

The Effect of Implementation of PSAP and Internal Control System on the Quality of Financial Reports by Refocusing and Reallocating Budgets as Moderators

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ABSTRACT: The type of subject data and main data sources included in this study would be used in a descriptive quantitative research. The target population for this study is all OPD in Pemalang Regency, and also the sample employed was purposeful sampling. A questionnaire was used to collect data, with a total of 40 respondents drawn from a sample of 5 OPD. The regression analysis approach with moderating variable is used in this study. A regression test is used to assess the independent variable's influence on the dependent variable, as well as whether the moderating variable can strengthen or diminish the independent variable's effect on the dependent variable. The use of PSAP and the internal control were deemed to be effective based on the findings of statistical testing.

KEYWORDS - Quality of financial reports, PSAP implementation, Internal Control System, refocusing and budget reallocation.

I. INTRODUCTION

As a reporting organization, the government is expected to compile and submit financial statements. A Regional Apparatus Organization (OPD) uses financial reports as proof and a form of responsibility to the public for financial management across a reporting period. The information presented in the financial accounts must be relevant, trustworthy, comparable, and comprehensible, in accordance with PP no. 71 of 2010[1] about Government Accounting Standards.

Government Accounting Standards shall be fully followed while preparing financial statements. The Statement of Government Accounting Standards (PSAP) is a component of Government Accounting Standards that consists of statements that govern the creation and disclosure of financial information. During the Covid-19 epidemic, the implementation of PSAP, namely PSAP No. 01 on financial statement presentation, PSAP No. 02 on Budget Realization Reports (LRA), and PSAP No. 04 on Notes to Financial Statements, might have an impact on the quality of financial reports. In actuality, however, the presentation of the Pemalang District Government Financial Statements is still of poor quality. According to the Financial Report Assessment Results of the Pemalang Regency Government (LHP LKPD) in 2020[2], the presentation of the Budget Realization Report still demonstrates that there is an inappropriate classification of goods and services expenditures and capital expenditures at *DinasPekerjaanUmumdanPenataanRuang (DPUTR)*, *RSUD dr.M.Ashari*, *BadanPengelolaKeuagandanAset Daerah (BPKAD)*, *DinasKoperasi, UMKM, PerindustriandanPerdagangan (Diskoperindag)*, *DinasKomunikasidanInformasi (Diskominfo)*, *DinasPerhubungan (Dishub)*, *DinasKesehatan (Dinkes)*, *DinasPendidikan (Dindik)*, *Inspektorat*, *BadanKepegawaian Daerah (BKD)*, dan *DinasPusatArsip Daerah (Dinpusarda)*.

In addition to the financial statements that are still not presented amply, there are 6,809 findings including 11,662 issues, including 5367 problems with flaws in the Internal Control System, according to the Summary of BPK Examination Results (IHPS)[3] on 541 LKPDs in semester I 2021. The following table presents the findings of the internal control system's weakness.

Table 1 Internal Control System Problems and Weaknesses

Problem Type	Amount of Problems
Weaknesses in accounting and reporting control systems	1699
Weaknesses in the control system for revenue and spending budget implementation	2.498
Weaknesses in the internal control structure	1.170
Total	5.367

Source: IHPS Semester I, 2021

The LHP LKPD Pemalang Regency Fiscal Year 2020[2] also revealed a weakness in the internal control system, specifically in the management of fixed assets, which were not yet orderly in the form of incomplete and accurate recording, resulting in the information presented on the balance sheet not meeting the qualitative characteristics of financial statements. The internal control system's mission is to assist the parties participating in organizational operations in achieving the goals that the organization has coordinated, such as the dependability and integrity of financial and operating information (Satya, 2017)[4]. As a result, implementing an effective and optimum internal control system has an impact on the quality of the financial statements provided (Leatemia, 2021)[5].

