

# LITERATURE ANALYSIS: FACTORS INFLUENCING THE QUALITY OF GOVERNMENT FINANCIAL REPORTS AND GOVERNMENT ACCOUNTING ECOSYSTEM IN INDONESIA

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Received : 11 March 2025

Published : 22 May 2025

Revised : 29 March 2025

DOI : <https://doi.org/10.54443/ijset.v4i6.760>

Accepted : 10 April 2025

Publish link : <https://www.ijset.org/index.php/ijset/index>

## Abstract

Transparency and accountability in public financial management are the main pillars in realizing good governance. This study aims to systematically examine the factors that influence the quality of government financial reports in Indonesia and examine the role of the government accounting ecosystem in supporting quality financial reporting. Through a literature study of various previous studies, it was found that internal factors such as human resource (HR) competence, the effectiveness of the Government Internal Control System (SPIP), and the use of information technology play a significant role in improving the quality of financial reports. Meanwhile, external factors such as regulatory pressure, external audits, and public participation also contribute to improving the quality of reporting. However, challenges are still faced in terms of disparities in capacity between regions, cultural resistance to change, and coordination between institutions. Therefore, the development of a harmonious and sustainable government accounting ecosystem is key to realizing transparent, accountable, and quality financial reports.

**Keywords:** *Financial Report Quality, Government Accounting, SPIP, Information Technology, Accounting Ecosystem, Transparency, Accountability.*

## INTRODUCTION

In the era of modern governance, transparency and accountability in public financial management are the main things to realize public trust and effective supervision. Government financial reports function as a communication medium that provides an accurate picture of the financial position, performance, and cash flow of government entities. In this case, the government accounting ecosystem has a strategic role in supporting the quality of financial reports. Where, the quality of the report determines the effectiveness of budget management and accountability. According to Mardiasmo (2009), public accountability is the obligation of the public who are trusted to manage resources so that they can be accountable for the implementation of these tasks transparently.

As a country with a decentralized government system, Indonesia faces significant challenges in preparing financial reports that meet accrual-based government accounting standards. The quality of Indonesian government financial reports is often a concern and a focus for improving public policy. Based on a report from the Supreme Audit Agency (BPK), although there has been an increase in the achievement of audit opinions, there is still a disparity in the quality of reports between the central and regional governments, indicating that improving the quality of reports is not only an administrative issue, but also involves many structural and cultural factors.

This study aims to examine in depth and systematically the factors that influence the quality of government financial reports in Indonesia while examining the government accounting ecosystem that supports the implementation of such reporting. By analyzing literature from various previous studies, this article aims to provide strong scientific input for policy makers and academics to design strategic solutions that address the challenges of the quality of government financial reports.

## **LITERATURE REVIEW**

### **Quality of Government Financial Reports**

According to Mardiasmo (2009), the quality of financial reports is not only seen from the accuracy of the data, but also from the relevance, understandability, and consistency of the information presented. Quality government financial reports basically reflect financial conditions transparently and in accordance with the accrual-based Government Accounting Standards (SAP) applied in Indonesia. This standard regulates the recognition, measurement, presentation, and disclosure of financial reports to ensure the uniformity and reliability of the Regulation of the Minister of Finance of the Republic of Indonesia No. 58/PMK.05/2017).

### **Internal Factors Affecting Report Quality**

Many researchers highlight the role of internal factors in determining the quality of government financial reports. Human resource (HR) competence is the main key. Saputra et al., (2020) in their research observed that the competence of government accountants, including education, experience, and training, significantly affects the quality of financial report preparation. Research by Yulianto et al., (2022)) further emphasizes the need for continuous training to maintain optimal HR competence in the face of regulatory and technological changes.

In addition to human resources, the implementation of the Government Internal Control System (SPIP) has a strategic function in improving the quality of financial reports. Rizki et al. (2019) proved that the effectiveness of SPIP can reduce the risk of fraud and errors due to continuous supervision. This is in line with the findings of Adi et al., (2019) who found that internal control can improve the quality of reports directly or through the role of internal audit as a mediator.

### **The Role of Information Technology and Digitalization**

The use of information technology (IT) is also a significant factor. Sari and Nugroho (2018) stated that the implementation of the ERP (Enterprise Resource Planning) system in the government environment can increase the speed and accuracy of the financial reporting process. However, Wijaya et al., (2020) highlighted that the uneven distribution of IT capacity and inadequate infrastructure are significant obstacles in many local governments.

### **External Factors**

External factors include regulatory pressure, external audits, and public oversight that motivate the government to maintain the quality of financial reports. Ajeng, (2018) conducted a study on the influence of regulatory and social pressure, finding that the stricter the regulations and the stronger the public pressure, the higher the quality of reports prepared by local governments. Firdaus & Rahmawati, (2021) added that the results of the audit by the BPK that are transparent and accessible to the public increase the government's sense of accountability.

But the different conditions of regional governments produce significant disparities. Hardani et al., (2019) found a relationship between a permissive bureaucratic culture and financial report manipulation, especially in regions with weak levels of supervision. This condition creates new challenges in improving the quality of financial reports at the regional level.

### **Government Accounting Ecosystem in Indonesia**

The government accounting ecosystem is the entire system of rules, institutions, organizational culture, and interactions between stakeholders in the implementation of government accounting. Setiawan, (2020) and Mardiasmo, (2017) emphasized that a harmonious ecosystem is very important to ensure the sustainability of effective SAP implementation. Regulatory synergy, increasing HR capacity, and the existence of adequate IT infrastructure are the foundations of a healthy ecosystem.

