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The Influence of Public Sector Accounting Systems and Budget Transparency on Quality Financial Reports in Local Governments

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ABSTRACT
The caliber of local government financial reports serves as a crucial metric for evaluating the degree of accountability and openness in public financial management. Nonetheless, numerous local governments in Indonesia continue to face challenges in producing reliable financial reports that comply with accounting standards. This study aims to investigate the impact of public accounting systems and budget transparency on the quality of local government financial reporting. This study uses a quantitative approach with multiple linear regression analysis techniques. The study population encompasses all local governments in Indonesia, comprising 34 provinces, 416 regencies, and 98 cities. All populations are surveyed using the census method. Data were obtained from the 2023 BPK Audit Report, municipal budget records, and details regarding implementing SAP-based accounting systems. The research findings show that the public sector accounting system and budget transparency, both partially and simultaneously, have a positive impact on high-quality financial reporting. The determination coefficient (R^2) of 0.682 shows that this component contributes 68.2% of the differences in high-quality local government financial reports. This study reveals that the integration between the implementation of the public sector accounting system and budget transparency plays an important role in realizing high-quality financial reporting. These findings are expected to be the basis for strengthening the regional financial governance reform agenda based on empirical evidence.

Keywords: accounting system; budget transparency; financial report quality; local government; public sector

Introduction

Public sector accounting systems are a medium for building transparency and accountability of local governments in managing state finances. Through this medium, the general public and various stakeholders can easily monitor the preparation of financial data [1]. Local governments can submit better financial reports, which can improve budget effectiveness and fiscal integrity through the use of accounting systems [2]. Implementing accounting systems can provide fast, relevant, and credible financial data. In addition, the implementation of accounting systems is also able to increase efficiency and effectiveness in decision-making and can increase public trust in the performance of local governments [3]. Indonesia, as a developing country, is greatly helped by the implementation of a public sector accounting system, which is one of the transparency standards in improving the quality of local government financial reporting [4]. Therefore, it is very important to understand how the public accounting system, budget transparency, and reporting quality correlate with each other [5].

Local governments need to ensure that financial reports are prepared by the Public sector accounting system that meets accountability and transparency standards [6]. This is very important to prevent errors and increase the efficiency of resource allocation because this system allows comprehensive monitoring of budget utilization from planning to accountability [7]. Thus, one of the main principles of long-term regional financial reform is to strengthen the public sector accounting system.

Although public sector accounting system reforms have been implemented extensively in Indonesia, many problems still occur at the regional level. Based on the 2023 report from the Supreme Audit Agency (SAA), almost 14,000 instances of budget management non-compliance were identified, with discrepancies totaling IDR 18.37 trillion [8]. This shows that local government financial reporting has not met high accountability standards [9]. In addition, based on the results of a survey by Transparency International Indonesia, the national Corruption Perception Index (IKP) is still at 34 out of 100, which indicates that many people are still worried about the unclear management of public sector finances [10]. In addition, the proportion of capital expenditure in the Regional Revenue and Expenditure Budget (APBD in Indonesian) is often inversely proportional to high-quality financial reporting, which indicates that financial management and reporting are not running well [11]

Further research is needed on how accounting practices and transparency may impact local governments' financial reporting quality. As a result, financial reporting worsens because the local financial management system lacks technical capabilities, especially in implementing the government financial information system and accrual-based accounting principles. Human resources cannot adapt to changes in systems and regulations, according to research [12]. The results of the BPK audit show that fiscal control and assessment are more difficult because some regions do not record budgeting and spending realization properly [13]. In such circumstances, it is important to investigate how transparency and accounting system practices can improve the quality of local government financial reporting entities.

Based on several previous research results, research has been conducted regarding the influence of public sector accounting practices and high-quality financial reporting. One researcher found that implementing the Regional Management Information System (SIMDA in Indonesian) financial information system and accrual-based Government Accounting Standards (GAS), resulted in better local government financial reports [1]. However, it has been shown [4] that budget transparency improves local government performance and financial reporting in Indonesia. The assertion that the adoption of international standards such as the International Public Sector Accounting Standard (IPSAS) markedly enhances the accountability of financial reports within local governments is corroborated by research conducted by [2]. On the other hand, research [14] emphasizes the importance of digitalization and institutional readiness in helping to improve financial transparency and implement government accounting standards.

