

## The Influence of Accountability and Transparency on the Quality of Financial Reports with the Internal Control System as a Moderating Variable (Empirical Study at the Buru Regency KPU)

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### Keywords :

Accountability, Transparency,  
Internal Control System, Quality  
of Financial Reports

### Abstract

*This study aims to analyze the influence of accountability and transparency on the quality of financial reports with the internal control system as a moderating variable at the General Election Commission (KPU) of Buru Regency. This type of research is quantitative research with primary data sources obtained through the distribution of questionnaires to all 40 employees of the KPU of Buru Regency. The sampling technique used total sampling. The data analysis method used Partial Least Square (PLS) with the help of SmartPLS. The results show that accountability and transparency have a positive and significant effect on the quality of financial reports. However, the internal control system does not moderate the influence of accountability or transparency on the quality of financial reports.*

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## INTRODUCTION

Public sector financial management reforms require governments and state institutions to present transparent, accountable, and high-quality financial reports. Government Accounting Standards (SAP) emphasize that government financial reports must meet the characteristics of relevance, reliability, comparability, and understandability (PP No. 71 of 2010). The quality of financial reports is a key instrument in realizing public accountability and increasing public trust in the management of state funds.

However, in practice, the quality of financial reports from public institutions in Indonesia is still often questioned. One phenomenon reflecting the weak quality of financial reporting occurred at the Buru Regency General Elections Commission (KPU), as reported in the news. <https://tribatanews.polri.go.id/> On April 20, 2025, the Buru Regency KPU office was burned down, allegedly with the motive of removing the 2024 Pilkada budget accountability documents worth around IDR 33 billion. This act involved three individuals and all three were charged under Article 187 paragraph 1 in conjunction with Article 55 paragraph 1 of the Criminal Code. This incident shows the weakness of accountability, transparency, and the internal control system in managing public finances.

Accountability requires every public official to be accountable for their financial management administratively, legally, and morally (Mardiasmo, 2009). Meanwhile, transparency emphasizes the openness of information so that financial reports can be accessed and monitored by the public. These two principles are key pillars of good governance, directly impacting the quality of financial reports. Furthermore, the internal control system serves as a monitoring mechanism aimed at ensuring the reliability of financial reports and preventing irregularities (PP No. 60 of 2008).

Previous research has shown that accountability and transparency have a positive effect on financial report quality (Kurniawati & Sadeli, 2021; Sari et al., 2021). However, research on the moderating role of internal control systems has yielded mixed results. Therefore, this study aims to examine the influence of accountability and transparency on financial report quality and the role of internal control systems as a moderating variable at the Buru Regency General Elections Commission (KPU).

## **Literature Review and Hypothesis Development:**

### **Basic Theory**

This research is based on Agency Theory and Legitimacy Theory. Agency theory (Jensen & Meckling, 1976) explains the relationship between the principal (society) and the agent (government) which requires an accountability mechanism to avoid information asymmetry and moral hazard. In the context of the public sector, accountability and transparency function as control tools so that the government submits honest, relevant, and accountable financial reports. Meanwhile, legitimacy theory (Suchman, 1995) emphasizes that public organizations gain social legitimacy if their actions are in accordance with the values and expectations of society. Financial reports prepared in an accountable and transparent manner are tangible evidence of this legitimacy. On the other hand, the Internal Control System (SPI) plays an important role in maintaining the reliability of financial information and ensuring that reporting is carried out in accordance with regulations, so that the legitimacy of public institutions is maintained.

### **Quality of Financial Reports**

According to Government Regulation No. 71 of 2010, the quality of financial reports is measured by four main characteristics: relevance, reliability, comparability, and understandability. Quality financial reports provide useful information for users in decision-making (Wastam Wahyu, 2009; Kurniawati & Dadang, 2021). The quality of financial reports also reflects the level of implementation of good governance principles, particularly accountability and transparency. The higher the implementation of these two principles, the better the quality of the resulting financial reports.

### **Accountability**

Accountability is the obligation of public institutions to account for their resource management to the public (Mardiasmo, 2009). In the public sector context, accountability reflects the extent to which financial management is carried out in accordance with regulations and can be accounted for administratively and legally. Good accountability will reduce opportunities for irregularities and increase public trust. Research by Kurniawati & Sadeli (2021) and Padang et al. (2025) shows that accountability has a significant positive effect on the quality of local government financial reports.

H1: Accountability has a positive and significant effect on the quality of financial reports.

### **Transparency**

Transparency means the public disclosure of information regarding the planning, implementation, and financial reporting processes (Minister of Home Affairs Regulation No. 13 of 2006). Transparency allows the public to monitor the use of public funds, thereby reducing the risk of moral hazard (Farika et al., 2023). This transparency not only strengthens public trust but also improves the quality of financial reports. Research by Rahayu & Dewi (2022) shows that transparency has a positive effect on the quality of local government financial reports.

H2: Transparency has a positive and significant effect on the quality of financial reports.

