAS and ICS should be very important; thus, further research is needed to re-examine their effectiveness in other institutions and to add other variables for a more comprehensive understanding. Suwanda conducted research on the implementation of GAS and demonstrated that GAS has a significant effect on the quality of regional financial statements; however, further research is still needed because the results apply only to specific regional contexts and may differ when applied in regions with different apparatus conditions or systems. [Widyastuti and Pratiwi \(2021\)](#) examined the effect of GAS and financial supervision on the quality of financial statements in the Denpasar City Government and found that both had a positive and significant effect.

Nevertheless, further research is required because the scope was limited to Denpasar and therefore cannot be generalized, while regional financial regulations and policy dynamics continue to evolve. Meanwhile, [Hidayat and Sari \(2021\)](#) examined the effect of GAS and apparatus quality on the quality of financial statements in the Indragiri Hilir Regency Government, and the results showed that both had a positive and significant effect. Further research is needed by adding other instruments, such as ICS, organizational commitment, or the utilization of information technology, so that the understanding of the factors influencing financial statement quality becomes more comprehensive. From these various studies, differences in empirical results are evident, particularly regarding the roles of ICS and GAS, making research on the effectiveness of ICS and the implementation of GAS on financial statement quality essential to continue to produce more consistent and comprehensive evidence.

The difference between this study and previous studies lies in the focus of the analysis, where prior research tends to emphasize financial statement quality by including other variables such as SIA, accounting understanding, financial supervision, or apparatus quality. This study specifically focuses on the effectiveness of ICS and the implementation of Government Accounting Standards as two main factors that normatively play a significant role in supporting financial statement accountability. Whereas in previous studies, ICS was often positioned merely as a supporting factor or found to have no significant effect on financial statement quality, this study views ICS as an integrated control system within the entire financial statement preparation process, from validation to verification, thus requiring strong commitment from all parties to implement it consistently so that the final results can be properly accounted for.

Similarly, the implementation of GAS, which has produced varying results in previous studies, is re-examined in this study to determine the extent to which its application can improve financial statement quality. Therefore, this study is expected to provide more comprehensive findings and enrich the literature on local government financial statement quality by emphasizing the role of ICS and GAS. With these considerations, this study assesses the effect of ICS effectiveness and GAS implementation on the quality of financial statements of regional work units in Palembang City, both individually and simultaneously. The results obtained are expected to enhance our understanding of the importance of these two factors in promoting transparent, high-quality, and accountable financial statement preparation.

## **2. Literature Review and Hypothesis Development**

### **2.1. Literature Review**

#### **2.1.1. Effectiveness**

Effectiveness is defined as a measure of success in achieving objectives based on the conformity of outputs with targets, as well as the accuracy of goals and timeliness of achievement. [Jamaluddin, Nursyam, and Nasrullah \(2024\)](#) emphasized that effectiveness reflects a direct relationship between outputs and objectives. [Mogot, tulusan, and londa \(2023\)](#) explain that effectiveness can be understood through three approaches, namely resources, processes, and goals. [Kader \(2025\)](#) stressed the importance of integrating various evaluation models to obtain a comprehensive assessment of effectiveness.

[Ambia \(2018\)](#) define effectiveness as optimal efforts to meet stakeholder needs in a timely manner. Thus, effectiveness is a key indicator of successful implementation and goal achievement in various developmental and organizational settings. Effectiveness can be measured using several indicators, as

explained in Duncan's theory proposed by [Setiawati, Sading, Parinding, Jokolelono, and Nurnaningsih \(2025\)](#), which includes three main aspects: goal achievement, adaptability, and integration.

### 2.1.2. Internal Control System

*PP No. 60 Tahun 2008* states that the Government Internal Control System (ICSP) is a series of detailed processes in every activity of leaders and staff, which functions to provide reasonable assurance of achieving organizational objectives. According to [Arsal and Firdaus \(2023\)](#), this assurance includes the effectiveness and efficiency of activities, accuracy of financial statements, protection of state assets, and compliance with laws and regulations. Meanwhile, [Khoirunisa, Ahmad, and Sugiartono \(2022\)](#) emphasize that the reliability of financial statements needs to be assessed by authorized parties, where this assessment process is known as internal control. According to [Muyasaroh and Sa'diyah \(2023\)](#), the internal control system is a process involving commissioners, governance, and all members of the organization to minimize potential errors or deviations caused by human factors.

This process includes the supervision of financial records and the evaluation of organizational operational activities. An effective internal control system is crucial for assisting management in regulating and monitoring organizational operations. In the governmental context [Karina \(2023\)](#), the ICSP functions as a mechanism that provides direction, control, evaluation of resource utilization, and prevention of fraud to achieve good governance principles. The quality of government financial statements is strongly influenced by the effectiveness of internal controls, while weaknesses can reduce the ability to detect accounting fraud ([Helena, konstantinus, & yoseph, 2024](#)). The Government Internal Control System aims to ensure the implementation of effective, efficient, transparent, and accountable government management to achieve specific objectives ([Indonesia](#)).

#### 2.1.2.1. Indicators of the Effectiveness of the Internal Control System

According to *PP No. 60 Tahun 2008*, the effectiveness of the Internal Control System (ICS) has five main indicators, namely the control environment, risk assessment, control activities, information and communication, and monitoring. These five indicators are essential elements of the Government Internal Control System (ICSP) that strengthen the implementation of good governance principles. In parallel, [Commission \(2012\)](#) proposed similar indicators consisting of the control environment, risk, activities, information and communication, and supervision. In this study, the author chooses to use indicators based on [Indonesia](#) in the form of components of the effectiveness of the internal control system, which include five main indicators: the control environment, risk assessment, control activities, information delivery and communication, and monitoring mechanisms.

