

Accountability and Transparency in Local Government Financial Reporting: An Empirical Study in Indonesia

Transparency in
Local Government
Reporting

Badewin

Universitas Islam Indragiri; Tembilahan, Indonesia

E-Mail: badewin20@gmail.com

Roosganda Elizabeth

Universitas Pakuan; Bogor, Indonesia

E-Mail: roosimanru@yahoo.com

Ana Rusmardiana

Universitas Indraprasta PGRI, Jakarta, Indonesia

E-Mail: ana.irawan93@gmail.com

Gilbert Rely

Universitas Bhayangkara Jakarta Raya; Bekasi, Indonesia

E-Mail: gilbert.rely@dsn.ubharajaya.ac.id

Loso Judijanto

Indonesia Palm Oil Strategic Studies; Jakarta, Indonesia

E-Mail: losojudijantobumn@gmail.com

831

Submitted:
MAY 2025

Accepted:
JULY 2025

ABSTRACT

Growing public demand for clean governance and fiscal responsibility has intensified the need for accountability and transparency in local government financial reporting in Indonesia, a decentralized nation facing challenges in ensuring timely and accurate disclosures. This study aims to investigate the level of accountability and transparency in local government financial reporting and identify institutional, regulatory, and technological factors influencing reporting quality. Using a quantitative approach, the research analyzes secondary data from 187 local government financial statements audited by the Indonesian Supreme Audit Board between 2018 and 2022, employing regression analysis to assess the impact of internal control effectiveness, audit opinions, electronic government systems, and financial management competencies. The findings reveal that robust internal control systems and favorable audit opinions significantly enhance reporting quality, while electronic government platforms improve both transparency and timeliness. The interaction between electronic government systems and financial management competencies further strengthens transparency, though disparities in technical capacity and leadership commitment create regional inconsistencies. This study concludes that institutional quality, digital innovation, and skilled human resources are vital for advancing financial accountability and transparency, offering actionable insights for policymakers to strengthen governance and rebuild public trust through credible reporting practices.

Keywords: Accountability, Audit Opinion, E-Government, Internal Control, Local Government Finance, Transparency.

ABSTRAK

Meningkatnya tuntutan publik akan tata kelola pemerintahan yang bersih dan tanggung jawab fiskal telah mengintensifkan kebutuhan akan akuntabilitas dan transparansi dalam pelaporan

JIAKES

Jurnal Ilmiah Akuntansi
Kesatuan
Vol. 13 No. 4, 2025
pp. 831-842
IBI Kesatuan
ISSN 2337 – 7852
E-ISSN 2721 – 3048
DOI: 10.37641/jiakes.v13i4.3642

keuangan pemerintah daerah di Indonesia, negara terdesentralisasi yang menghadapi tantangan dalam memastikan pengungkapan yang tepat waktu dan akurat. Studi ini bertujuan untuk menyelidiki tingkat akuntabilitas dan transparansi dalam pelaporan keuangan pemerintah daerah dan mengidentifikasi faktor-faktor kelembagaan, peraturan, dan teknologi yang memengaruhi kualitas pelaporan. Dengan menggunakan pendekatan kuantitatif, penelitian ini menganalisis data sekunder dari 187 laporan keuangan pemerintah daerah yang diaudit oleh Badan Pemeriksa Keuangan Indonesia antara tahun 2018 dan 2022, menggunakan analisis regresi untuk menilai dampak efektivitas pengendalian internal, opini audit, sistem pemerintahan elektronik, dan kompetensi manajemen keuangan. Temuan ini mengungkapkan bahwa sistem pengendalian internal yang kuat dan opini audit yang menguntungkan secara signifikan meningkatkan kualitas pelaporan, sementara platform pemerintahan elektronik meningkatkan transparansi dan ketepatan waktu. Interaksi antara sistem pemerintahan elektronik dan kompetensi manajemen keuangan semakin memperkuat transparansi, meskipun disparitas dalam kapasitas teknis dan komitmen kepemimpinan menciptakan inkonsistensi regional. Studi ini menyimpulkan bahwa kualitas kelembagaan, inovasi digital, dan sumber daya manusia yang terampil sangat penting untuk memajukan akuntabilitas dan transparansi keuangan, serta menawarkan wawasan yang dapat ditindaklanjuti bagi para pembuat kebijakan untuk memperkuat tata kelola dan membangun kembali kepercayaan publik melalui praktik pelaporan yang kredibel.

Kata Kunci: Akuntabilitas, Opini Audit, E-Government, Pengendalian Internal, Keuangan Pemerintah Daerah, Transparansi.

