Government Internal Control as a Moderator of the Effect of Regional Financial Accounting Systems on Accountability

Siti Munawaroh[1], Muhammad Bayu[2], Djupiansyah Ganie[3], Nakisha Iqfah Alfada[4], Dawami Buchori[5], Yohanes Sri Guntur[6]
[1-5]Faculty of Economics and Business, Muhammadiyah University of Berau, Indonesia
[6]Universidade da Paz, Timor Lester
Email: siti010890@gmail.com, mbayoe@gmail.com, djupiansyahganie@gmail.com, nakishaiqfahdaa@gmail.com, dawamibuchori80@gmail.com, gunturhanna@gmail.com

Keywords:
regional financial accounting system, accountability of regional financial management, government internal control system.

Abstract
The objective of this study is to examine the effect of the regional financial accounting system on the accountability of regional financial management at the Berau Regional Financial Management Agency (BPKAD), and to assess the moderating role of the government's internal control system in this relationship. Primary data were obtained from 67 employees of BPKAD Berau through structured questionnaires. Data analysis employed validity and reliability tests, classical assumption tests, simple linear regression, t-tests, the coefficient of determination, and Moderated Regression Analysis (MRA).

The findings reveal that the regional financial accounting system has a positive and significant impact on financial management accountability ($t = 2.903 > 1.997$, $p = 0.005 < 0.05$). Moreover, the implementation of the government's internal control system strengthens this relationship, as indicated by a significant moderating effect ($p = 0.038 < 0.05$). The inclusion of the internal control system increases the explanatory power of the model by 41.1%, underscoring its importance in enhancing accountability within regional financial management.

INTRODUCTION

Regional financial management plays a critical role in ensuring good governance. In the context of fiscal decentralization, Indonesian local governments have been granted broad authority to manage financial resources through the Regional Budget (APBD) with the aim of enhancing public services and promoting regional development. Accountability and transparency are therefore essential determinants of effective public financial management.

Despite the establishment of a formal regulatory framework, challenges persist in practice, particularly in ensuring comprehensive oversight and strengthening accountability mechanisms. According to the 2023 Audit Report (LHP) issued by the Supreme Audit Agency (BPK RI), more than 85% of local governments obtained an Unqualified Opinion (WTP) on their financial statements. However, this achievement does not necessarily indicate the absence of substantive problems. The BPK continues to report weaknesses in internal control systems and instances of non-compliance with regulations, both of which may lead to potential state losses and reduced budget effectiveness. These findings highlight a critical gap between formal audit outcomes and the realization of truly accountable financial management.

A reliable financial accounting system is a key determinant of fiscal accountability, serving as the primary mechanism for recording, reporting, and monitoring local government financial transactions. Within the framework of regional budget management, such systems provide the foundation for preparing credible financial statements and ensuring public accountability. When properly implemented, they generate accurate, relevant, and timely information that supports effective decision-making and strengthens government transparency.

However, the effectiveness of financial accounting systems is often constrained by technical limitations and weaknesses in internal control mechanisms. A critical issue lies in the inadequate implementation of the Government Internal Control System (SPIP), which is designed to detect irregularities, prevent fraud, and safeguard the integrity of budget execution. According to the Financial and Development Supervisory Agency (BPKP, 2023), only 39% of local government agencies had reached SPIP maturity level 3 ("defined"), which is the minimum threshold for ensuring effective control. This gap suggests that weak internal control mechanisms can undermine the role of accounting systems in supporting accountability.

Empirical evidence further reinforces this concern. Fitriana (2021) demonstrated that SPIP positively influences regional financial management performance, while Nurhadi and Raharjo (2022) found that the quality of accounting information systems significantly affects fiscal transparency. Nevertheless, most prior studies have examined these variables in isolation rather than exploring their interaction in shaping accountability outcomes. Moreover, the majority of research has focused on national or provincial contexts, leaving limited evidence at the district level, where financial management complexities often differ due to the need to align local development programs with effective budget allocations.