### 2.1.3. Implementation of Government Accounting Standards (GAS)

[Yanti and Made \(2020\)](#) state that GAS is a set of accounting rules and guidelines used as the basis for the preparation and presentation of financial statements within the government environment. The GAS functions as a reference for determining the type of information that must be conveyed to external parties of an institution, as emphasized in *PP RI No. 71 Tahun 2010*. The GAS is applied in the process of preparing and structuring government financial statements to improve their quality of financial statements in Indonesia. [Al Asdi \(2023\)](#) explain that GAS plays a role in improving the standards of government financial statements, while [Sari and Kusmilawaty \(2023\)](#) that the preparation of financial statements can be carried out through bases: sy cash-based GAS toward accrual, which records receipts when cash is received and expenditures when cash is disbursed, and accrual-based GAS, which recognizes all financial elements such as revenue, expenses, assets, liabilities, and equity based on accrual principles.

Thus, transaction recording is carried out at the time of occurrence, not waiting for cash flows, so that it can present transparent and accurate information on the government's financial position. *PP RI No. 71 Tahun 2010* states that every reporting entity, according to [Herindraningrum and Yuhertiana \(2021\)](#), is obliged to prepare and present reports systematically according to the determined reporting period, with the aim of supporting accountability, transparency, management effectiveness, intergenerational equity, and performance evaluation. Proper GAS implementation enables government financial statements to present accurate, transparent, and relevant information, thereby supporting accountability

and decision-making. Previous studies reveal that the implementation of GAS plays a role in improving government financial statement standards ([Al Asdi, 2023](#)). accrual-based GAS strengthens the transparency and accuracy of financial information ([Sari & Kusmilawaty, 2023](#)). Thus, GAS implementation significantly influences the quality of local government's financial statements.

#### 2.1.3.1. Indicators of GAS Implementation

According to the GAS, which is regulated through the *PP RI No. 71 Tahun 2010* indicators of GAS implementation include various aspects such as the presentation of financial statements that are systematic and reliable, cash-based Budget Realization Reports to show cash inflows and outflows in accordance with the budget period, cash flow statements that provide an overview of government liquidity, as well as Notes to the Financial Statements as additional information related to figures in the reports. Other indicators include accounting for inventories, investments, fixed assets, construction in progress, liabilities, correction of errors, changes in accounting policies or accounting estimates, discontinued operations, consolidated financial statements, and operational reports, all of which aim to comprehensively present the government's financial position and performance.

Several additional indicators in the implementation of GAS include the use of an accounting basis, valuation based on historical value, realization, the principle of substance over form, periodization, consistency, information disclosure, and fair presentation of reports. The indicators of GAS implementation in this study include the presentation of financial statements, cash-based budget realization reports, cash flows, CALK, accounting for inventories, investments, fixed assets, construction in progress, liabilities, error corrections, changes in accounting policies, accounting estimates, discontinued operations, consolidated financial statements, and operational reports.

#### 2.1.4. Quality of Financial Statements

According to [Iflaha \(2023\)](#), Crosby explained that quality is conformity with applicable standards or requirements, where a product is considered to have quality if it meets these provisions. Meanwhile, financial statements are considered to be of quality if the information is presented properly, reliably, consistently, and comparably, so that it can provide trust and real benefits for users in making economic decisions. This is in line with *PP RI No. 71 Tahun 2010*, which defines financial statements as a systematic compilation of financial data reflecting the financial condition of a reporting entity.

According to [Rahayu and Kanita \(2023\)](#), a reporting entity is a government institution obliged to prepare and submit reports as a form of accountability. Meanwhile, *PP Nomor 8 Tahun 2006* emphasizes that the presentation of regional financial statements is a form of accountability for financial management that must be carried out fairly, transparently, comprehensively and responsibly. [Muyasaroh and Sa'diyah \(2023\)](#) states that in addition to complying with accounting principles, financial statements should be presented in a simple format to make them easier to understand. Therefore, in accordance with *PP RI No. 71 Tahun 2010* financial statements are considered to have quality if the information presented is relevant to support decision-making and can be understood by users, guided by qualitative characteristics established as normative standards.

#### 2.1.4.1. Objectives of Financial Statements

Based on *PP RI No. 71 Tahun 2010* the preparation of financial statements for local governments essentially aims to provide relevant information to support decision-making processes, as well as to serve as a form of accountability for resource management. As regulated in based on GAS, local government financial statements are prepared to convey information regarding funding transparency, budget utilization, cash flows, budget surpluses, operational results, and changes in equity. This information is useful for users in assessing choices related to resource allocation. In addition, the specific objectives of financial statements [Badriyah \(2015\)](#) are to provide relevant information for decision-making processes, demonstrate accountability, and assess government performance, especially related to the effectiveness and efficiency of budget use. Moreover, financial statements function as an instrument of public accountability so that the public can assess the extent to which the government manages resources in accordance with the mandate given.

#### 2.1.4.2. Indicators of Financial Statement Quality

*PP RI No. 71 Tahun 2010* concerning states that the essential elements of financial statement quality include relevance, meaning that information can influence users' decisions by providing predictive value, feedback, timeliness, and completeness; reliability, namely that information must be accurate, neutral, free from material error, and verifiable; comparability, meaning that information has value when it can be compared across periods or entities; and understandability, meaning that information is presented clearly using terms that are easy to understand. According to [Rahayu and Kanita \(2023\)](#), the indicators of financial statement quality include relevance, understandability, reliability, impartiality, timeliness, comparability, and completeness.