INTRODUCTION

In the past five years, public demands for clean and accountable governance have surged, particularly in developing nations with decentralized fiscal systems like Indonesia. Transparent and accountable financial reporting by local governments is not only a legal requirement but also a critical tool for fostering public trust, enhancing budget efficiency, and strengthening governance integrity (OECD, 2020; World Bank, 2022; Chen et al., 2024). However, the 2022 Indonesian Supreme Audit Board (*Badan Pemeriksa Keuangan/BPK*) report reveals that only 72% of local governments achieved a Fair Opinion Without Exception (WTP), indicating persistent challenges in ensuring accuracy and compliance with Government Accounting Standards (*Standar Akuntansi Pemerintahan/SAP*) (Indonesia, 2009).

Local government financial reporting in Indonesia is governed by Law No. 17 of 2003 on State Finance and Government Regulation No. 71 of 2010 on SAP, mandating all local government entities to prepare Local Government Financial Statements (*Laporan Keuangan Pemerintah Daerah/LKPD*) annually (Indonesia, 2010). The LKPD comprises six components: Budget Realization Report (*Laporan Realisasi Anggaran/LRA*), Report on Changes in the Surplus Budget Balance (*Laporan Perubahan Saldo Anggaran Lebih/LPSAL*), Balance Sheet, Operational Report (*Laporan Operasional/LO*), Cash Flow Report (*Laporan Arus Kas/LAK*), and Notes on Financial Statements (*Catatan atas Laporan Keuangan/CaLK*). Since 2015, these reports must adhere to accrual-based accounting principles as part of state financial management reforms, emphasizing transparency and accountability.

Despite robust regulations, implementation faces significant challenges. Low human resource capacity, particularly in mastering accrual-based SAP and leveraging information technology, remains a critical barrier (Din et al., 2022). Variations in internal control quality and inconsistent accounting policy application often result in delayed or non-compliant financial statements (Chalmers et al., 2019). The BPK audit highlights that not all local governments secure a WTP opinion, reflecting deficiencies in financial reporting performance.

The adoption of e-government technologies, such as the Regional Financial Information System (*Sistem Informasi Keuangan Daerah/SIKD*) and the Regional Financial

Management Information System (*Sistem Informasi Manajemen Keuangan Daerah/SIMDA*), offers a strategic solution to streamline reporting processes. However, uneven digital infrastructure, particularly in remote areas, limits widespread adoption. Moreover, regional leadership commitment significantly influences the success of accountable reporting systems (Fountain, 2003; Balla & Gormley Jr, 2017). Thus, improving financial reporting requires not only technical advancements but also enhanced governance, institutional integrity, and digital literacy.

Previous studies, such as those by Putra and Haryanto (2021), have emphasized institutional factors like internal supervision, while Sutaryo et al. (2022) highlighted human resource capacity. However, few studies comprehensively integrate institutional, audit, and technological factors using a longitudinal, national-scale approach post the full implementation of accrual-based SAP. This study addresses this gap by empirically analyzing the combined impact of internal control effectiveness, audit opinions, e-government implementation, and financial management competencies on financial reporting quality across Indonesian local governments.

This study aims to evaluate the impact of internal control systems and BPK audit opinions on the quality of local government financial statements, assess how e-government implementation, including systems like SIPD and SPAN, enhances transparency and timeliness of reporting, and examine the role of financial management competencies in ensuring accurate and timely financial disclosures. By analyzing 187 BPK-audited financial statements from 2018 to 2022, this research seeks to provide a longitudinal perspective on financial reporting quality and offer evidence-based policy recommendations to strengthen governance and public trust. Through this approach, the study contributes to the literature on public sector financial governance in developing countries and provides actionable insights for policymakers, auditors, and public finance managers to foster transparent, accountable, and sustainable financial reporting systems in Indonesia's decentralized context.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Theoretical Foundations of Accountability and Transparency

Accountability and transparency are cornerstone principles in public sector financial management. According to Romzek and Dubnick (2018), accountability entails the obligation of government entities to justify and explain the use of public resources to authorities and citizens. Transparency, conversely, involves providing open access to reliable information about government policies, expenditures, and performance (Harrison & Sayogo, 2014; Sellar & Lingard, 2017; Ali-Momoh et al., 2024). In financial reporting, these principles ensure that preparation, reporting, and auditing processes are conducted honestly, accurately, and promptly. In Indonesia, regulations such as Law No. 17 of 2003 on State Finance and Government Regulation No. 71 of 2010 on Government Accounting Standards (SAP) provide a legal framework for accountable and transparent reporting practices. These theories are directly relevant to this study, as variables like internal control effectiveness, e-government implementation, and financial management competencies contribute to achieving accountability and transparency in local government financial reporting. This study leverages these theoretical foundations to examine how institutional and technological factors influence the quality and transparency of regional financial statements.

Prior research underscores that accountability and transparency rely on robust internal control systems and independent external audits (Diamond, 2013; Ayogu, 2023; Manginte, 2024). In Indonesia's context, local government financial reporting must comply with accrual-based SAP, requiring technical expertise and adequate digital infrastructure. Challenges such as low human resource capacity and regional disparities in digital infrastructure often hinder full accountability (Deviani & EfaYonedi, 2020). Thus, the theories of accountability and transparency provide a lens to analyze the interplay between internal controls, e-government, and competencies in shaping financial reporting outcomes in this study.