In addition, [15], in the context of Sub-Saharan Africa, showed that transparency of local government finances increases public trust, strengthening fiscal legitimacy. In-depth findings were also presented by [16], who stated that the level of corruption in Indonesian regional government financial reports was inversely proportional, especially with low audit findings. On the other hand, [17], through a cross-country study, found that IPSAS implementation is not always directly correlated with fiscal transparency without institutional support. From these studies, it can be seen that many rely on certain mediations or moderation (such as public participation or audits), while this study will directly test the effect of the accounting system and transparency on the high-quality financial reports without using mediating variables, thus providing its contribution to the empirical approach. Thus, the advantage of this study lies in the direct approach that assesses the effect of the public accounting system and budget transparency on high-quality local government financial reports without the intermediary of other variables. Unlike previous studies that tend to add mediation or moderation, this study will show how much real influence the two variables have on high-quality financial reporting. The focus of the study is also specifically aimed at Indonesian local governments, which have so far faced serious challenges in public financial management practices.

This study bases its main theoretical framework on the public accountability theory, which is relevant in explaining the relationship between public sector accounting systems, budget transparency, and the quality of local government financial reporting entities. According to this theory, public institutions have a moral and functional obligation to be responsible for using resources for the public interest through administrative compliance and transparent and informative financial reporting [18].

In local financial governance, public accountability is reflected in how local governments prepare, present, and communicate their financial reports to the public. In line with that, [3] showed that an accrual-based public sector accounting system supported by an adequate financial information system plays an important role in encouraging publicly accountable financial reporting. Support for this theory is also shown by [1], who stated that implementing SAP (Government Accounting Standards) and digital financial systems contributes significantly to increasing fiscal accountability and the quality of financial reporting from municipal governments.

Furthermore, [17] emphasized that transparency values must accompany public sector accounting reforms to build public trust and fiscal legitimacy. On the other hand, budget transparency in this theory is positioned to strengthen answerability and enforceability, namely the public's ability to assess and demand government accountability for budget use [15]. Therefore, public accountability is a key concept that encompasses the relationship between this study's main variables. Through this theory, this study aims to examine how implementing a public sector accounting system and budget transparency can empirically improve the quality of financial reporting from municipal governments. With a direct approach without using intermediary variables, this study contributes to developing a public accounting framework that is adaptive to demands for accountability and fiscal transparency at the local level.

The novelty of this study lies in the integration of two important aspects of local financial management—namely, the Public accounting system and budget transparency—as determinants of high-quality financial reporting without using intermediary variables. This study also provides methodological added value with a more direct quantitative approach to evaluate the causal relationship between the main variables. This research offers pertinent empirical contributions for fiscal policymakers, oversight organizations, and scholars in creating a more flexible and accountable public accounting system by concentrating on the setting of Indonesian local governments.

This study's primary goal is to conduct an empirical analysis of the relationship between quality local government financial reporting settings and the Public accounting system and budget transparency. Given the pressing need to strengthen the accuracy of local government financial reports as a foundation for public accountability, this research is crucial. With strong empirical support, this study is expected to serve as a reference for developing regional fiscal policies and improving a more efficient and open public accounting system.

Method

This study uses an explanatory quantitative method to empirically investigate the impact of budget transparency and public sector accounting procedures on high-quality financial reporting by Indonesian local governments. The quantitative approach was chosen because of its ability to methodically and objectively explain the causal relationship between variables using relevant statistical methods.[19]. This study does not use mediating or moderating variables, so the primary focus is directed at direct testing between independent and dependent variables.

The population of this study includes all local government entities in Indonesia, consisting of 34 provincial governments, 416 district administrations, and 98 city governments. The total number of local government units is 548, and the complete population is utilized as a research sample. This method is referred to as a census, wherein all population units are incorporated as respondents or observation units in the data collection process. Utilizing the complete population as a sample aims to eliminate selection bias while simultaneously enhancing the external validity of the resultant analytical findings.

This study utilizes quantitative secondary data obtained from official government papers. Information regarding high-quality financial reports is derived from the Audit Result Report published by the Republic of Indonesia Audit Board (BPK RI) for the 2023 fiscal year. The High-quality financial reports are assessed based on the BPK audit opinion categorization, which is translated into an ordinal scale: Unqualified Opinion (scoring 4), Qualified Opinion (scoring 3), Adverse Opinion (scoring 2), and Disclaimer Opinion (scoring 1). Simultaneously, data concerning the Public accounting system is collected based on compliance with the adoption of accrual-based Government Accounting Standards (SAP) and the use of financial information systems such as SIMDA or SIPD. Information regarding budget transparency is acquired through the surveillance of local government official websites, encompassing the dissemination of budget documents, reporting on budget execution, and the accessibility of budget planning and implementation data.