Indicators of financial reporting quality include the usefulness of reports, timeliness of presentation, completeness of information, honest presentation, the ability of reports to be verified and compared, and the level of accuracy and clarity of information. Furthermore, [Suprihatin and Ananthi \(2019\)](#) emphasize that indicators of financial statement quality include understandability, relevance, reliability, comparability, and consistency. Meanwhile, [Suprihatin and Ananthi \(2019\)](#) state that the quality of financial statements is determined by qualitative characteristics, including understandability, relevance, materiality, reliability, prudence, completeness, relative competence, timeliness, balance between cost and benefit, and neutrality. The indicators used in this study include relevance, reliability, comparability, and understandability, in accordance with *PP RI No. 71 Tahun 2010 Tentang Gas*.

## 2.2. Hypothesis Development

### 2.2.1. Effectiveness of the Internal Control System on Financial Statement Quality

Based on the results of previous studies, [Muliani, Usman, Bensaadi, and Nurhasanah \(2023\)](#) show a relationship between the implementation of an internal control system and the quality of local government financial statements. However, other findings vary; [Mahartini et al. \(2021\)](#) revealed that the quality of local government financial statements is not significantly related to the internal control system. Furthermore, [Oktarida, Fithri, Riama, and Hartaty \(2020\)](#) conclude that the implementation of an internal control system has a positive and significant effect on financial statement quality. This study is in line with the findings of [Rahayu and Kanita \(2023\)](#) who also proved a positive and significant influence of the internal control system on local government financial statement quality. Similarly, found that the effectiveness of the internal control system also makes a positive and significant contribution to improving the quality of financial statements. Based on the findings above, the first hypothesis of this study is formulated as follows:

*H<sub>1</sub>*: The effectiveness of the internal control system has a positive and significant effect on the quality of financial statements (KLK) in the regional apparatus organizations of Palembang City.

### 2.2.2. Implementation of Government Accounting Standards on Financial Statement Quality

In the Regulation of the Supreme Audit Board of the *Republic of Indonesia No. 01 Tahun 2007* concerning State Financial Auditing Standards, the quality of financial statements in obtaining a fairness opinion is determined by compliance with Government Accounting Standards. According to previous research findings, [Yanti and Made \(2020\)](#) show that the implementation of GAS has a significant effect on financial statement quality, meaning that the higher the level of compliance of regional apparatus with GAS, the higher the quality of the resulting financial statements. Furthermore, [Muliani et al. \(2023\)](#) found that GAS implementations affects the quality of local government financial statements, particularly in terms of the reliability and comparability of financial information.

In line with this, [Widyastuti and Pratiwi \(2021\)](#) stated that the implementation of GAS has a positive and significant effect on financial statement quality, especially in improving the accuracy, completeness, and timeliness of reporting. However, [Sari and Kusmilawaty \(2023\)](#) show different results, where the implementation of GAS does not affect the quality of local government financial statements, which is caused by varying levels of compliance among institutions and differences in human resource capabilities in understanding and implementing GAS. Based on theory and previous research results, the second hypothesis is formulated as follows:

$H_2$ : The implementation of Government Accounting Standards has a positive and significant effects on the quality of financial statements in the regional apparatus organizations of Palembang City.

### 2.2.3. Effectiveness of the Internal Control System and Implementation of Government Accounting Standards on Financial Statement Quality

Based on findings from previous studies, [Dzahabiyah and Ardini \(2023\)](#) show that the effectiveness of the internal control system has a significant effect on financial statement quality at the Regional Financial and Asset Management Agency of Sidoarjo Regency because the internal control system ensures that transactions are recorded accurately and reports are prepared in accordance with applicable regulations. Second, [Rahayu and Kanita \(2023\)](#) state that the internal control system has a positive and significant effect on financial statement quality in Regional Apparatus Organizations of DKI Jakarta Province, where effective internal control system implementation increases accountability and transparency of financial statements. The effectiveness of the internal control system positively contributes to financial statement quality in Masbagik Village, indicating that the effectiveness of the internal control system contributes appropriately to improving financial statement quality at the village level.

As for the second variable, [Hidayat and Sari \(2021\)](#) state that the implementation of GAS affects financial statement quality because GAS provides systematic guidelines for report preparation and improves the relevance and comparability of financial information. Second, that the implementation of GAS has a significant effect on financial statement quality, emphasizing the importance of GAS in improving financial statement quality in the public sector. Third, [Widyastuti and Pratiwi \(2021\)](#) show that the implementation of GAS has a positive and significant effect on financial statement quality, making financial reports more complete, accurate, timely, and accountable. Based on the above explanation, the third hypothesis of this study is stated as follows:

$H_3$ : The effectiveness of the internal control system and implementation of Government Accounting Standards have a positive and significant effect on the quality of financial statements of regional apparatus organizations in Palembang City.

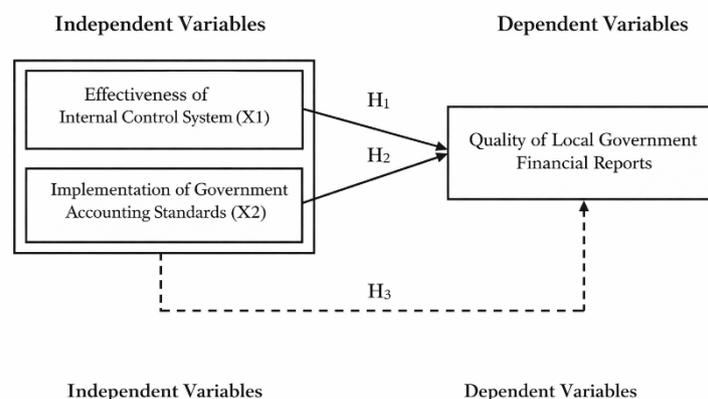


Figure 1. Research Model

### 3. Research Methodology

This study employs a quantitative research approach using a survey method, in which data are obtained by distributing questionnaires to respondents and subsequently analyzed using statistical analysis techniques. This method was selected based on research conducted to test the causal relationship between the effectiveness of the Internal Control System (ICS) and the implementation of Government Accounting Standards (GAS) on the quality of financial statements in the regional apparatus of Palembang City. The data collection process was carried out by directly distributing questionnaires to regional apparatus organizations, allowing respondents to provide answers according to the factual conditions and their respective work experiences.