Determinants of Financial Reporting Quality

Amudo and Inanga (2009) highlight that effective internal control systems serve as the first line of defense against errors, fraud, and procedural violations in financial reporting. Strong internal controls minimize misrepresentation risks, enhancing the reliability of fiscal data (Dimitrijevic et al., 2015; Donelson et al., 2017; Morante, 2024). Additionally, audit opinions from BPK act as a key indicator of financial statement quality, with a Fair Without Exception (*Wajar Tanpa Pengecualian/WTP*) opinion reflecting compliance with SAP and sound financial management (Anasta, 2019). Human resource competency in accounting and financial management is also critical, particularly in the accrual-based reporting era (Firmansyah et al., 2020; Hayat et al., 2020; Juniarti et al., 2023). Regions with certified staff tend to produce more accurate and compliant reports.

Digital transformation via e-government has revolutionized public sector financial reporting (Heeks, 2006). In Indonesia, systems like SIKD and SIMDA enable automation, data integration, and real-time reporting, improving bureaucratic efficiency and reducing corrupt practices (Bannister & Connolly, 2012). However, success depends on institutional readiness, human resource capacity, and regional leadership support (Purwanto et al., 2024). The interaction between e-government and human resource competency can further enhance transparency, as combined technological and expertise-driven efforts lead to more accessible reporting (Ginting et al., 2022).

- H1: Internal control systems has a significant effect on quality of financial statement.
- H2: E-government implementation rate has a significant effect on timeliness of reporting.
- H3: E-government implementation rate has a significant effect on Report Transparency.
- H4: Financial management competencies has a significant effect on quality of financial statement.
- H5: The interaction between e-government implementation rate and financial management competencies has a significant effect on report transparency.

Research Framework

This study integrates institutional, audit, and technological factors to examine local government financial reporting quality in Indonesia (Adiputra et al., 2018). The research framework links independent variables such as internal control effectiveness, e-government implementation, and financial management competencies to dependent variables, namely financial reporting quality and transparency. Effective internal control systems ensure compliance with SAP and reduce reporting errors (Mangasih et al., 2020). E-government systems, such as SIKD and SIPD, enhance the efficiency and accessibility of financial information, while financial management competencies support accurate and timely reporting (Sutaryo et al., 2022). The interaction between e-government and competencies is posited to strengthen transparency through synergistic technological and human expertise (Drilia et al., 2025).

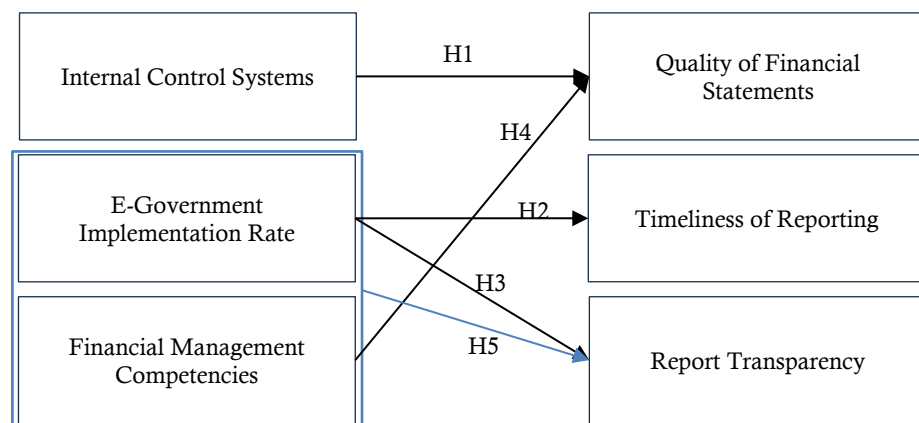


Figure 1. Research Framework

This framework is visualized in Figure 1, which illustrates the causal relationships between independent and dependent variables. Previous studies indicate that disparities in technical capacity and leadership commitment across regions influence these factors' effectiveness (Balla & Gormley Jr, 2017). By analyzing longitudinal data from 187 BPK-audited financial statements from 2018 to 2022, this study empirically tests this framework to provide insights into strengthening regional financial governance. This framework contributes to the literature by integrating technology and competency dimensions within Indonesia's decentralized context (Agustina & Setyaningrum, 2020).