All variables in this study are assessed using quantifiable indicators that can be operationalized. As the initial independent variable, the public accounting system encompasses three components: the execution of accrual-based SAP, the presence of a regional financial information system, and adherence to financial reporting regulations. The second independent variable, budget transparency, is assessed by the quantity and quality of budget materials disseminated online by local governments, encompassing APBD documents, annual planning, and budget realization reports. The dependent variable, specifically the Quality Financial Reports, is assessed based on the BPK audit opinion, which has been translated into ordinal values, as previously stated.

The data acquired from these sources are aggregated and analyzed using IBM SPSS and Stata statistical software. The data processing technique commences with the data editing and cleansing phase to guarantee data consistency and completeness. Additionally, descriptive analysis is conducted to summarize data features, including mean values, standard deviations, minimum values, and maximum values. Subsequently, classical assumption tests are conducted, encompassing normality assessments via the Kolmogorov-Smirnov method, multicollinearity evaluations through Variance Inflation Factor (VIF) and tolerance values, heteroscedasticity examinations utilizing the Glejser test method, and autocorrelation analyses employing the Durbin-Watson approach.

This study uses multiple linear regression analysis techniques and hypothesis testing. This technique was selected for its ability to assess the concurrent and partial effects of multiple independent factors on a single dependent variable. The employed regression model is articulated as follows:

$$Y_{it} = b_0 + b_1.X_{1it} + b_2.X_{2it} + \varepsilon_{it} \quad \text{...} \quad (1)$$

In this equation, Y_{it} denotes high-quality local government financial reports, X_1 signifies the public sector accounting system, X_2 indicates budget transparency, b_0 represents a constant, b_1 and b_2 are regression coefficients, and ε is an error term that accounts for external factors influencing the dependent variable. The significance of the link is assessed by analyzing the p-value of each coefficient, with the hypothesis accepted if the p-value is below the 5% significance level ($\alpha = 0.05$). The determination coefficient (R^2) measures the degree to which the variability in the high-quality financial reports is explained by the two independent variables.

The results of data processing are presented in the form of statistical tables, including descriptive statistical tables, classical assumption tables, regression tables, and determination coefficient tables. Meanwhile, the data are presented methodically and accompanied by an analysis of each result. This study produces empirical results that are reliable and trustworthy. These results are used as a basis for making evidence-based fiscal policies at the local government level.

Results and Discussion

The results of the data analysis in this section are a combination of all local governments in Indonesia, totaling 548 entities, consisting of 34 provinces, 416 regencies, and 98 cities. The data were analyzed descriptively and inferentially. Descriptive analysis aims to explain the conditions of the three main variables, namely the public sector accounting system, budget transparency, and high-quality financial reporting. Meanwhile, inferential analysis aims to determine the magnitude of the influence of each independent variable on the dependent variable and to test its hypothesis. The hypothesis test is to test the influence of the public sector accounting system and budget transparency on high-quality financial reports produced by local governments, both partially and simultaneously.

Descriptive Analysis

This study uses descriptive statistical analysis, which includes the mean, standard deviation, and maximum and minimum values. This analysis aims to evaluate high-quality financial reporting and the level of fiscal policy implementation in various regions. Based on this analysis, a basic understanding of the differences and discrepancies in implementation among local government organizations can be obtained.

Descriptive data also builds a foundation for further analysis. Regression analysis allows researchers to see potential systemic limitations and policy consequences in public accounting and fiscal transparency. This methodology is designed to gain a comprehensive understanding of the strengths and weaknesses of public financial management in Indonesia. Table 1 shows each variable's maximum, minimum, average, and standard deviation values.

Table 1. Descriptive Statistics

No	Variable	N	Max	Min	Mean	Std.Dev.
1	Public Sector Accounting System	548	5.0	2.18	3.79	0.48
2	Budget Transparency	548	5.0	1.99	3.75	0.58
3	Financial Report Quality	548	100	45.79	75.63	10.23

Based on Table 1, the average value of the public sector accounting system is 3.79, and the standard deviation is 0.48, indicating that most local governments have effectively adopted the accrual-based accounting system. The public accounting system variable has the smallest value of 2.18 and the largest value of 5.00, indicating disparities in implementing this system in various regions. Accrual-based accounting in Indonesia's public sector is regulated by Government Regulation No. 71 of 2010 concerning Government Accounting Standards. Research by [12] indicated that despite the required nature of accrual-based accounting, its application remains confined to creating financial reports, lacking significant alterations in the systems and processes of regional financial administration.