The data obtained were then analyzed through a series of tests using IBM SPSS Statistics software version 25, including validity tests, reliability tests, classical assumption tests (normality, multicollinearity, and heteroscedasticity), and multiple linear regression analysis. The object of this study includes all regional apparatus organizations within the Palembang City Government, totaling 32 institutions, as listed in *Perda No. 6 Tahun 2022*. These regional apparatus organizations include the Regional Secretariat and DPRD, planning and supervisory institutions (Inspectorate, Bappeda Litbang), management agencies (BPKAD, Bapenda, BKPSDM, Kesbangpol), and various departments covering the fields of education, health, public works, social affairs, housing and land affairs, fire services, the Transportation Office, the Cooperative and SME Office, the Environmental Office, the Investment and Integrated Services Office, the Youth and Sports Office, the Population and Civil Registration Office, the Communication and Information Office, the Population Control and Family Planning Office, the Office of Women's Empowerment and Child Protection, Culture Office, Trade Office, Tourism Office, Manpower Office, Library and Archives Office, Fisheries Office, Food Security and Agriculture Office, Industry Office, and the Civil Service Police Unit.

All regional apparatus organizations were designated as the research population. Each regional apparatus organization was assigned three research respondents: the head of the finance sub-division, the expenditure treasurer, and staff of the accounting or financial management sub-division with a minimum of one year of work experience. Under these provisions, the total research sample comprised 96 respondents (32 regional apparatus organizations × 3 respondents). The sampling method used was purposive sampling, that is, the selection of participants based on specific criteria aligned with the research objectives. These respondents were selected because they were directly involved in accounting, administrative, and financial management functions; therefore, the answers provided through the questionnaire were considered relevant, accurate, and supportive of the research objectives.

## 4. Results and Discussions

### 4.1. Descriptive Statistics

The descriptive statistics in this study present the results obtained from respondents' answers to each measurement dimension of the variables. The measurement categories used in this study to obtain information on all research variables refer to [D. Sugiyono \(2013\)](#) through the average score shown in Table 2.

Table 2. Respondents' answer categories

Intarval	Category
1.00-1.80	Very Poor
1.80-2.60	Poor
2.60-2.40	Fair
3.40-4.20	Good
4.20-5.00	Very Good

This descriptive data analysis presents the results obtained from the respondents' answers to each questionnaire item. From the processing of descriptive data, the frequency distribution and average value of respondents for each variable dimension can be identified. These results were then used to identify the dimensions with the highest and lowest average scores, as shown in Table 3.

Table 3. Respondent frequency

No	Variable	Dimension	Item No	Average Score
1	Financial Statement Quality (Y)	Relevance	1-5	4,24
		Reliability	6-10	4,18
		Comparability	11-13	4,06
		Understandability	14-16	4,16
		Range	16	4,17
2		Control Environment	1-2	4,19

	Effectiveness of Internal Control System ( $X_1$ )	Risk Assessment	3	4,11
		Control Activities	4-5	4,09
		Information and Communication	6-7	4,05
		Monitoring	8-9	4,22
Range			9	4,14
3	Implementation of Accounting Standards ( $X_2$ )	PGAS No. 01 on Presentation of Financial Statements	1-4	4,15
		PGAS No. 02 on Budget Realization Report	5-7	4,10
		PGAS No. 03 on Cash Flow Statement	8-9	4,06
		PGAS No. 04 on Notes to Financial Statements	10-11	4,06
		PGAS No. 05 on Inventory Accounting	12-13	4,01
		PGAS No. 06 on Investment Accounting	14-16	4,04
		PGAS No. 07 on Fixed Asset Accounting	17-18	4,06
		PGAS No. 08 on Construction in Progress Accounting	19-20	4,00
		PGAS No. 09 on Liability Accounting	21-22	4,05
		PGAS No. 10 on Error Corrections	23-24	4,13
		PGAS No. 11 on Consolidated Financial Statements	25-26	4,04
		PGAS No. 12 on Operational Report	27-28	4,20
		Range		

Based on the average frequency of respondents' answers in Table 2, the following can be described.

- a. Effectiveness of the Internal Control System ( $X_1$ )  
The effectiveness of the Internal Control System ( $X_1$ ) was assessed using nine statements on a scale of 1–5. The measurement results showed that this variable fell into the good category, with an average score of 4.14. The highest score was found in the monitoring dimension (4.22), while the lowest score was in the information and communication dimension (4.05).
- b. Implementation of Government Accounting Standards ( $X_2$ )  
The implementation of the GAS ( $X_2$ ) variable was assessed using 28 statements on a scale of 1–5. The assessment results indicate that GAS implementation falls into the good category, with an overall average score of 4.08. The dimension with the highest score is PGAS No. 12 concerning the Operational Report, with an average of 4.20, while the lowest score is found in PGAS No. 08 concerning Construction in Progress Accounting, with an average score of 4.00.
- c. Financial Statement Quality ( $Y$ )  
The Financial Statement Quality ( $Y$ ) variable was measured using 16 statements on a scale of 1–5. The respondents' assessment results showed that the quality of financial statements was in the good category, with an overall average score of 4.17. The dimension with the highest average score was relevance (4.24), while the dimension with the lowest average score was comparability (4.06).