RESEARCH METHOD

This study employs a quantitative approach with an explanatory design to empirically test the influence of institutional and technological factors on the quality, accountability, and transparency of local government financial reporting in Indonesia (Quick & Hall, 2015). The research analyzes secondary data from 187 LKPD audited by BPK from 2018 to 2022, selected purposively based on data availability and completeness of required indicators. Additional data, including the e-government index and financial management competencies, are sourced from the Ministry of Home Affairs, Regional Government Performance Evaluation Reports (*Evaluasi Kinerja Penyelenggaraan Pemerintahan Daerah/EKPPD*), and Central Bureau of Statistics (*Badan Pusat Statistik/BPS*). This longitudinal approach captures trends in financial reporting quality amid fiscal decentralization and digitalization policies.

The study measures key variables to test the proposed hypotheses. Financial reporting quality is assessed through audit opinions, timeliness of report submission, and compliance with SAP. Internal control effectiveness is evaluated based on BPK audit findings, categorized as significant or insignificant. E-government implementation is represented by the Electronic-Based Government System (*Sistem Pemerintahan Berbasis Elektronik/SPBE*) index from the Ministry of Administrative and Bureaucratic Reform (*Kementerian Pendayagunaan Aparatur Negara dan Reformasi Birokrasi/PAN-RB*), while financial management competency is measured by the proportion of certified public finance staff in each local government. Transparency is gauged by the extent of financial information disclosure on official government websites and public involvement in budgeting processes. These operational definitions ensure alignment with the study's objectives and theoretical framework.

Multiple regression analysis is used to examine the relationships between independent variables (internal control effectiveness, e-government implementation, financial management competencies) and dependent variables (financial reporting quality, transparency). Classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation, are conducted to ensure model validity, using SPSS and STATA for data processing (Slinker & Glantz, 2008). The regression model is formulated as $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$, where Y represents financial reporting quality and transparency, X_1 to X_4 denote the independent variables, and ε is the error term. To ensure data reliability, source triangulation compares data from BPK, the Ministry of Home Affairs, and academic reports, while construct validity is tested by aligning variables with existing literature.

RESULTS

The analysis was carried out on 187 LKPD audited by BPK of the Republic of Indonesia during the period 2018 to 2022. The research sample includes a fairly representative variety of government units, including 34 provincial governments, 98 district governments, and 55 municipal governments spread across the western, central, and eastern regions of Indonesia. The sample selection was carried out by considering geographical diversity, the level of regional development, and the availability of complete and consistent audit data from year to year. The aim of this approach is to obtain a

comprehensive and balanced picture of regional financial reporting practices in various institutional and socio-economic contexts.

From the results of the review of BPK's audit opinion on the LKPD, it was found that around 72% of local governments consistently obtained a WTP, which indicates that the financial statements have been prepared in accordance with accrual-based Government Accounting Standards (SAP), and supported by adequate audit evidence. As many as 21% obtained a Reasonable Opinion with Exception (*Wajar Dengan Pengecualian/WDP*), which indicates that there are material weaknesses, but do not overall damage the presentation of the report. Meanwhile, about 7% of the remaining 7% received an Unreasonable or Unfair Opinion (*Tidak Menyatakan Pendapat/TMP*) opinion, which reflects fundamental weaknesses in the record-keeping, documentation, or internal control systems that hinder auditors from assessing the fairness of reports.

In terms of reporting timeliness, data shows that most local governments are able to submit financial statements to BPK within an average period of 120 days after the end of the fiscal year, as mandated by Law Number 1 of 2004 concerning the State Treasury. However, there are striking differences between regions: regions in Java and Sumatra tend to be more time-disciplined in submitting reports, while some regions in Eastern Indonesia such as Papua, Maluku, and Nusa Tenggara show a tendency for repeated delays, which are largely due to limited digital infrastructure, low capacity of accounting human resources, and high administrative burdens.

Regarding the level of digitalization, the Electronic-Based Government System (*Sistem Pemerintahan Berbasis Elektronik/SPBE*) index data released by the Ministry of PAN-RB is used as a proxy for the implementation of e-government in the regional financial reporting system. The range of SPBE scores in the studied areas varied from 2.1 ("Adequate" category) to 3.8 ("Good" category), with the national average being 3.2. This shows that most local governments are in the digital transition stage, with a fairly real disparity between developed and disadvantaged areas. Regions with high SPBE scores have generally integrated e-budgeting, e-planning, and online reporting systems that enable real-time budget traceability and transparency. In contrast, low-scoring areas still rely on manual or semi-digital processes that are prone to input errors, delays, and low public accountability.