A study by [5] revealed that the adoption of accrual accounting in the Indonesian public sector has challenges, such as inadequate training, a shortage of proficient public sector accountants, and disjointed information technology systems. This signifies that despite the establishment of regulations, the preparedness and capability of local governments to execute this system remain inconsistent.

Local governments with poor scores require specialized training and technical assistance to guarantee that their accounting systems provide credible and standardized financial reports.

Moreover, enhancing laws and oversight from the central government can facilitate the uniform application of accrual-based accounting throughout various regions.

Moreover, the integration of municipal financial information systems with public transparency platforms, including information disclosure websites or online budget realization dashboards, can establish a more robust and automated chain of responsibility. Local governments can increase public trust in their financial management by connecting internal accounting systems with public disclosure media.

The mean budget transparency value of 3.75 and a standard deviation of 0.58 signify that most local governments have attained a somewhat elevated fiscal information sharing. The budget transparency variable has the smallest score of 1.99 and the maximum of 5.00, indicating a fairly large disparity between entities. Fiscal transparency is a fundamental component of effective government. Research by [13] indicates that transparency and accountability are crucial for enhancing the efficacy of budget management and the performance of local government personnel. Research by [20] indicated that high-quality financial reporting and the political context greatly enhance local government transparency in Indonesia. Nonetheless, the dimensions of the local government and its responsiveness to regulations do not substantially influence transparency.

The implication is that regions with low transparency scores must be encouraged to increase information openness through information technology, such as online budget portals, and involve the public in budget planning and monitoring. This aligns with global initiatives such as the Open Government Partnership, which encourages transparency and public participation in governance.

Moreover, enhancing the function of supervisory entities like the Audit Board of Indonesia (BPK) and augmenting public engagement in regional financial oversight are crucial for promoting accountability and transparency. Consequently, transparency serves as both a mechanism for information accessibility and a crucial tool for enhancing the integrity of the public financial reporting system.

The average Quality Financial Report is 75.63 with a standard deviation of 10.23, indicating that most financial reports are produced at a high level. The fairly large standard deviation of the Quality Financial Reports indicates that there are differences in each region. This can be seen from the scores obtained between the minimum and maximum values , which are quite far apart, namely 45.79 and 100.00. These results are from the study that has been conducted [9] that the political competitiveness of each region and compliance with audit recommendations from the BPK affect the Quality of Financial Reports. The results of other studies [21] state that high-quality local government financial reports are influenced by accounting understanding, professional experience, and the use of accounting information technology. The results of this study provide an indication that internal problems in the company greatly affect the Quality of Financial Reports.

Local governments must pay attention to the fact that the quality of good financial reports is largely determined by the effective implementation of audit recommendations, the capabilities of accounting staff, and the internal control system. In addition, other factors affect the Quality of Financial Reports, namely, local government supervision and community participation in budgeting. Local governments need to have a commitment to producing credible and reliable financial reports.

Therefore, accounting information systems and financial transparency must be the focus of the financial reform agenda. In addition, the use of digital technology in accounting information systems can minimize the potential for errors and can increase data processing efficiency. The implementation of an integrated accounting information system is not only able to produce quality financial reports but can also increase transaction traceability and auditability. Previous research shows that digital transformation in public sector accounting can increase efficiency, encourage compliance with regulations, and strengthen stakeholder trust in public financial results.

Inferential Analysis

Inferential analysis aims to determine the magnitude of the influence of the Public accounting system and budget transparency on high-quality financial reports produced by local governments. The inferential analysis begins with conducting classical assumption tests, multiple regression, and determination analyses. The classical assumption test is conducted to validate the use of multiple linear regression models. Classical assumption tests include normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Multiple regression analysis is used to find the influence of the public accounting system (X_1) and budget transparency (X_2) on the quality of local government financial reporting (Y).