## 4.2. Data Quality Testing

### 4.2.1. Validity Test

According to [Sugiyono \(2013\)](#), the validity test is defined as the level of accuracy of the data obtained by researchers in describing the actual conditions of the object being studied.

Table 4. Validity test results for financial statement quality variable (Y)

Question	R-Table	R-Count	Description
1	0,2006	0,694	Valid
2		0,760	
3		0,812	
4		0,803	
5		0,786	
6		0,793	
7		0,782	
8		0,786	
9		0,780	
10		0,667	
11		0,752	
12		0,785	
13		0,725	
14		0,734	
15		0,692	
16		0,752	

Table 5. Validity test results for effectiveness of internal control system variable (X<sub>1</sub>)

Question	R-Table	R-Count	Description
1	0,2006	0,757	Valid
2		0,857	
3		0,797	
4		0,800	
5		0,795	
6		0,744	
7		0,807	
8		0,793	
9		0,842	

Table 6. Validity test results for implementation of government accounting standards variable (X<sub>2</sub>)

Question	R-Table	R-Count	Description
1	0,2006	0,790	Valid
2		0,817	
3		0,730	
4		0,807	
5		0,777	
6		0,733	
7		0,599	
8		0,683	
9		0,731	
10		0,702	
11		0,720	
12		0,724	
13		0,701	
14		0,727	

15		0,762	
16		0,750	
17		0,721	
18		0,751	
19		0,814	
20		0,816	
21		0,802	
22		0,805	
23		0,805	
24		0,753	
25		0,817	
26		0,813	
27		0,762	
28		0,776	

#### 4.2.2. Reliability Test

A reliability test was conducted to measure the level of consistency of the research instrument, namely, how effectively the instrument can produce consistent data when tested repeatedly.

Table 7. Reliability test results for financial statement quality ( $Y$ )

Reliability Statistics	
Cronbach's Alpha	N of Items
0.949	16

According to Table 7, the Cronbach's alpha value for the financial statement quality variable ( $Y$ ) is 0.949, which far exceeds the minimum threshold of 0.60. This indicates that all items in this variable demonstrate a very high level of internal consistency and can therefore be used as a tool to measure the dependent variable.

Table 8. Reliability test results for effectiveness of internal control system ( $X_1$ )

Reliability Statistics	
Cronbach's Alpha	N of Items
0.929	9

Based on Table 8, the Cronbach's alpha value for the effectiveness of the Internal Control System variable ( $X_1$ ) is 0.929, which is above the minimum threshold of 0.60. This indicates that each question item in this variable has high internal consistency and can be used as a measurement instrument for independent variables.

Table 9. Reliability test results for implementation of government accounting standards ( $X_2$ )

Reliability Statistics	
Cronbach's Alpha	N of Items
0.972	28

Based on Table 9, the Cronbach's alpha value for the GAS implementation variable ( $X_2$ ) is 0.972, which greatly exceeds the minimum standard of 0.60. The results of this study indicate that each statement item of this variable has a strong level of reliability and can be utilized as a research instrument for independent variables.

### 4.3. Classical Assumption Tests

#### 4.3.1. Normality Test

The normality test aims to evaluate whether the residual data in the regression model are normally distributed. The results of the normality test are as follows.

Table 10. Results of the data normality test

Test Using One-Sample Kolmogorov–Smirnov Test	Result
Monte Carlo Sig. (2-tailed)	0,135 (Data normal)

Based on Table 10, the significance value of the residuals (Monte Carlo Sig. The p-value (2-tailed) for the three variables, Effectiveness of ICS, Implementation of GAS, and Financial Statement Quality, was 0.135 with a total sample of 96 respondents. Because this value exceeds 0.05, it can be concluded that the residual data are normally distributed. In addition, the normality test is demonstrated through the Normal P–P Plot of Regression Standardized Residual. The graph shows that the data points are distributed close to the diagonal line and tend to follow the indicated pattern; therefore, the regression model can be categorized as a normal distribution.

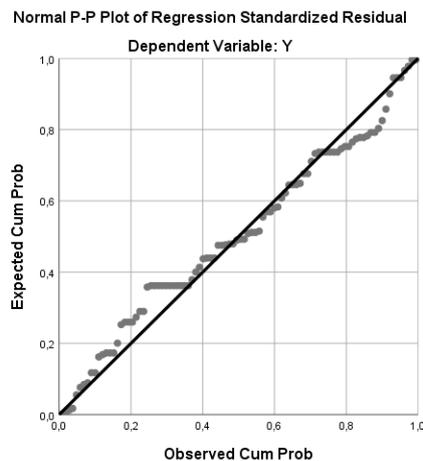


Figure 2. Results of the normal P–P plot of regression standardized residual

Based on Figure 2, the data points appear around the diagonal line and follow its trend. This indicates that the residuals are normally distributed, so the research data can be utilized for further analysis.

#### 4.3.2. Multicollinearity Test

Table 11. Results of Multicollinearity Testing Using Tolerance and Variance Inflation Factor (VIF) Values

Variable	Tolerance	VIF	Description
Effectiveness of ICS	0,285	3,511	No multicollinearity
Implementation of GAS	0,285	3,511	No multicollinearity

Based on the SPSS results in Table 11, the tolerance values for the Effectiveness of ICS ( $X_1$ ) and Implementation of GAS ( $X_2$ ) variables are greater than 0.10, while the VIF values are below 10. Thus, it can be interpreted that the regression model in this study does not encounter multicollinearity issues.