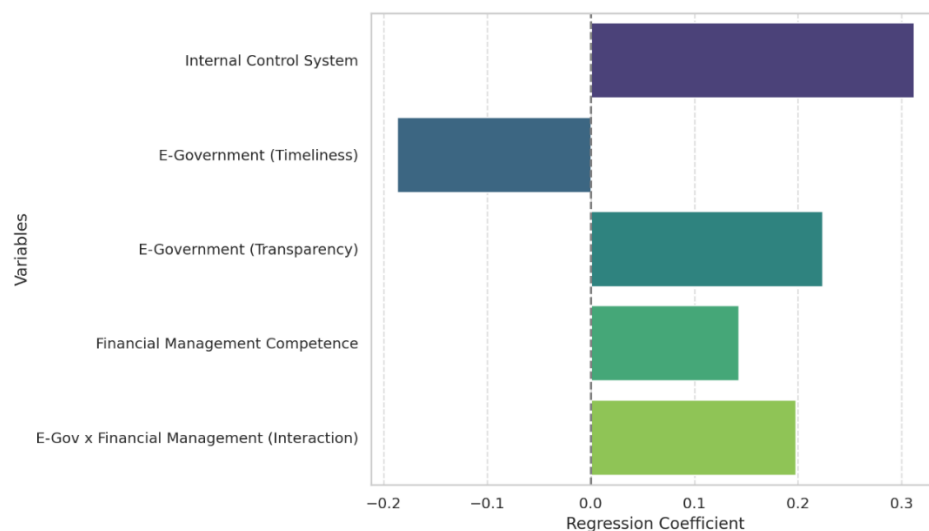


Figure 2. Graph Regression Coefficients from Local Government Financial Reporting Analysis

Table 1. Regression Analysis of Determinants of Local Government Financial Reporting Quality

Independent Variables	Variable Dependency	Regression Coefficients	Sig.
Internal Control System	Quality of Financial Statements	0.312	p < 0.01
E-Government Implementation Rate	Timeliness of Reporting	-0.187	p < 0.05
E-Government Implementation Rate	Report Transparency	0.224	p < 0.01
Financial Management Competencies	Quality of Financial Statements	0.143	p < 0.1
Interaction (E-Government x Financial Management Competencies)	Report Transparency	0.198	p < 0.05

Based on Table 1 and as visualized in Figure 2, the regression model for Audit Opinion shows that factors such as Internal Control Effectiveness, E-Government Index, and Financial Management Competence have a significant influence on the assessment of the audit given. The regression results show that the more effective the internal control system, the higher the likelihood of obtaining a better audit opinion. This can be seen from the positive coefficient on Internal Control Effectiveness (0.312, $p < 0.01$), which shows a very significant relationship between the effectiveness of internal control and audit opinions. In addition, the implementation of E-Government, which is reflected in the E-Government Index, also makes a positive contribution to audit opinions with a coefficient of 0.224 ($p < 0.01$), indicating that the better the application of technology in government, the more likely it is to obtain a better audit opinion. Although Financial Management Competence also had a positive coefficient (0.143, $p < 0.1$), the effect was smaller and less significant compared to the previous two variables. Overall, this model shows that strengthening the internal control system and the implementation of e-government is very important to improve the quality of audit opinions received.

The regression model for the Timeliness of Reporting shows that the implementation of E-Government has an effect on the timeliness of financial reporting. The results of the analysis showed that the E-Government Index had a negative coefficient of -0.187 ($p < 0.05$), which means that the higher the e-government implementation index, the faster the financial statements are completed after the end of the fiscal year. This indicates that the application of technology in the government system can speed up the reporting process, reducing delays in the preparation of financial statements. In other words, the implementation of an electronic-based governance system has a positive impact on the efficiency of reporting time, which is critical to ensuring financial accountability and transparency.

The model for Transparency reveals that both the E-Government Index and Financial Management Competence play a role in increasing financial information disclosure. The application of technology in government, reflected in the E-Government Index, showed a significant positive relationship with transparency, with a coefficient of 0.224 ($p < 0.01$). This shows that the better the implementation of e-government, the more open financial information that can be accessed by the public. In addition, Financial Management Competence also contributes to transparency, albeit with a smaller and less significant influence (coefficient 0.143, $p < 0.1$). Interestingly, the interaction between the E-Government Index and Financial Management Competence showed a positive influence on transparency, with an interaction coefficient of 0.198 ($p < 0.05$). This suggests that the combination of technology and HR competencies in financial management can result in a higher level of transparency. Overall, these results confirm the importance of collaboration between the application of technology and the improvement of human resource competencies in increasing the disclosure of financial information, which in turn supports better and accountable financial management.

This preliminary analysis shows that regional financial reporting practices are not only influenced by accounting technical factors, but also by institutional contexts, institutional capacity, and technological readiness that vary between regions. Therefore, in the next discussion, it is important to understand the interaction between structural factors such as internal control and audit opinion with contextual variables such as the implementation of e-government and public financial management competencies.

Multiple regression analysis reveals that effective internal control systems significantly enhance the quality of local government financial reporting, with a coefficient of 0.312 ($p < 0.01$) (Suwanda, 2015; Mangasih et al., 2020). Regions with robust internal controls, evidenced by fewer significant audit findings from the Indonesian Supreme Audit Board (BPK), produce more accurate and credible financial statements. This suggests that strong internal controls act as a safeguard, minimizing administrative and financial errors and fostering public trust in regional governance. Audit opinions, particularly Fair Without Exception (WTP), further indicate compliance with Government Accounting Standards (SAP), reinforcing transparency and accountability in financial reporting (Utami et al., 2020).