However, cultural resistance to change, poor coordination between institutions, and disparities in resources between regions are major obstacles. This study encourages the need for holistic policies that do not only focus on one aspect, but build a comprehensive ecosystem.

The following table summarizes previous research relevant to this topic:

| NO | Author and Year                             | Variable X (Factor)                       | Variable Y (Financial Report Quality)            | Methods & Samples                        | Key Findings   |
|----|---|---|--|--|--|
| 1  | Saputra, J., Danang, T., & Anggoro, ( 2020) | HR Competence, SPIP                       | Quality of Regional Government Financial Reports | Quantitative study, 50 local governments | HR competency and SPIP simultaneously have a significant positive effect         |
| 2  | Adi, F., Lestari, R., & Rahman, ( 2019)     | Information Technology, Internal Audit    | Quality of Government Financial Reports          | Path analysis                            | Information technology as a positive mediator of the influence of internal audit |
| 3  | Rizki, H., Dian, A. & Sari, ( 2019)         | SPIP                                      | Quality of Financial Report Information          | Survey and linear regression             | Effective internal control improves the quality of reporting                     |
| 4  | Sari, W., & Nugroho, ( 2018)                | ERP Implementation (IT Technology)        | Accuracy and Speed of Financial Reports          | Case studies and quantitative analysis   | ERP systems increase data speed and accuracy                                     |
| 5  | Hardani et al. (2019)                       | Bureaucratic culture, Social pressure     | Quality of Regional Financial Reports            | Qualitative and quantitative analysis    | Permissive bureaucratic culture regarding reporting irregularities               |
| 6  | Firdaus & Rahmawati, ( 2021)                | External Audit, Public Transparency       | Quality of Government Financial Reports          | Empirical study with BPK audit data      | Audits and transparency increase accountability                                  |
| 7  | Setiawan, ( 2020)                           | Accounting ecosystem (regulation, HR, IT) | SAP Implementation and Reporting Quality         | Descriptive and analytical studies       | A harmonious ecosystem is important for consistency and quality.                 |
| 8  | (Yulianto et al., 2022)                     | HR Training                               | Competence and Quality of Regional Reports       | Surveys and questionnaires               | Continuous training improves HR capabilities                                     |
| 9  | (Susanti & Prasetyo, 2019)                  | Blockchain Technology                     | Transparency & Security Reporting                | Conceptual and preliminary studies       | Blockchain can increase transparency 20 and data security                        |

Data: Processed by Author 2025

## METHOD

This study uses a systematic literature study approach that collects and reviews research publications related to government financial report quality factors and the Indonesian public sector accounting ecosystem. The search was conducted on national and international databases, scientific journals, theses, and institutional reports with publication criteria between 2010 and 2023 to ensure up-to-date relevance. The analysis was conducted narratively and thematically by combining various empirical and conceptual perspectives.

## RESULTS AND DISCUSSION

### **The Role of HR Competence in Report Quality**

HR competency can influence the quality of reports by increasing understanding, recording accuracy, and proper implementation of SAP Saputra et al., (2020). In addition to education, ongoing training and certification are important instruments in adapting to changes in standards and technology. Yulianto et al., (2022) emphasized that ongoing formal training improves staff technical skills, reduces errors, and increases compliance with standards.

### **Effectiveness of Government Internal Control System (SPIP)**

The internal control system is an important preventive and corrective mechanism that increases the credibility and audibility of reports Rizki et al., (2019). SPIP that is designed and implemented effectively can reduce the risk of reporting errors and fraud. However, the effectiveness of control depends on the quality of human resources and organizational commitment, so it must be combined with training programs and continuous monitoring Adi et al., (2019)

### **The Role of Information Technology and Digitalization**

Digitalization, especially the implementation of ERP and integrated accounting information systems, significantly increases the efficiency and accuracy of financial data Sari & Nugroho, (2018). Migration to electronic systems reduces the risk of human error, speeds up processes and facilitates reporting. However, disparities in IT infrastructure between regions have caused some areas to be left behind Wijaya et al., (2020) Susanti & Prasetyo, (2019) introduced blockchain as an alternative technology to strengthen the security and transparency of reporting data in the future.

### **The Influence of Regulation, Audits, and Social Pressure**

External regulation and audit are external controls that encourage government compliance in preparing reports. Ajeng, (2018) and Firdaus & Rahmawati, (2021) show that regular and transparent BPK audits improve the quality and credibility of reports. Social pressure through community involvement and the mass media also strengthens accountability. However, disparities in regional conditions and varying bureaucratic practices create real differences in reporting quality (Hardani et al., 2019).

### **Accounting Ecosystem for Continuous Improvement**

Research by Setiawan, (2020) and Mardiasmo (2017) underlines the importance of building a harmonious, comprehensive, and sustainable accounting ecosystem as a foundation for long-term improvement in reporting quality. This includes regulatory harmonization, capacity building, IT innovation, and positive organizational culture. Systemic change and cultural resistance are challenges that require comprehensive and collaborative policy interventions.

## **CONCLUSION**

The quality of government financial reports in Indonesia is influenced by a complex combination of internal and external factors. Human resource competency, strengthening of internal control systems, and utilization of information technology are the main foundations that must be strengthened. Meanwhile, strict regulations, external audits, and social pressure are external factors driving quality improvement. An integrated and sustainable government accounting ecosystem is essential as a means of implementing change consistently and effectively. The availability of resources and the commitment of all elements of government are the keys to success.

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