#### 4.3.3. Heteroscedasticity Test

The heteroscedasticity test aims to identify whether there is a variance in the regression model. Heteroscedasticity refers to a condition in which the variance of residuals across observations is not the same across observations. If the residuals have uniform variance, the condition is called homoscedasticity; whereas, if the variance differs, it is called heteroscedasticity. An effective regression model exhibits homoscedasticity.

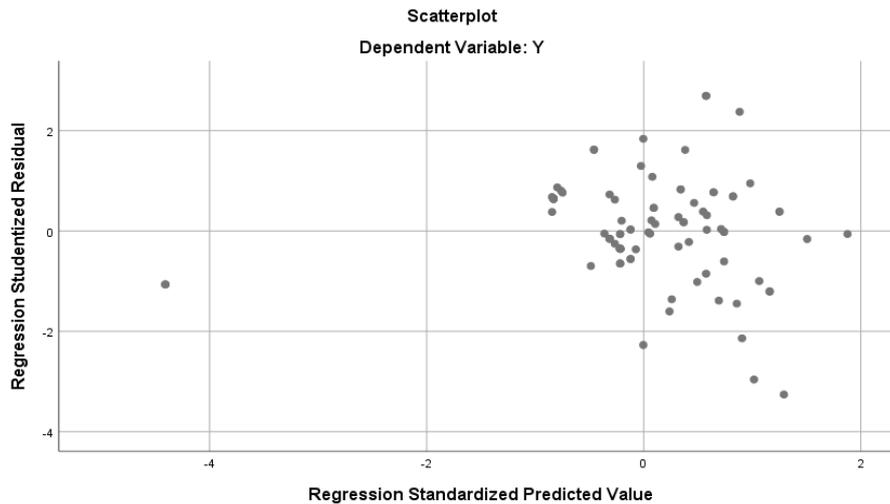


Figure 3. Results of the heteroscedasticity test using a scatterplot

The SPSS output shown in Figure 3 indicates that the distribution of points does not form a specific pattern and is randomly scattered above or below the zero line on the y-axis. This indicates that the regression model is free of heteroscedasticity problems.

#### 4.4. Multiple Linear Regression Analysis

Multiple linear regression is an analytical technique used to assess the magnitude of the influence of two or more independent variables on a dependent variable and to estimate the value of the dependent variable based on these independent variables.

Table 12. Results of multiple linear regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	5,251	3,071	
	Effectiveness of ICS	0,592	0,149	0,330
	Implementation of GAS	0,345	0,047	0,607

The standardized beta coefficients are subsequently used to formulate the multiple linear regression equation. The regression equation is as follows:

$$Y = 5,251 + 0,592X_1 + 0,345X_2 + e \quad (1)$$

The regression equation is as follows:

- 1 The constant (a) with a value of 5.251 indicates that when all independent variables are equal to zero, the dependent variable, Financial Statement Quality, will remain at a positive value of 5.251. This indicates that the quality of financial statements already has a positive base value, even without being influenced by the independent variables.
- 2 The multiple regression coefficient for the Effectiveness of the Internal Control System ( $b_1$ ), which is 0.592, indicates a positive effect on Financial Statement Quality. In other words, each one-unit increase in the Effectiveness of the Internal Control System will increase Financial Statement Quality by 0.592, assuming other variables in the model remain constant.
- 3 The regression coefficient for the Implementation of Government Accounting Standards ( $X_2$ ) of 0.345 indicates a positive effect on the Financial Statement Quality. In other words, each one-unit increase in the implementation of GAS will be accompanied by an increase in Financial Statement Quality of 0.345, assuming that other variables remain constant.

#### 4.5. Hypothesis Testing

##### 4.5.1. Coefficient of Determination Test ( $R^2$ )

The coefficient of determination ( $R^2$ ) measures the extent to which the independent variables can explain the variation that occurs in the dependent variable, either partially or simultaneously.

Table 13. Results of the coefficient of determination test ( $R^2$ )

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,904 <sup>a</sup>	0,816	0,812	3,42908
a. Predictors: (Constant), Implementation of GAS, Effectiveness of ICS				

Data processed using SPSS showed an R Square value of 0.816. This indicates a significant influence of the independent variables ( $X_1$  and  $X_2$ ) on the dependent variable ( $Y$ ). In other words, 81.6% of the variation in Financial Statement Quality can be explained by the Effectiveness of the Internal Control System and the Implementation of GAS, while the remaining 18.4% is influenced by other variables not examined in this study.

##### 4.5.2. t-Test (Partial)

A t-test was used to analyze the effect of each independent variable on the dependent variable separately.

Table 14. Partial test results (t-Test)

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,251	3,071		1,710	0,091
	Effectiveness of ICS	0,592	0,149	0,330	3,970	0,000
	Application GAS	0,345	0,047	0,607	7,288	0,000
a. Dependent Variable: Financial Statement Quality						

Based on Table 14, the following conclusions can be drawn:

1. Based on the calculation, the calculated t-value for the Effectiveness of the Internal Control System variable is 3.970, while the t-table value at a 5% significance level ( $\alpha = 0.05$ ) with 93 df is 1.985. Because the calculated t-value is greater than the t-table value, the alternative hypothesis ( $H_1$ ) is accepted. This indicates that the Effectiveness of the Internal Control System has a positive and significant effect on Financial Statement Quality across all regional apparatus organizations in Palembang City.
2. Based on the calculation, the obtained t-value for the Implementation of GAS variable is 7.288, while the t-table value at a 5% significance level ( $\alpha = 0.05$ ) with 93 df is 1.985. Because the calculated t-value is greater than the t-table value, the alternative hypothesis ( $H_2$ ) is accepted. This indicates that the Implementation of GAS has a positive and significant effect on Financial Statement Quality in all regional apparatus organizations in Palembang City.