Table 2. Outcomes of the Classical Assumption Evaluation of the Regression Model

	Normality	**Multicollinearity**	**Heteroscedasticity**	**Autocorrelation**
Test Method	Kolmogorov–Smirnov	Variance Inflation Factor	Glejser Test	Durbin-Watson
Results	Statistic = 0.051; p-value = 0.210	VIF X_1 = 1,03 VIF X_2 = 1,02	p-value X_1 = 0,167 p-value X_2 = 0,193	DW value = 1.98

Based on Table 2, a normality test was performed utilizing the Kolmogorov–Smirnov method, yielding a statistical result of 0.051 and a p-value of 0.210. Since the p-value is above the significance threshold of 0.05, the residual data is deemed normally distributed. This signifies that the regression model satisfies the assumption of normalcy, which is crucial for inferential validity in regression analysis.

A multicollinearity assessment was performed by evaluating the Variance Inflation Factor (VIF) for each independent variable. The findings indicated a VIF of 1.03 for X_1 and a VIF of 1.02 for X_2. Both values are much below the common criterion of 10, indicating an absence of multicollinearity. Consequently, each independent variable in the model is devoid of the issue of elevated linear correlation with itself.

Heteroscedasticity assessment utilizing the Glejser method yielded p-values of $X_1 = 0.167$ and $X_2 = 0.193$. As both p-values exceed 0.05, the model exhibits no indications of heteroscedasticity. This indicates that the model error variance remains constant (homoscedastic), which is crucial for the reliability of coefficient estimate outcomes.

Autocorrelation assessment utilizing a Durbin-Watson (DW) statistic of 1.98. This number approximates 2, signifying the absence of autocorrelation among the residuals. This enhances the validity of the regression model in elucidating the association between variables, devoid of the impact of consecutive residuals.

Based on Table 2, it can be seen that the four test results show that the regression model in this study meets all classical assumptions. Thus, this model is declared valid and suitable for testing hypotheses and reliably drawing statistical conclusions.

Multiple Regression Analysis

Regression analysis is utilized to determine the relationship between the dependent variable and one or more independent variables. This study designates high-quality financial reporting as the dependent variable, with the Public accounting system and budget transparency as the independent variables. The regression analysis results are presented as regression coefficients for each independent variable. The outcomes of the computations for establishing the regression equation are presented in Table 3.

Table 3. Results of Multiple Regression Analysis

No.	Model	Unstandardized Coefficients		t	Sig. (p-value)
		a	Std. Error		
1	(Constant)	1.215	0.312	3.894	.000
	Public Sector Accounting System (X_1)	0.437	0.088	4.966	.000
	Budget Transparency (X_2)	0.392	0.094	4.170	.000

a. Dependent Variable: Quality Financial Reports

Based on Table 3 above, the following regression formula can be obtained:

$$Y_{it} = 1.215 + 0.437.X_{1it} + 0.392X_{2it} \ldots\ldots\ldots\ldots\ldots\ldots \quad (2)$$

The interpretation of the above regression is as follows:

Public accounting system variable (X_1) has a coefficient of 0.437. This means that every unit increase in the quality of the public sector accounting system will increase the Quality Financial Reports by 0.437, assuming other variables remain constant. Public accounting system variable (X_1) has a coefficient of 0.437, meaning that every increase of one unit of the public sector accounting system will increase the Quality Financial Reports by 0.437, assuming other variables remain constant. Another meaning is that the public sector accounting system variable has a positive effect on the Quality of Financial Reports.

The value of the budget transparency variable (X_2) of 0.392 means that every increase of one unit of budget transparency will increase the Quality Financial Reports by 0.392, assuming other variables remain constant. Another meaning is that the budget transparency variable has a positive effect on the Quality of Financial Reports.

The budget transparency variable (X_2) has a value of 0.392. This means that each increase in budget transparency units will increase high-quality financial reporting by 0.392, assuming other variables remain constant. This confirms that budget transparency positively impacts the development of quality financial reporting.

Coefficient of Determination

Determination analysis is employed to ascertain the proportion contribution of independent variables (public sector accounting system and budget transparency) concurrently to the dependent variable (Quality Financial Reports). This coefficient signifies the proportion of the independent variables in the model that may explain the variation in the dependent variable. The determination coefficient (R^2) signifies the degree to which the variation in the dependent variable is explained by the independent variable X. Nevertheless, it is insufficient to consider alone the R-squared value. The adjusted R^2 value is more effective for assessing the model's robustness. The analysis of the determination coefficient is presented in Table 4.