The Covid-19 epidemic has impacted many sectors, particularly Indonesia's economy, which has slumped. The government's efforts to solve these conditions and problems are by issuing various policies in the context of dealing with the consequences of the Covid-19 epidemic. The refocusing and reallocation of the activity budget in Pemalang Regency's Regional Revenue and Expenditure Budget for Fiscal Year 2020 is accomplished by refocusing health care programs/activities. Meanwhile, budget reallocation in the form of rationalization of SKPD budget allocations and the usage of existing regional treasuries is accumulating to boost Unexpected Expenditures. Additionally, the policy of refocusing and reallocating the funds may be another possible fraud in budget management for dealing with the COVID-19 epidemic in Indonesia (Hatijah, 2020)[6]. As a result, the adoption of the Internal Control System is also critical in order to reduce fraud in budget execution.

Based on the findings of the exposure to the backdrop mentioned above, the formulation of the problem in this study is as follows.

- (1) How does the application of PSAP impact the quality of financial reports in Pemalang Regency?
- (2) How does the Internal Control System impact the quality of financial reports in Pemalang Regency?
- (3) Can budget refocusing and reallocation moderate the effect of PSAP implementation on the quality of financial reports in Pemalang Regency?
- (4) Can budget refocusing and reallocation moderate the impact of the Internal Control System on the quality of financial reports in Pemalang Regency?

II. LITERATURE REVIEW

Quality of Financial Reports

According to Karsana and Suaryana (2017)[7] financial statements are a form of government accountability for all budget use that comes from the public within a one-year period. According to Kawatu (2019: 7)[8], the purpose of financial reports is to provide information about funding sources, budget allocations, and the use of government budgets by the government as evidence of accountability for government implementation. Financial reports can also be used as performance evaluations by a government agency and as basic information in decision making. Relevant, trustworthy, comparable, and comprehensible are the criteria that must be satisfied in order to prepare excellent financial reports in accordance with PP No. 71 of 2010[9] about Government Accounting Standards.

Implementation of the Statement of Government Accounting Standards (PSAP)

According to Yuesti et al (2020:11)[10], Government Accounting Standards are accounting standards used in presenting government financial reports in the context of openness and accountability in government accounting administration, as well as guidance for enhancing financial report quality. It contains a conceptual framework of government accounting as well as statements of government accounting standards, which now consist of 17 PSAPs and are accompanied with Interpretation of Government Accounting Standards Statements (IPSAP) and SAP technical bulletins. PSAP No. 01 on Presentation of Financial Statements, PSAP No. 02 on Cash-Based Budget Realization Reports, and PSAP No. 04 on Notes to Financial Statements are elements of Government Accounting Standards relating to the presentation of quality financial reports, particularly during the Covid-19 pandemic.

Internal Control System

As a government entity, the Government Internal Control System (SPIP) is used. According to PP No. 60 of 2008[11], the government internal control system is an integrated process of routine government operational tasks performed by the leadership and organizational components, planned with the goal of securing assets owned, producing reliable financial reports, and being used to ensure an organization carries out its activities and programs in accordance with the goals of government organizations and applicable regulations. The aspects of the internal control system in the government sector are also included in PP No. 60 of 2008[11], which include the control environment, risk assessment, control activities, information and communication, and monitoring.

Refocusing and reallocating Budget

Redirection refers to the refocusing of operations that were not budgeted for in the APBN or APBD as a result of the impact of the unstable global economic condition in an effort to preserve national and regional economic stability. Meanwhile, reallocation is the reallocation of the budget for budget refocusing modifications and activities that are controlled by changes in APBN or APBD allocations. Budget refocusing and reallocation are simultaneous units that cannot be separated since wage or activity reallocation would move the previously defined budget. As a result, a reallocation is required so that the prior budget is assigned based on needs in line with correct refocusing. Budget reallocation and refocusing are accomplished in Unexpected Expenditures with the conditions for budget implementation as indicated in Permendagri No.77 of 2020[12] about Technical Guidelines for Regional Financial Management.