E-government implementation significantly influences both transparency and timeliness of financial reporting, with coefficients of 0.224 ($p < 0.01$) for transparency and -0.187 ($p < 0.05$) for timeliness. Digital platforms like SIKD and e-budgeting systems streamline reporting processes, enabling real-time access to financial data and enhancing public oversight. These systems reduce delays, ensuring reports are submitted within mandated timelines, which is critical for accountable governance. The interaction between e-government and financial management competencies also positively affects transparency (coefficient 0.198, $p < 0.05$), highlighting the synergy of technology and expertise in improving information disclosure.

Financial management competencies contribute to reporting quality, with a coefficient of 0.143 ($p < 0.1$), though less significant than other factors. Certified staff produce more accurate reports, aligning with accrual-based SAP and adapting to regulatory changes. These findings underscore that integrating effective internal controls, e-government systems, and competent human resources enables local governments to deliver transparent, timely, and reliable financial reports, supporting better governance and public trust. Policymakers should prioritize strengthening these factors to enhance regional financial reporting quality.

DISCUSSION

This study's findings align with prior research by Diamond (2013), confirming that effective internal control systems and external audits are critical for maintaining the integrity of public financial reporting. Strong internal controls reduce errors and irregularities, ensuring accurate and credible financial statements, as evidenced by the significant positive effect (coefficient 0.312, $p < 0.01$) on reporting quality. Regions with robust controls and Fair Without Exception (WTP) audit opinions from the BPK demonstrate better compliance with Government Accounting Standards (SAP), reinforcing transparency and accountability. These results highlight the role of internal controls as a safeguard and external audits as an independent verification mechanism, enhancing the reliability of financial reports in Indonesia's decentralized context.

Rabaiah et al. (2021) emphasize that audits alone are insufficient without technological integration, a point this study supports through the significant impact of e-government on transparency (coefficient 0.224, $p < 0.01$) and timeliness (coefficient -0.187, $p < 0.05$). Digital platforms like the Regional Financial Information System (SIKD) and e-budgeting systems streamline reporting, enabling real-time data access and public oversight. The interaction between e-government and financial management competencies (coefficient 0.198, $p < 0.05$) further amplifies transparency, showing that technology combined with expertise creates a more open financial ecosystem. This underscores e-government's transformative potential in fostering efficient and accountable governance, particularly in regions with advanced digital infrastructure.

Djarmiko et al. (2025) argue that digital transformation requires skilled human resources, a finding echoed by this study's results on financial management competencies (coefficient 0.143, $p < 0.1$). Certified staff produce more accurate reports, aligning with accrual-based SAP and adapting to regulatory changes. However, the weaker significance of competencies compared to internal controls and e-government suggests that technical expertise alone is not enough without institutional and technological support. This highlights the need for local governments to invest in training and certification to strengthen financial reporting quality, especially in regions lagging in digital adoption.

Drilia et al. (2025) note that disparities in technical capacity and leadership commitment create uneven reporting quality across regions, a challenge evident in this study's findings. Regions with higher SPBE scores benefit from integrated digital systems, while those with limited infrastructure, like parts of Eastern Indonesia, face delays and lower transparency. Addressing these gaps requires targeted policies to enhance digital infrastructure and leadership commitment, ensuring equitable adoption of e-government and consistent reporting standards (Balla & Gormley Jr, 2017). These disparities emphasize that technological and human resource advancements must be synchronized to achieve uniform financial governance.

The findings offer practical implications for policymakers and local governments in Indonesia's decentralized system. Strengthening internal control systems through regular audits and compliance checks can enhance reporting accuracy and public trust. Expanding e-government adoption, supported by investments in digital infrastructure and training, as suggested by Djarmiko et al. (2025), can improve transparency and timeliness, particularly in underdeveloped regions. Enhancing financial management competencies via certification programs ensures staff are equipped to handle accrual-based SAP. These combined efforts, as advocated by Balla and Gormley (2017), can foster a transparent, efficient, and accountable financial reporting system, rebuilding public confidence in regional governance.

CONCLUSION

This study demonstrates that the quality and timeliness of financial reporting in Indonesian local governments are significantly influenced by effective internal control systems, e-government implementation, and financial management competencies. Strong internal controls and Fair Without Exception audit opinions enhance reporting accuracy and credibility, ensuring compliance with Government Accounting Standards. E-government platforms, such as the Regional Financial Information System, improve transparency and expedite report submission, while the interaction between e-government and competent staff further strengthens public access to financial information. Despite progress, regional disparities in technical capacity and leadership commitment create inconsistencies, with some areas lagging in digital adoption and accountability mechanisms. These findings highlight the critical role of institutional quality, digital innovation, and skilled human resources in advancing transparent and accountable financial governance.