Table 4. Determination Coefficient Value

	R-Square	Adjusted R-Square	F-Statistic	Sig. F (p-value)
Value	0.682	0.679	86.135	0.000

Based on Table 4, the Public accounting system and budget transparency simultaneously significantly impact high-quality financial reports produced by local governments. Based on the calculation results, the Adjusted R-squared value is 0.679, which indicates that the independent variables explain 67.9% of the variance in the Quality Financial Reports. Each variable's regression coefficient and significance indicate that both have a statistically relevant effect. These results are then discussed in three main points that are arranged thematically based on the order of variable analysis and the strength of the relationship between variables in the model.

The focus of this research is three things: first, how public sector accounting system affects the Quality of Financial Reports; second, how budget transparency improves the Quality of Financial Reports; and third, how the combination of accounting systems and transparency improves the quality of local government financial reporting. Statistical results, previous empirical research results, and conceptual interpretations related to public sector financial governance practices are used to examine each point thoroughly.

The Impact of Public Sector Accounting Systems on Financial Report Quality

The public accounting system plays an important role in developing a quality financial reporting system in local government. This study shows that the public sector accounting system influences high-quality local government financial reports. This study's results align with the opinion of [1], which states that the accrual-based accounting framework improves the accuracy and transparency of financial reporting, creates financial reports that can be done faster, and minimizes errors by implementing systems such as SIMDA or SIPD [2].

Based on the multiple regression equation, the public sector accounting system(X_1) has a positive coefficient of 0.437 and a significance value (p-value) of 0.000. A p-value <0.05 means that the public sector accounting system significantly influences high-quality financial reports. A positive regression coefficient indicates that a 0.437-point increase will follow a one-unit increase in the accounting system in the Quality Financial Reports. These results indicate that the quality factor of financial reports is influenced by system infrastructure and accounting practices that are applied consistently [22]; [4]. This result is in line with previous research [16], which stated that regions that have not implemented a good accounting system are unlikely to receive an unqualified audit opinion, while regions that have implemented a good accounting system are more likely to receive an unqualified audit opinion.

Local governments can combine reports and track cash flows in real-time if done through an SAP-compatible accounting system integration module. This process makes report preparation more efficient and reduces reporting delays [1]. Previous research has also concluded that local governments' implementation of IPSAS (International Public Sector Accounting Standards) is effective in improving the Quality of Financial Reports [2]. However, not all local governments in Indonesia have the technical capacity or human resource capabilities sufficient to implement a public sector accounting system optimally. Therefore, a strategy for increasing capacity and continuous technical assistance is needed. Research by [17] shows that the success of implementing public accounting standards is highly dependent on the organizational readiness and culture of the local bureaucracy. Some regions face obstacles such as a lack of training, resistance to change, and weak internal supervision that hinders reporting accuracy. Thus, policy interventions are needed to support increasing institutional capacity. Differences in the ability to implement accounting systems between regions also create disparities in BPK audit opinions. [16] Noted that local governments with weak internal controls and low compliance with SAP are more likely to receive an Adverse Opinion or even a No Opinion. This indicates the importance of the accounting system not only as a technical instrument but also as a control tool that reflects local governments' accountability level. Research by [23] shows that low comparability of financial statements is correlated with an increased risk of accounting fraud, emphasizing the importance of transparency and consistent reporting standards to prevent deviations. Therefore, accounting system reform should not be merely symbolic but must be translated into objectively verifiable financial reporting practices.

Overall, the results of this study support the idea that strengthening public sector accounting systems is a key method for improving the quality of local government organizations' financial reports [24]. In the long term, the implementation of accrual-based accounting and an effective financial information system will produce reports that are more transparent, relevant, and trustworthy to the public and supervisory institutions. Thus, these results provide a strong basis for policymakers to prioritize improving accounting infrastructure as part of public financial management reform.

The integration of these studies indicates a considerable correlation between the public sector accounting system and the quality of local government financial reporting. Enhancing reporting quality is achievable if local governments bolster the execution of accrual-based SAP and underpin it with a cohesive and thoroughly documented information system. This study empirically proves that professional and standardized public accounting methods promote budgetary responsibility and public trust [6].

The efficacy of the public sector accounting system is determined not just by technical considerations but also by organizational governance and the dedication of regional leaders to financial accountability. Research by [21] indicates that leadership engagement in monitoring, reporting, and internal control substantially influences the Quality of Financial Reports. An accounting system implemented by SAP will not yield quality reports without the backing of leadership commitment to uphold the integrity of the reporting process. The study in [11] asserts that the quality of public accounting information is significantly affected by the organization's ability to implement standards and adhere to fiscal transparency principles continuously.