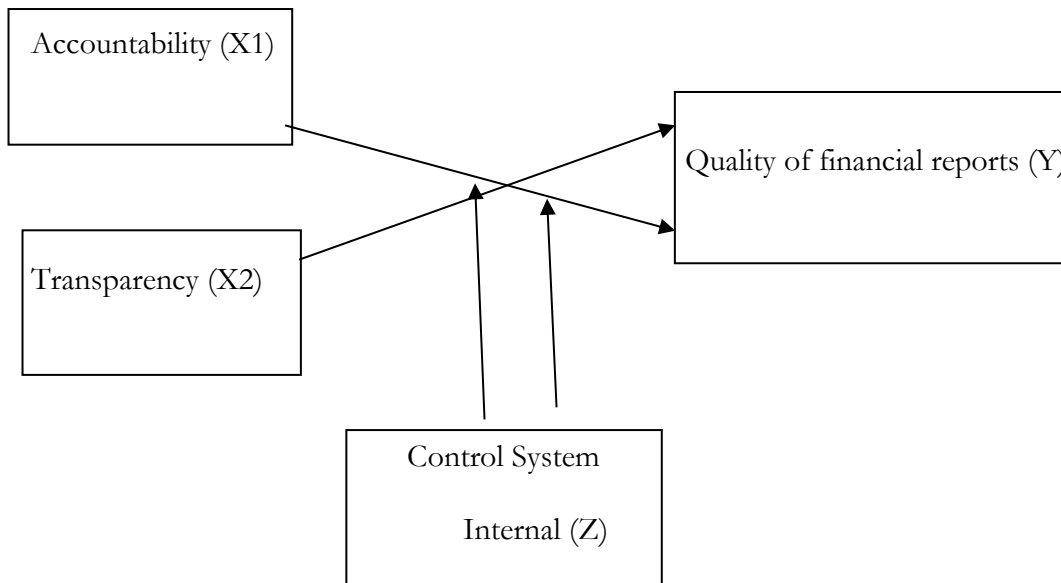
### **Internal control system**

An internal control system is a process designed to provide reasonable assurance that an organization's objectives are being achieved, including the reliability of financial reporting, the effectiveness and efficiency of activities, and compliance with laws and regulations (PP No. 60 of 2008). Research by Ningsih et al. (2023) and Pebriani (2019) shows that SPI acts as a moderating variable that strengthens the relationship between accountability, transparency, and financial reporting quality.

H3: Internal control systems moderate the effect of accountability on the quality of financial reports.

H4: Internal control systems moderate the effect of transparency on the quality of financial reports.

#### Research Model:



## METHODS

This study used a quantitative approach with a survey method. The study population was all Buru Regency KPU employees involved in financial management and reporting. The sampling technique used total sampling with 40 respondents.

Data were collected using a questionnaire with a five-point Likert scale. The research variables consisted of accountability and transparency as independent variables, financial reporting quality as dependent variable, and internal control system as moderating variable. Data analysis was performed using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method with the help of the SmartPLS application

## RESULTS AND DISCUSSION

### Descriptive Statistics

Table 1. Descriptive Statistics of Research Variables

Table 1 presents the results of descriptive statistical analysis which provides an initial overview of the characteristics of the research data, including the average value, minimum value, maximum value, and standard deviation of each variable.

Variables	N	Mean	Median	Minimum	Maximum	Standard deviation
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Quality of Financial Reports	40	30,450	32,000	17,000	40,000	5,268
Accountability	40	30,975	32,000	17,000	40,000	5,313
Transparency	40	36,175	38,000	20,000	48,000	7,399
Internal Control System	40	49,900	52,000	31,000	62,000	7,742

(data source: processed, 2026)

Table 1 presents descriptive statistics of the research variables. All variables were measured using 40 respondents. The financial report quality variable had an average value of 30.450, with a minimum value of 17,000, a maximum of 40,000, and a standard deviation of 5.268. The accountability variable showed an average value of 30.975, a minimum value of 17,000, a maximum of 40,000, and a standard deviation of 5.313. The transparency variable had an average value of 36.175, with a minimum value of 20,000, a maximum of 48,000, and a standard deviation of 7.399. Meanwhile, the internal control system had the highest average value of 49.900, with a minimum value of 31,000, a maximum of 62,000, and a standard deviation of 7.742.

#### Evaluation of Measurement Model

Table 2. Construct Validity and Reliability

Evaluation of the measurement model was carried out to ensure that the constructs used in the research met the validity and reliability criteria.

Variables	AVE	Composite Reliability	Cronbach's Alpha
Accountability	0.706	0.950	0.940
Transparency	0.663	0.951	0.943
Quality of Financial Reports	0.725	0.955	0.945
Internal Control System	0.675	0.964	0.959

(Data source: processed, 2026)

The results of the measurement model evaluation are presented in Table 2. The Average Variance Extracted (AVE) values for each construct are 0.706 for accountability, 0.663 for transparency, 0.725 for financial reporting quality, and 0.675 for internal control systems. All AVE values are above the minimum limit of 0.50. Composite reliability values range from 0.950 to 0.964, while Cronbach's Alpha values range from 0.940 to 0.959, indicating that all constructs meet the reliability criteria.