The implications of this study encourage local governments to strengthen internal controls, expand e-government adoption, and invest in staff training to enhance reporting quality and public trust. However, limitations include the reliance on secondary data, which may not capture qualitative factors like leadership dynamics, and the focus on a five-year period, potentially missing longer-term trends. Future research could explore qualitative aspects, such as the impact of regional leadership or cultural factors, and extend the timeframe to assess the sustainability of digital reporting systems, ensuring more equitable governance across Indonesia's diverse regions.

Acknowledgement

The author would like to express sincere appreciation to the Indonesian Supreme Audit Board (BPK) for the publicly accessible data that formed the basis of this study. Gratitude is also extended to all parties who provided insights and practical perspectives,

particularly regional financial officers and auditors who contributed valuable information regarding local government financial reporting practices. Special thanks are also due to colleagues and peers who offered encouragement and constructive discussion throughout the completion of this research.

REFERENCES

- [1] Adiputra, I. M. P., Utama, S., & Rossieta, H. (2018). Transparency of local government in Indonesia. *Asian Journal of Accounting Research*, 3(1), 123–138.
- [2] Agustina, N., & Setyaningrum, D. (2020). Determinants quality of local government financial statements in Indonesia. *Review of Integrative Business and Economics Research*, 9(s1), 226–239.
- [3] Ali-Momoh, O. B., Olatunde, O. J., Joshua, A. T., Adejumo, B. O., Ilo, O. A., Kayode, B. M., & David, F. A. (2024). Impact of transparency in government expenditure authorization on public trust in Nigeria. *African Banking and Finance Review Journal*, 12(12), 143–161.
- [4] Amudo, A., & Inanga, E. L. (2009). Evaluation of internal control systems: A case study from Uganda. *International Research Journal of Finance and Economics*, 27(1), 124–144.
- [5] Anasta, L. (2019). Study the opinion from the financial examination agency on regional government financial statements that obtain required opinion with exceptions (Study in Bengkulu City). *Research Journal of Finance and Accounting*, 10(13), 51–57.
- [6] Ayogu, M. (2023). Fostering transparency and accountability enhancing statutory audits in Nigeria. *Journal of Business and Economic Options*, 6(1), 37–44.
- [7] Balla, S. J., & Gormley, W. T., Jr. (2017). *Bureaucracy and democracy: Accountability and performance*. Washington, DC: CQ Press.
- [8] Bank, W. (2022). *Enhancing public financial management in Indonesia: Toward a more accountable and transparent government*. Washington, DC: World Bank Publications.
- [9] Bannister, F., & Connolly, R. (2012). Defining e-governance. *E-Service Journal: A Journal of Electronic Services in the Public and Private Sectors*, 8(2), 3–25.
- [10] Chalmers, K., Hay, D., & Khlif, H. (2019). Internal control in accounting research: A review. *Journal of Accounting Literature*, 42(1), 80–103.
- [11] Chen, H., Wei, N., Wang, L., Mobarak, W. F. M., Albahar, M. A., & Shaikh, Z. A. (2024). The role of blockchain in finance beyond cryptocurrency: Trust, data management, and automation. *IEEE Access*, 12(11), 4861–4885.
- [12] Deviani, E. R., & EfaYonedi, H. H. (2020). Theoretical in Indonesian local government accounting research: 2000-2019. *International Journal of Advanced Science and Technology*, 29(6), 977-992.
- [13] Diamond, J. (2013). *Internal control and internal audit*. London, England: Springer.
- [14] Dimitrijevic, D., Milovanovic, V., & Stancic, V. (2015). The role of a company's internal control system in fraud prevention. *e-Finance: Financial Internet Quarterly*, 11(3), 34–44.
- [15] Din, M., Paranoan, S., Azdar, F., & Ralis, G. (2022). The effect of accrual-based accounting training and assistance on the knowledge improvement of financial report management at local government units. *Economic and Business Horizon*, 1(2), 1–12.
- [16] Djatmiko, G. H., Sinaga, O., & Pawirosu, S. (2025). Digital transformation and social inclusion in public services: A qualitative analysis of e-government adoption for marginalized communities in sustainable governance. *Sustainability*, 17(7), 2908-2919.
- [17] Donelson, D. C., Ege, M. S., & McInnis, J. M. (2017). Internal control weaknesses and financial reporting fraud. *Auditing: A Journal of Practice & Theory*, 36(3), 45–69.
- [18] Drilia, S. C., Dewi, F. G., & Suhendro, S. (2025). The impact of internal control, HR competence, and organizational commitment on financial report quality regional government organization, with IT utilization as a moderator (Study on regional government organizations in Southern Sumatera). *International Journal of Asian Business and Management*, 4(2), 177–188.
- [19] Firmansyah, A., Wibowo, P., & Puspitarini, I. (2020). Implementation of accrual based accounting on regional property in Indonesia: Competence employees and organizational commitments perspective. *International Journal of Psychosocial Rehabilitation*, 24(7), 9502–9512.
- [20] Fountain, J. E. (2003). *Information, institutions and governance: Advancing a basic social science research program for digital government*. Amherst: University of Massachusetts Amherst.
- [21] Ginting, T. A. S. B., Purba, R. B., & Ramadhan, P. R. (2022). Enhance transparency accounting information as a SIPP application and case financial application in presenting the financial statements of case in the environment of religious jurisdictions. *Britain International of Humanities and Social Sciences (BIOHS) Journal*, 4(2), 386–396.
- [22] Harrison, T. M., & Sayogo, D. S. (2014). Transparency, participation, and accountability practices in open government: A comparative study. *Government Information Quarterly*, 31(4), 513–525.
- [23] Hayat, A., Akhmad, B. A., Budiman, A., & Rajiani, I. (2020). Integrating people and technology in accrual accounting management to support quality financial reporting. *Polish Journal of Management Studies*, 22(2), 158–172.