Furthermore, the digitization of the accounting system represents a vital factor that can improve both the efficiency and accuracy of the financial reporting process. Online financial information systems are able to accelerate the process of sending data in real-time, reduce human error, and increase the efficiency of audits by supervisory bodies such as the BPK [14]. Based on previous research [12] concluded that applications that utilize the SIPD system and are supported by skilled human resources can produce more comprehensive and timely reports compared to those that rely on manual methods. Therefore, local governments are interested in investing in financial information systems and providing training for accounting personnel to improve high-quality financial reporting.

The Impact of Budget Transparency on Improving the Quality of Financial Reports

The transparency of the budget is a guarantee of accountable public financial governance. The public can access all documents related to planning and spending funds carried out by local governments. The results of this study state that budget transparency affects high-quality local government financial reports. This finding is from previous studies [4], which stated that public involvement in the budget planning process and the dissemination of budget documents online can improve the accuracy and credibility of local government financial reports.

There is a statistically significant effect at the 95% confidence level for the budget transparency variable (X_2). The results of the regression analysis show a regression coefficient of 0.392 and a significance level of $p = 0.000$. The t value of 4.170 supports the claim that greater budget transparency by local governments is associated with improved Quality of Financial Reports produced. These findings corroborate the study by [15], which showed that fiscal openness enhances public trust and bolsters the legitimacy of financial reports in local governments within Sub-Saharan Africa.

Furthermore, these findings indicate that local governments that routinely publish the APBD, budget changes, monthly realizations, and annual financial accountability reports tend to obtain better audit opinions. This is due to increased internal accountability and more open public supervision. [1] added that openness in financial reporting incentivizes local financial officials to be more careful in preparing reports per SAP and accrual-based accounting principles.

In the Indonesian context, the practice of budget transparency that is still uneven between provincial, district, and city governments shows an imbalance in bureaucratic capacity and commitment to the principle of openness. Some regions still limit public access to budget documents or only provide information in formats that are difficult to access and understand. This finding is consistent with the study by [17], which emphasizes that the quality of transparency is determined not only by the availability of information but also by how the information is presented and communicated to the public.

Local governments that are committed to the principle of transparency show higher quality financial reports not only in terms of audit opinions but also in terms of a systematic and complete reporting structure. [2] showed that in the context of Namibian local governments, the application of fiscal transparency principles through international reporting standards can improve public perceptions of honesty in budget management. This study strengthens this evidence with the Indonesian context, showing that transparent local governments also tend to have better documentation and accounting systems.

Budget transparency also serves as a social control that can encourage more accurate and comprehensive reporting practices. When the public can see the performance of the local government budget in real time, the possibility of errors or manipulation in financial reporting is reduced. [16] emphasized that transparency helps prevent fiscal inefficiency because their audit results are lower, and the possibility of corruption or budget irregularities is lower.

These results are very important for supervisory institutions such as the BPK, KPK, and Ombudsman. These institutions can use transparency as a first step to find possible financial reporting failures. This study suggests that regional financial reform should prioritize improving the accounting system and increasing public access to budget information. This shows the importance of integrating the proposed fiscal transparency system with an easy-to-use digital platform [4]. In short, regional government financial reports are clearer about the budget. Regional governments encouraging public access to budget planning, implementation, and reporting show more accountability and opportunities to obtain audit opinions. As a result, transparency helps people know about things and is an important tool to keep the public financial reporting system clean.

Simultaneous Contribution of Accounting System and Transparency to Financial Reporting Quality

This study shows that budget transparency and public sector accounting systems both have limited effects on the amount of data reported and the Quality of Financial Reports. With an R-squared value of 0.682, the regression model shows that the combination of the two independent variables can account for about 68.2% of the variability found in high-quality financial reports produced by local governments. Credible and reliable financial reporting is achieved through the combination of a strong accounting system and consistent levels of transparency [1]. According to research [25], increasing accounting comparability through the adoption of international standards can improve high-quality financial reporting and increase stakeholder confidence in the information they provide.

In addition, as shown by the statistical significance of both independent variables, joint efforts to improve the transparency of public sector accounting practices will not be able to reach their maximum potential. By providing clear, accessible, and timely financial information to stakeholders, transparency is an important improvement in the accounting system, which significantly increases its effectiveness. This dual reinforcement fosters accountability, mitigates the likelihood of financial misstatements, and enhances trust in the management of government finances. Empirical studies highlight the importance of aligning disclosure practices with technical accounting accuracy to enhance financial reporting quality, particularly in decentralized government frameworks.