##### 4.5.3. Simultaneous Test (F-Test)

The F-test, also known as the ANOVA test, is used to assess the accuracy of the sample regression model by statistically comparing the actual values. The F-value and its significance level were used to evaluate whether the independent variables simultaneously affected the dependent variable.

Table 15. Simultaneous test results (F-Test)

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4863,412	2	2431,706	206,803	0,000 <sup>b</sup>
	Residual	1093,546	93	11,759		
	Total	5956,958	95			
a. Dependent Variable: Financial Statement Quality						
b. Predictors: (Constant), Implementation of GAS, Effectiveness of ICS						

Table 15 shows analysis produced an F-value of 206.803 with a significance level of 0.000, which greatly exceeded the F-table value of 3.09. This indicates that the Effectiveness of the Internal Control System and the implementation of Government Accounting Standards simultaneously have a positive and significant effect on Financial Statement Quality across all regional government institutions in Palembang City

#### 4.6. Discussion

##### 4.6.1. The Effect of the Effectiveness of the Internal Control System on Financial Statement Quality

The findings of this study support the results of [Muliani et al. \(2023\)](#), who showed that the Internal Control System (ICS) improves the reliability and completeness of financial statements. [Rahayu and Kanita \(2023\)](#) emphasized that ICS contributes to the transparency and accountability of financial information. [Oktarida et al. \(2020\)](#) found that ICS supports the preparation of relevant and timely reports. Riri Anggraini (2021) shows that the effectiveness of ICS improves the accuracy and timeliness of reports at the village level, and [Rohmah, Askandar, and Sari \(2020\)](#) affirm that an effective ICS supports the preparation of accountable and timely financial statements.

Previous studies indicate that ICS positively and significantly impacts the quality of government financial statements. Conversely, other studies, such as [Dzahabiyyah and Ardini \(2023\)](#) and [Muliani et al. \(2023\)](#), state that ICS does not have a significant effect. These differences indicate that the effectiveness of ICS is influenced by the organizational context, including leadership commitment, organizational culture, accounting information systems, and human resource competence. Specifically, in the regional apparatus of Palembang City, this study proves that ICS is implemented effectively and contributes substantially to improving the quality of financial statement. The effectiveness of the Internal Control System has been proven to have a positive and significant effect on the quality of financial statements in the regional apparatus of Palembang City.

The calculated t-value of 3.970 is greater than the t-table value of 1.985, with a significance level of  $0.000 < 0.05$ ; thus,  $H_1$  is accepted. The average score for ICS effectiveness was 4.14, with the highest indicator in the monitoring dimension at 4.22, indicating that internal control has been operating relatively optimally. The effectiveness of the Internal Control System (ICS) plays a crucial role in maintaining the integrity of financial data, ensuring that transaction recording complies with regulations, and preventing errors or irregularities. Its implementation includes a clear organizational structure, documented administrative procedures, accurate information systems, and periodic evaluation. With proper control, financial statements can be prepared in an orderly, accurate, timely, and accountable manner. Conversely, weak ICS increases the risk of recording errors, noncompliance with GAS, and may potentially result in negative audit opinions from the Supreme Audit Board (BPK), as occurred in Palembang City in 2022, when a Qualified Opinion (WDP) was issued due to weak ICS supervision.

In addition, effective ICS implementation ensures that accounting records are maintained in accordance with existing standards, and all financial transactions can be properly supervised and recorded. This condition supports the preparation of financial statements that meet the criteria of relevance, reliability, comparability, and understandability in accordance with *PP RI No. 71 Tahun 2010*. Consistent and

comprehensive control in every work unit is crucial for improving the quality of local government financial statements.

#### *4.6.2. The Effect of the Implementation of Government Accounting Standards on Financial Statement Quality*

The results of this study support the findings of [Yanti and Made \(2020\)](#), who showed that the implementation of GAS improves the reliability and relevance of local government financial statements. [Muliani et al. \(2023\)](#) emphasize that compliance with GAS contributes to the preparation of complete and consistent reports. [Widyastuti and Pratiwi \(2021\)](#) found that the proper implementation of GAS improves the accuracy and transparency of financial statements. [Hidayat and Sari \(2021\)](#) state that GAS helps financial statements become comparable across periods and institutions. That GAS implementation has a positive effect on the quality of financial information, and [Rohmah et al. \(2020\)](#) emphasize the role of GAS in ensuring timely and accountable reports.

These findings indicate that GAS positively and significantly affects the quality of government financial statements. Conversely, [Mahartini et al. \(2021\)](#) and [Rahayu and Kanita \(2023\)](#) reported that the effect of GAS is not significant in several regions. These differences may be influenced by technical and non-technical factors, such as limited understanding of personnel, lack of training, or suboptimal accounting information system infrastructure. In Palembang City, the implementation of GAS is not merely administrative; it is applied in practice to improve the quality of honest, reliable, and accountable financial statements.

The implementation of GAS has been proven to have a positive and significant effect on the quality of financial statements in the regional apparatus of Palembang City. The calculated t-value of 7.288 is greater than the t-table value of 1.985, with a significance level of  $0.000 < 0.05$ ; thus,  $H_0$  is rejected and  $H_1$  is accepted. This finding indicates that improvements in GAS implementation contribute to enhancing financial statement quality. Descriptively, the average respondent score fell into the “good” category, indicating consistent implementation of GAS across regional apparatus organizations.