#### Structural Model Evaluation and Hypothesis Testing

Table 3. R-Square Value

The evaluation of the structural model aims to determine the ability of the independent variables to explain the dependent variables.

Variables	R-square
Quality of Financial Reports	0.816

(Source: Processed data, 2026)

Table 3 shows the R-square value of the financial report quality variable at 0.816. This value indicates that 81.6% of the variation in financial report quality can be explained by accountability,

transparency, and internal control systems, while the remaining 18.4% is explained by other variables outside the research model.

### Hypothesis Testing

Table 4. Hypothesis Test Results

The results of the hypothesis testing, which includes direct influence and moderating influence, are presented in Table 4.

Variables	Original sample	T statistics ( O/STDEV )	P values	Conclusion
Accountability -> Quality of Financial Reports	0.333	2,089	0.037	H1 accepted
Transparency -> Quality of Financial Reports	0.430	2,319	0.020	H2 accepted
Internal Control System x Accountability -> Quality of Financial Reports	-0.184	0.950	0.342	H3 is rejected
Internal Control System x Transparency -> Quality of Financial Reports	0.111	0.589	0.556	H4 is rejected

(Source: Processed data, 2026)

The results of the hypothesis testing are presented in Table 4. Accountability has a path coefficient value of 0.333, a t-statistic value of 2.089, and a p-value of 0.037. Transparency shows a path coefficient value of 0.430, a t-statistic value of 2.319, and a p-value of 0.020.

The interaction between the internal control system and accountability has a coefficient value of -0.184, a t-statistic value of 0.950, and a p-value of 0.342. The interaction between the internal control system and transparency shows a coefficient value of 0.111, a t-statistic value of 0.589, and a p-value of 0.556.

### Discussion :

#### The Influence of Accountability on the Quality of Financial Reports

The results of the study indicate that accountability has a positive and significant effect on the quality of financial reports at the Buru Regency General Elections Commission (KPU). This means that the higher the accountability of officials, the better the quality of the resulting financial reports. This is because officials are encouraged to record and report financial information honestly, completely, and in accordance with Government Accounting Standards (SAP). This finding aligns with Agency Theory, which emphasizes the importance of government accountability as an agent to the public as a principal to reduce information asymmetry. The results of this study are consistent with research by Artini Kurniawati and Dadang Sadeli (2021), Nadia Putri Sari et al. (2021), and Novi Natalia Padang et al. (2025), which found that accountability has a positive and significant effect on the quality of government financial reports.

#### The Influence of Transparency on the Quality of Financial Reports

The test results show that transparency has a positive and significant effect on the quality of financial reports at the Buru Regency General Elections Commission (KPU), indicating that

information disclosure, ease of access, and timely submission of financial reports can improve the quality of the resulting reports. Transparency encourages public oversight, so that officials are more careful in preparing financial reports and increases public trust. This finding is in line with Legitimacy Theory, which states that public organizations need to convey information openly to gain legitimacy from the public. The results of this study are consistent with the research of Rahayu and Dewi (2022), Ferlia et al. (2023), Farika et al. (2023), and Khikmah et al. (2024), which states that transparency has a positive effect on the quality of public sector financial reports.

#### The Influence of Internal Control Systems in Moderating the Relationship Between Accountability and the Quality of Financial Reports

The results of the study indicate that the Internal Control System (ISC) does not moderate the influence of accountability on the quality of financial reports at the Buru Regency General Elections Commission (KPU), meaning that the influence of accountability is direct and independent of the effectiveness of the ISC. This condition indicates that the integrity, responsibility, and professionalism of the apparatus have a more dominant role in producing quality financial reports than formal control mechanisms. From an Agency Theory perspective, the moral awareness of the apparatus can reduce information asymmetry without having to always rely on the ISC. This finding is in line with research by Khikmah et al. (2024), Ningsih et al. (2023), and Pebriani (2023) which states that the ISC does not have a significant effect if it has not been implemented effectively.

#### The Influence of Internal Control Systems in Moderating the Relationship Between Accountability and the Quality of Financial Reports

The results of the study indicate that the Internal Control System does not moderate the effect of transparency on the quality of financial reports at the Buru Regency General Elections Commission (KPU), although transparency has a direct impact on the quality of financial reports. This indicates that the transparency implemented is still administrative in nature and is not supported by effective internal controls, such as document security and internal supervision. Based on Legitimacy Theory, legitimacy built through transparency will not be optimal if it is not accompanied by an internal control system capable of guaranteeing the reliability of financial information. This finding is consistent with research by Rahayu and Dewi (2022) and Khikmah et al. (2024), which states that transparency does not optimally improve the quality of financial reports without the support of effective internal controls.

## CONCLUSION

This study concludes that accountability and transparency have a positive and significant effect on the quality of financial reports at the Buru Regency General Elections Commission (KPU). The internal control system does not act as a moderating variable in this relationship. These findings indicate that improvements in financial report quality are more influenced by the implementation of accountability and transparency principles than by the existence of an internal control system. This study recommends that public institutions improve the effectiveness of internal controls and strengthen a culture of transparency and accountability.

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