Berau Regency, East Kalimantan, provides a relevant case for such an investigation. Despite consistently obtaining unqualified audit opinions (WTP) from the Supreme Audit Agency (BPK) since 2017 earning 12 awards in total the region continues to face internal control weaknesses, particularly in fixed asset management, tax receivables, and expenditure validity. These issues highlight that WTP recognition does not necessarily guarantee fully accountable financial management. Furthermore, in 2023 Berau was the only district in East Kalimantan to achieve level 3 in the integrated SPIP maturity assessment by BPKP, yet substantial recommendations for improvement remain. This context underscores the importance of examining the moderating role of SPIP in the relationship between financial accounting systems and accountability at the district level.

A key research gap lies in the limited empirical evidence examining the role of the Government Internal Control System (SPIP) as a moderating variable between financial accounting systems and fiscal accountability, particularly within district-level governments. Previous studies have largely focused on the direct effects of these variables, overlooking the moderating mechanisms that may influence both the direction and magnitude of the relationship. Addressing this gap requires a quantitative approach capable of testing causal linkages and interaction effects objectively, using primary data from local government institutions.

Accordingly, this study investigates the effect of financial accounting systems on the accountability of regional financial management, with SPIP considered as a moderating variable in the context of the Regional Financial Management Agency (BPKAD) of Berau Regency. The analysis emphasizes how the effectiveness of accounting systems, when combined with internal control mechanisms, contributes to improved transparency and accountability in budget management. A quantitative design is employed to generate robust empirical evidence, enabling strategic policy recommendations for strengthening local financial governance.

Theoretically, this research extends public sector accounting literature by providing insights into the interaction between accounting systems, internal control, and fiscal accountability an area that remains underexplored at the district level. Practically, the findings are expected to guide regional policymakers in simultaneously integrating financial information systems and internal oversight, thereby fostering more effective, efficient, and accountable budgetary practices over the long term.

METHODS

The unit of analysis in this study is the Regional Financial and Asset Management Agency (BPKAD) of Berau Regency. The population comprises all 80 employees directly involved in regional financial management, as recorded in official BPKAD data. Given the relatively small population size, this research adopts a census (saturated sampling) approach, in which every member of the population is included in the analysis.

This study employs a quantitative research design to examine the relationship between regional financial accounting systems and the accountability of regional financial management, while also assessing the moderating role of the Government Internal Control System (SPIP). Both primary and secondary data are utilized, with primary data collected through structured questionnaires administered to the entire population.

To ensure rigor, the analysis includes a series of statistical tests: validity and reliability testing, classical assumption testing, simple linear regression, t-tests, coefficient of determination (R^2), and Moderated Regression Analysis (MRA). This methodological approach is intended to generate robust empirical evidence on the interaction between accounting systems, internal control, and fiscal accountability in a district-level government context.

RESULTS AND DISCUSSION

1. The Effect of the Regional Financial Accounting System on Regional Financial Management Accountability

The regression analysis indicates that the regional financial accounting system has a positive and significant effect on the accountability of regional financial management at the Berau Regency BPKAD. The regression coefficient is 0.336, with a t-value of 2.903 exceeding the critical value of 1.997, and a significance level of 0.005 ($p < 0.05$). These results confirm that the first hypothesis (H1) is supported, demonstrating that stronger mastery of the regional financial accounting system leads to higher accountability in financial management.

The Berau Regency BPKAD has successfully implemented the Regional Financial Accounting System (SAKD), generating financial reports that are both structured and easily comprehensible. This system enhances transparency by enabling the public to monitor the allocation and utilization of regional funds, thereby strengthening trust between the local government and the community. In addition, the SAKD provides a comprehensive framework for recording, managing, and reporting financial data, ensuring compliance with central government requirements and reinforcing accountability in regional financial management.