Government Accounting Standards (GAS) function as guidelines for the recording, measurement, and presentation of government financial statements in accordance with applicable regulations. The implementation of GAS based on PPP ensure financial statement stements are a carnelian lately, transparent. Most respondents stated that regional apparatus organizations prepared financial statements in accordance with GAS, including the Budget Realization Report (LRA), Cash Flow Statement (LAK), and Notes to Financial Statements (CALK). This condition supports the preparation of relevant, consistent, and accrual-based reports, thereby providing a comprehensive picture of the local government’s financial position.

Consistent implementation of the GAS enables regional apparatus organizations to design financial statements that can serve as a basis for decision-making, supervision, and evaluation across periods and regions. With accrual-based accounting, financial statements provide a comprehensive picture of assets, liabilities, and equity, thus improving report quality. Conversely, weak GAS implementation may result in inaccurate financial statements, noncompliance with standards, and potentially lower audit opinions from BPK because the reports do not reflect actual financial conditions.

#### *4.6.3. The Effect of the Effectiveness of the Internal Control System and the Implementation of Government Accounting Standards on Financial Statement Quality*

The F-test results show that the effectiveness of ICS and the implementation of GAS simultaneously have a positive and significant effect on the quality of financial statements in the regional apparatus of the Palembang City. The calculated F-value of 206.803 exceeds the F-table value of 3.09 with a significance level of  $0.000 < 0.05$ ; thus, the alternative hypothesis is accepted. These results indicate that both variables simultaneously influence the improvement of local government financial statement quality.

This simultaneous effect indicates that ICS and GAS reinforce one another. ICS ensures effective internal control so that recording and reporting processes are reliable, whereas GAS provides accrual-based accounting guidelines to prepare fair, systematic, and consistent reports. The application of both aspects ensures that financial statements are compliant with standards and are accurate and accountable.

The coefficient of determination ( $R^2$ ) value of 0.816 indicates that 81.6% of the variation in financial statement quality can be explained by the effectiveness of ICS and the implementation of GAS simultaneously, while the remaining 18.4% is influenced by other factors outside this analytical model. This finding emphasizes that financial statement quality is strongly influenced by the consistent application of both variables. If one variable is not optimal, for example, GAS is implemented without adequate ICS support, the verification and supervision processes will not run optimally, and vice versa.

These results confirm that the quality of public sector financial statements can only be achieved through collaboration between an effective ICS and the uniform implementation of GAS. Continuous implementation of ICS and GAS supports regional apparatus organizations in facing audits, obtaining Unqualified Opinions (WTP), and increasing transparency and accountability. This is consistent with previous studies emphasizing that both systems must be implemented together to ensure that financial statements remain relevant, reliable, comparable, and understandable.

## **5. Conclusions**

### **5.1. Conclusion**

Based on the study's findings, the effectiveness of the Internal Control System (ICS) and the implementation of Government Accounting Standards (GAS) have a significant positive impact on the quality of financial statements of the regional apparatus of Palembang City. The research shows that the effectiveness of ICS leads to more orderly, accurate, and procedurally compliant financial recording and reporting, resulting in transparent and accountable financial statements. Similarly, the consistent implementation of GAS ensures that reports are prepared according to uniform, accrual-based government accounting principles, making the information relevant, comparable, and reflective of actual financial conditions.

Both ICS and GAS contribute to improved financial statement quality. Furthermore, the combined effectiveness of the ICS and GAS significantly enhances the credibility of financial statements, ensuring accurate reporting and facilitating the audit process. Financial management personnel from all regional apparatus organizations noted that financial reporting has become more systematic, verifiable, and transparent, supporting better audit opinions from external audit institutions than before. The synergy between the ICS and GAS plays a crucial role in achieving high-quality financial statements.

### **5.2. Research Limitations**

This study had several limitations. First, it only analyzes two variables, ICS effectiveness and GAS implementation; therefore, other factors that may affect financial statement quality, such as human resource competence, organizational commitment, use of information technology, and organizational culture, are not examined. Second, the use of a survey method through questionnaires makes the research results dependent on respondents' subjective perceptions, which may introduce biases. Third, this study was conducted only in regional apparatus organizations in Palembang City in 2025; therefore, the results cannot be directly generalized to other local governments with different conditions.

### **5.3. Suggestions and Directions for Future Research**

Future research could explore the impact of external audits on financial statement quality and how they reinforce the effectiveness of the ICS and GAS. It would also be valuable to investigate the role of human resources, such as training and expertise, in the successful implementation of ICS and GAS. Additionally, research on the role of technology, including financial management software, in improving ICS and GAS could be insightful. Comparative studies across different regions would offer a broader understanding of the factors influencing the effectiveness of these systems and reveal regional best practices.

A longitudinal study of the long-term effects of the ICS and GAS on financial accountability could help assess sustained improvements in financial reporting. Furthermore, incorporating stakeholder perceptions, such as those of government officials, citizens, and auditors, would provide a more holistic view of ICS and GAS effectiveness in the public sector. Finally, examining the impact of regulatory changes on ICS and GAS implementation could help assess the adaptability of these systems in response to evolving regulations.

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### Author Contributions

NSZ conceptualized the study, developed the research design, conducted data analysis, and drafted the manuscript. EJJ contributed to data collection, literature review development, and interpretation of findings. C supervised the research process, provided critical revisions, and refined the manuscript for intellectual content. All authors reviewed and approved the final version of the manuscript and agreed to be accountable for all aspects of the work.

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