III. RESEARCH METHODS

The quantitative research method with a descriptive approach was applied in this research. In this study, the population consisted of all 41 Regional Apparatus Organizations (OPD) in Pematang Regency. Purposive sampling was employed in this research, with 8 respondents chosen from 5 OPD, including BPKAD; Dinas Kesehatan; BPBD; Badan Kesatuan Bangsa dan Politik (Bakesbangpol); Diskoperindag. Subject data was employed in this study, with data collected by the distribution of questionnaires to chosen respondents. Data quality testing, descriptive analysis, classical assumption testing, regression testing with moderating factors, and hypothesis testing are all utilized in the data analysis process.

IV. RESULT AND DISCUSSION

Of the total 40 questionnaires distributed, 37 were returned. The respondents in this study were classified based on gender, last education, and length of employment.

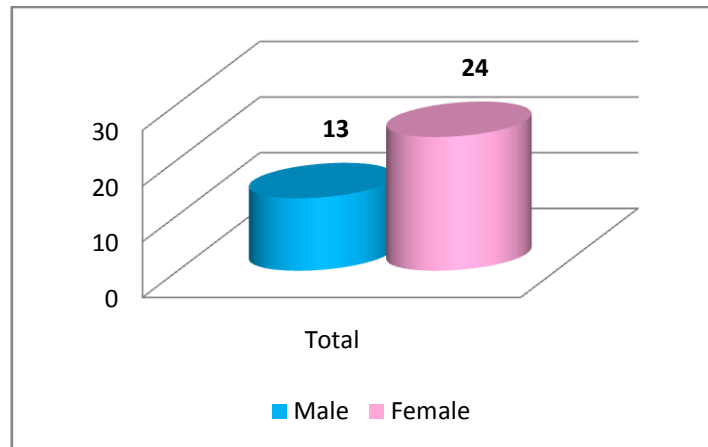


Figure 1 Respondents Based on Gender

Source: questionnaire data, 2022

According to the graphic above, female respondents account for 64.86% or 24 respondents, and male respondents account for 35.14 percent or 13 respondents.

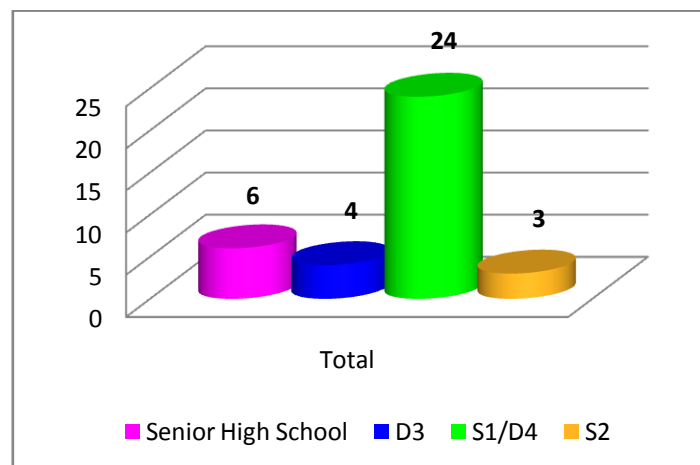


Figure 2 Respondents Based on Last Education

Source: questionnaire data, 2022

According to the graphic above, the number of respondents with the most recent education Bachelor (S1/D4) holds the greatest place with a percentage of 64.86 percent or as many as 24 respondents. Meanwhile, respondents with the most recent education Master (S2) held the lowest proportion (8.11 percent), or as much as 3 respondents.

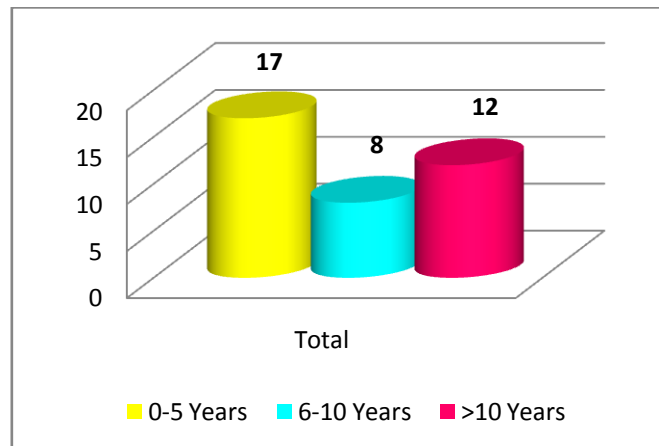


Figure 3 Respondens Based on Years of Work

Source: questionnaire data

Respondents with working years 0-5 years had a rate of 45.95 percent, with 17 respondents. Respondents with 6-10 years of experience have a percentage of 21.62 percent or as many as 8 respondents, while respondents with more than 10 years of experience have a percentage of 32.43 percent or as many as 12 respondents.