- [24] Heeks, R. (2006). Understanding and measuring eGovernment: International benchmarking studies. *UNDESA Workshop, "E-Participation and E-Government: Understanding the Present and Creating the Future"*, Budapest, Hungary, 27–28.
- [25] Indonesia, B. P. K. R. (2009). *Iktisaris hasil pemeriksaan semester II tahun 2020*. Jakarta: Badan Pemeriksa Keuangan Republik Indonesia.
- [26] Indonesia, P. R. (2010). *Peraturan Pemerintah Republik Indonesia Nomor 71 Tahun 2010 tentang Standar Akuntansi Pemerintahan*. Jakarta: Sekretariat Negara.
- [27] Juniarti, J., Noersanti, L., & Gladys, A. (2023). Financial report quality: The role of accrual-based government accounting standards and HR competency. *Taxation and Public Finance*, 1(1), 1–8.
- [28] Mangasih, E. T., Pinasti, M., & Bawono, I. R. (2020). The effect of quality of internal audit and effectiveness of internal control systems on good corporate governance in finance companies. *SAR (Soedirman Accounting Review): Journal of Accounting and Business*, 5(1), 56–82.
- [29] Manginte, S. Y. (2024). Fortifying transparency: Enhancing corporate governance through robust internal control mechanisms. *Advances in Management & Financial Reporting*, 2(2), 72–84.
- [30] Morante, B. J. L. (2024). Reliability of financial statements through an effective internal control: A literature review. *International Scientific Journal Management, Marketing and Finance*, 1(2), 84–89.
- [31] OECD. (2020). *Health at a glance: Europe 2020 state of health in the EU cycle*. Paris: OECD Publishing.
- [32] Purwanto, H., Rahayu, A., Gaffar, V., Wibowo, L. A., Asmara, M. A., Munawar, A., & Saepudin, D. (2024). Strategic alignment for higher education's digital transformation journey. *TRIKONOMIKA*, 23(2), 83–97.
- [33] Putra, A. W., & Haryanto, T. (2021). The effect of internal control and audit opinion on the quality of local government financial statements. *Jurnal Akuntansi Dan Keuangan Daerah*, 16(1), 55–68.
- [34] Quick, J., & Hall, S. (2015). Part three: The quantitative approach. *Journal of Perioperative Practice*, 25(10), 192–196.
- [35] Rabaiah, H. I. A., Hanefah, M. M., Masruki, R., & Jamil, N. N. (2021). *Review of the public sector organizations' environment: accounting and internal control systems, and audit quality*. Cham: Springer International Publishing.
- [36] Romzek, B. S., & Dubnick, M. J. (2018). *Accountability*. New York, NY: Routledge.
- [37] Sellar, S., & Lingard, B. (2017). *The OECD and global governance in education*. London, England: Routledge.
- [38] Slinker, B. K., & Glantz, S. A. (2008). Multiple linear regression: Accounting for multiple simultaneous determinants of a continuous dependent variable. *Circulation*, 117(13), 1732–1737.
- [39] Sutaryo, S., Binti, S. S., Bin, J. S., & Bin, B. S. S. (2022). Internal audit function and public service quality: Evidence from Indonesian local governments. *Вопросы Государственного и Муниципального Управления*, 5(1), 110–133.
- [40] Suwanda, D. (2015). Factors affecting quality of local government financial statements to get unqualified opinion (WTP) of audit board of the Republic of Indonesia (BPK). *Research Journal of Finance and Accounting*, 6(4), 139–157.
- [41] Utami, F. L., Putra, Y. M., Tanjung, P. R. S., & Nugroho, L. (2020). Analysis of audit opinion of financial statements from state institutions: Indonesia empirical study, period 2012-2017. *International Journal of Financial Research*, 11(5), 150–160.