The model demonstrates a high coefficient of determination, supported by an F-statistic value of 86.135 and a significance level of 0.000. This indicates that the overall regression model holds significance at a 95% confidence level. This finding aligns with the study by [4], demonstrating that the integration of transparent financial governance and the application of public sector accounting standards significantly enhances the Quality of Financial Reports. Thus, this empirical model supports the theoretical framework that the synergistic strength between system infrastructure and fiscal openness values greatly influences the success of public sector financial reporting.

The interaction between the accounting system and budget transparency is not substitutive but rather complementary. [7] found that increasing accounting comparability improves high-quality financial reporting, strengthening public trust in government financial reports. Local governments that have implemented accrual-based SAP and digital financial information systems such as SIMDA or SIPD will get maximum results when these practices are accompanied by openness to the public in the budget planning and reporting process. A study by [2] shows that when international reporting standards are integrated with public disclosure practices, the quality and trust in financial reports increase exponentially. This shows that a strong accounting system will be more effective when supported by a high level of transparency.

In addition to providing clarity in the use of public funds, transparency also serves as external oversight of the internal accounting practices of local governments. This creates a check-and-balance mechanism between internal recording and reporting and public expectations. [15] State that budget transparency combined with accurate public accounting can create a dual effect in increasing fiscal accountability in developing countries. This means that when the accounting system is able to present valid financial information, then the openness of information will strengthen the validity of the data in the eyes of the public and supervisory institutions.

Furthermore, the simultaneous approach also helps explain why some local governments that already have good accounting systems still fail to produce quality reports. This factor is usually caused by a lack of transparency in budget implementation and reporting, which causes the report's reliability to be doubted by the BPK and the public. On the other hand, regions with less than optimal accounting systems but with high openness can still obtain good audit opinions because the public and supervisory institutions have sufficient access to correct or provide input on errors [17].

From a public policy perspective, this finding strongly argues that regional financial management reform cannot be focused on just one side. Efforts to improve high-quality financial reporting will be more effective if directed at two things at once: strengthening the Public accounting system and increasing budget transparency. [16] emphasized that regions with high scores in these two aspects not only consistently obtain WTP opinions but also have a lower risk of budget irregularities and are more trusted by stakeholders.

In practice, these findings support the need to integrate regional financial information systems with public transparency platforms, such as information disclosure portals or online budget realization dashboards. By connecting internal accounting systems with public disclosure media, local governments can create a stronger and more automatic chain of accountability. [1] suggest that digitalization is a very promising medium for uniting these two pillars so that strengthening the accounting system and transparency no longer run separately but are an interconnected systemically.

Considering all the findings above, the public sector accounting system and budget transparency simultaneously strongly influence high-quality local government financial reports. Combining the two produces more informative, accurate, and accountable reports. Therefore, strengthening the accounting system and increasing fiscal information transparency should be a top priority in the regional financial reform agenda. This research offers empirical evidence that good public financial governance can only be realized if these two dimensions are managed synergistically and sustainably.

Conclusion

The purpose of this study is to determine how budget transparency and public sector accounting systems affect the quality of local government financial reporting in Indonesia. This study found that the quality of local government financial reporting is significantly affected by budget transparency and public sector accounting systems, partially and simultaneously. The SAP public sector accounting system has improved financial reporting because it is accrual-based and uses financial information systems such as SIMDA or SIPD. Likewise, budget transparency improves fiscal accountability by making budget information easily accessible, increasing the credibility and trustworthiness of financial reporting. This shows that a reliable accounting system is essential for accurate and reliable reporting. As a result of the concurrent study, the accounting system and budget transparency simultaneously contributed to 68.2 percent of the variables in the quality of local government financial reporting. This finding suggests that creating high-quality public financial reports using a strong accounting system and consistent transparency practices is an effective method. Building an accountable financial reporting system that meets legal governance standards requires proper internal documentation and public transparency. Therefore, this study suggests that improving budget transparency and developing a public sector accounting system should be a top priority for local financial management reform. The central and regional governments must enhance their institutional ability, enhance the fiscal literacy of the apparatus, and integrate reporting mechanisms and information disclosure into a sustainable digital platform. As a result of these efforts, it is anticipated that financial reports will be produced that meet technical requirements and reflect high ideals of honesty and public accountability.

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