Based on the validity test findings, the magnitude of the r table is calculated using the formula $df = n - 2 = 37 - 2 = 35$ and a threshold level of 5% or 0.05, then we get an r table of 0.3246. As a result, because all variables and questions on the questionnaire have r count $>$ r table, it may be stated that all variables and questions are deemed legitimate.

Table 2 Reliability Test

Variable	Cronbach's Alpha
Implementation of PSAP (X1)	0,840
Internal Control System (X2)	0,851
Refocusing and Reallocating Budget (Z)	0,830
Quality of Financial Reports (Y)	0,868

Source: SPSS data processing, 2022

Cronbach's Alpha on the PSAP implementation variable is 0.840; the Internal Control System variable is 0.851; budget refocusing and reallocation is 0.830; and the quality of financial reporting is 0.868. This signifies that all variables in this study are dependable or reliable because their Cronbach's Alpha scores are greater than 0.07.

Table 3 Descriptive Analysis

Variable	Max	Min	Average
Implementation of PSAP (X1)	5	2	4,32
Internal Control System (X2)	5	3	4,30
<i>Refocusing and Reallocating Budget (Z)</i>	5	3	4,43
Quality of Financial Reports (Y)	5	4	4,41

Source: SPSS data processing, 2022

According to table 3, the minimum and maximum values of the PSAP application variable (X1) are 2 and 5, with an average of 4.32. Secondly, the internal control system variable (X2) has a minimum and maximum value of 3 and 5, respectively, with a mean of 4.30. Meanwhile, the minimum and highest values for the refocusing and reallocation variables are 3 and 5, respectively, with an average of 4.43. Furthermore, the financial report quality variable has a maximum and minimum value of 4 and 5, respectively, with an average of 4.41.

According to the Kolmogrov-Smirnov test findings, the Asym Sig (2-tailed) value is 0.180 or more than the significance level of 0.05. As a result, the data in this research were normally distributed.

The results of this research's multicollinearity test show that the variables of PSAP application, Internal Control System, and refocusing and budget reallocation do not exhibit multicollinearity symptoms because they have tolerance values of 0.46; 0.179; and 0.175 or greater than 0.100 and a VIF value of 2.175; 5,578; 5.703 or less than 10.00, respectively.

The heteroscedasticity test findings show that the three variables, scilicet the implementation of PSAP, the Internal Control System, as well as refocusing and budget reallocation, do not exhibit heteroscedasticity symptoms since they have a significant value of greater than 0.05.

Table 4 Regression Test With Moderating Variable

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	11,256	63,298		,178	,860
	Implementation of PSAP	,424	,073	,702	5,826	<,001
	Internal Control System	,322	,055	,702	5,824	<,001
	Refocusing and Reallocating Budget	,628	,111	,722	6,172	<,001
	Implementation of PSAP * Refocusing and Reallocating Budget	,006	,001	,769	7,116	<,001
	Internal Control System * Refocusing and Reallocating Budget	,004	,001	,730	6,319	<,001

Source: SPSS data processing, 2022

Results of the regression test in table 4, the following is the regression equation:

$$Y = 11,256 + 0,424X_1 + 0,322X_2 + 0,628Z + 0,006X_1Z + 0,004X_2Z + \epsilon$$

The constant value (α) of this equation is 11.256, which means that if the variables of PSAP implementation, refocusing, and budget reallocation have a value of 0 (zero), then the value of the dependent variable on the quality of financial reporting is 11.256. The MRA analysis, also known as Moderated Regression

Analysis, is decided by the value of the coefficient β . Derived from the results, it is possible to conclude that the kind of moderator variable in this study is a pure moderator. This is due to the fact that the regression equation with the moderating variable β_3 value of 0.628 is not significant, or the refocusing and budget reallocation factors are unrelated to the independent variables. While β_4 and β_5 have values of 0.006 and 0.004, respectively, this indicates that the refocusing and budget reallocation factors interact with the independent variables.