The implementation of SAKD enhances accountability in regional financial management by delivering accurate and transparent information on governmental activities and financial performance. This mechanism facilitates the responsible use of public funds by both the community and the central government, thereby reinforcing the principles of good governance (Molle, Manafe, & Perseveranda, 2023). These findings are consistent with prior studies by Muhid and Soleman (2021) as well as Promovenda, Bukit, and Gaddafi (2022), which also confirm the significant influence of SAKD on the accountability of local government financial reporting.

2. The Moderating Role of the Government Internal Control System in the Relationship Between the Regional Financial Accounting System and Accountability in Regional Financial Management

The regression coefficient of the regional financial accounting system, moderated by the implementation of the Government Internal Control System (SPIP), is positive at 0.208. This finding indicates that SPIP strengthens the effect of the financial accounting system, thereby enhancing the accountability of regional financial management at the Berau Regency BPKAD.

The moderating effect of the Government Internal Control System (SPIP) on the relationship between the regional financial accounting system and the accountability of regional financial management yielded a significance value of 0.038. Since this value is below the 0.05 threshold, the interaction is statistically significant. This result indicates that the implementation of SPIP strengthens the positive influence of the regional financial accounting system on financial accountability within the Berau Regency BPKAD. Accordingly, the second hypothesis (H2), which posits that SPIP moderates and enhances the effect of the regional financial accounting system on accountability, is empirically supported.

The explanatory power of the regional financial accounting system on the accountability of regional financial management at the Berau Regency BPKAD is reflected in the coefficient of determination (R^2) of 0.411. This value demonstrates that the regional financial accounting system accounts for 41.1% of the variance in regional financial management accountability, while the remaining 58.9% is explained by other factors not included in the model. These findings highlight the substantial role of the accounting system in shaping accountability practices, although they also indicate the importance of complementary variables in strengthening overall financial governance.

The moderating role of the government's internal control system serves as a strengthening factor in the relationship between the regional financial accounting system and the accountability of regional financial management at the Berau Regency BPKAD. This moderating effect is evidenced by the increase in the coefficient of determination (R^2) from 0.411 to 0.602 after the inclusion of the internal control system variable. The enhanced R^2 value indicates that when moderated by the government's internal control system, the regional financial accounting system explains 60.2% of the variance in regional financial management accountability. These results demonstrate that the integration of a robust internal control mechanism significantly amplifies the contribution of the accounting system to accountability outcomes, underscoring the critical role of internal controls in strengthening financial governance.

A comparative analysis of the model before and after the inclusion of the moderating variable shows that the explanatory power of the regional financial accounting system increased by 19.1%. Specifically, the coefficient of determination (R^2) rose from 0.411 to 0.602, indicating that the implementation of the government's internal control system substantially enhances the contribution of the regional financial accounting system to regional financial management accountability. This finding highlights the strengthening effect of internal control mechanisms, which not only improve the reliability of financial processes but also reinforce transparency and accountability within the Berau Regency BPKAD.

CONCLUSION

Based on the results of the empirical analysis, two main conclusions can be drawn:

1. The regional financial accounting system exerts a positive and statistically significant influence on the accountability of regional financial management within the BPKAD of Berau Regency. This finding is supported by the t-test results, where the calculated t-value (2.903) exceeds the critical t-table value (1.997), and the associated significance level (0.005) falls well below the 0.05 probability threshold. These results indicate that improved understanding and application of the regional financial accounting system enhances the capacity of local government to ensure transparent and accountable financial management.
2. The implementation of the government's internal control system plays a moderating role in strengthening the effect of the regional financial accounting system on accountability. This is evidenced by a significance value of 0.038, which is lower than the 0.05 probability threshold, confirming the moderating effect. Furthermore, the inclusion of this moderating variable increases the explanatory contribution of the model from 41.1% to 60.2%, reflecting an improvement of 19.1%. This demonstrates that effective internal control mechanisms not only reinforce the role of the accounting system in ensuring accountability but also substantially enhance the robustness of financial governance practices in the BPKAD of Berau Regency.

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