The first step in the t-test is to compute the t-table which can be done using the formula $df = n - k = 37 - 3 = 34$, so that the t-table in this study is 2.032. The following conclusions can be drawn from the t-test results:

- The PSAP t-count value is $5.826 > 2.032$ (t-table), with a statistical significance of 0.001 or less than = 0.05. As a result, H_0 is rejected and H_1 is approved, indicating that the use of PSAP has a large and favorable impact on the quality of financial reports.
- The Internal Control System's t-count value is $5.824 > 2.032$ (t-table) with a statistical significance of 0.001 or less than = 0.05. As a result, H_0 is rejected and H_1 is approved, indicating that the Internal Control System influences the quality of financial reporting.
- Refocusing and budget reallocation have a t-count value of $6.172 > 2.032$ (t-table) with a statistical significance of <0.001 or less than = 0.05. As a result, H_0 is rejected and H_1 is approved, implying that budget refocusing and reallocation alter the quality of financial reporting.
- The interaction variable between refocusing and budget reallocation with PSAP has a t-count value of $7.116 > 2.032$ (t-table) with a statistical significance of <0.001 or less than = 0.05. As a result, H_0 is rejected and H_1 is allowed, indicating that the interaction variable between refocusing and budget reallocation using PSAP influences the quality of financial reporting.
- The interaction variable between refocusing and budget reallocation with PSAP has a t-count value of $6.319 > 2.032$ (t-table) with a statistical significance of <0.001 or less than = 0.05. As a result, H_0 is rejected and H_1 is allowed, indicating that the interaction variable between refocusing and budget reallocation using PSAP influences the quality of financial reporting.

Table 5 F Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	160,302	5	32,060	9,164	,000 ^b
	Residual	108,454	31	3,499		
	Total	268,757	36			

Source: SPSS data process, 2022

The F-table value is 2.89 for $df_1 = k - 1 = 4 - 1 = 3$, and $df_2 = n - k = 37 - 4 = 33$. According to Table 9, the F-count value is 9.164, with a significance of 0.000 or less than 0.05. As a result, the implementation of PSAP, Internal Control System, and the moderating factors of refocusing and budget reallocation all have a simultaneous influence on financial report quality.

Table6 Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,772 ^a	,569	,531	1,870

Source: SPSS data process, 2022

According to the coefficient of determination test (R^2) findings in Table 6, the magnitude of R^2 is 0.596, indicating that the contribution of the PSAP implementation variable, Internal Control System, and moderating variable is 59.6 percent. The remaining 40.4 percent resulted from causes other than the variables in this research.

V. CONCLUSION

The following conclusions may be formed based on the results of data processing using the SPSS version 27 program and the discussion of the study findings:

1. With a significance value of $0.046 < 0.05$, the use of PSAP has a beneficial influence on the quality of financial reports. This indicates that the better the Regional Apparatus Organization (OPD) uses PSAP as an accounting entity, the higher the quality of financial reports provided by the Pemalang Regency Government.
2. The Internal Control System has a <0.001 or less than 0.05 significant effect on the quality of financial reporting. This indicates that the quality of financial reports provided by the Pemalang Regency Government will improve when the internal control system is improved.
3. With a significance value of <0.001 or less than 0.05, refocusing and reallocating budget can increase the influence of the variable of PSAP implementation on the quality of financial reports. This suggests that refocusing and budget reallocation are moderating variables that might strengthen the effect of PSAP implementation on financial report quality.
4. With a significance value of <0.001 or less than 0.05, budget refocusing and reallocation can improve the effect of internal control system variables on the quality of financial reports. This suggests that refocusing and budget reallocation are moderating variables that can improve the internal control system's effect on the quality of financial reporting.

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