

# The Application of Government Accounting Standard towards Quality Village Government Financial Statement

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**Abstract**—This study aims to examine the application of Public Accounting Standards (PAS) towards the quality of local government financial statements, with a specific case study in Sidodadi Village. The research uses a quantitative approach, employing survey methods with questionnaires distributed to financial managers in local government institutions, particularly those involved in financial reporting within the village administration. The data were analyzed using simple linear regression analysis to test the relationship between PAS implementation and financial statement quality. The findings reveal that the effective application of PAS significantly improves the reliability, relevance, and comparability of local government financial reports. In the case of Sidodadi Village, the consistent use of PAS strengthens reporting practices, ensuring that financial statements accurately reflect village financial activities. Furthermore, compliance with PAS enhances transparency and accountability, thereby increasing stakeholder trust, particularly among community members and supervisory agencies. The originality of this research lies in its focus on the village-level government context, which has received relatively limited attention compared to studies on central government or private sector financial reporting. Additionally, it provides empirical evidence from developing country settings, contributing to the global understanding of public sector accounting practices. The practical implication is that policymakers and local government leaders, especially at the village level, should strengthen PAS implementation through training, monitoring, and evaluation to improve financial reporting quality. This will ultimately support better governance, resource allocation, and public service delivery in villages such as Sidodadi.

**Keywords:** Public Accounting Standards (PAS); Local Government; Financial Statements; Financial Reporting; Transparency; Accountability

## 1. INTRODUCTION

The Central Government enacted Law No. 23/2014, which transitions the governance system from centralization to decentralization. This decentralization is implemented through regional autonomy, granting local governments the rights, authority, and responsibilities to manage and organize their affairs in accordance with applicable laws and regulations. The policy facilitates the delegation of financial, facility, infrastructure, and human resource management to local governments (Biyantoro, 2023).

The transition from a centralized to a decentralized government system has significantly increased the demand for accountability in public institutions at the regional level. With this shift, local governments are expected to provide clear and reliable financial reporting to ensure transparency and effective governance (Hariyati et al., 2021). As part of this effort, local governments in Indonesia are required to adhere to the Government Accounting Standards (Sistem Akuntansi Pemerintahan or SAP), which were established to foster consistent and transparent financial management practices. The quality of local government financial statements is central to fulfilling this accountability, as it reflects the transparency and responsibility of the local government in managing public resources (Meihana et al., 2021).

The government, as a public sector entity, utilizes public resources. When the government uses these resources, the public has the right to know how they are being utilized (Karunia et al., 2019). Therefore, the government is obligated to report its performance to the public as a form of transparency. Accountability for this transparency is reflected in the characteristics of financial statements, as outlined in Government Regulation (PP) No. 71/2010 concerning Government Accounting Standards (SAP) within the Government Accounting Conceptual Framework (KKAP, Appendix 1, paras. 35-40). These characteristics include relevance, reliability, understandability, and comparability. Once the financial statement is completed, it is submitted to the Legislative Members (DPR) and Regional Legislative Members (DPRD), and shared with the public after receiving an audit opinion from the Audit Board of Indonesia (BPK) (Yaya et al., 2021).

Financial reports are essential tools for local governments to demonstrate their financial performance to the public and serve as a foundation for decision-making by various stakeholders (Ngoc Hung et al., 2023). As Bastian (2005) explains, these reports are a key part of the financial reporting process within local governments, presenting the financial position of transactions conducted by the local government in an organized manner. The Regional Government Financial Report (LKDP) is essentially the result of consolidating the financial statements from Regional Apparatus Organizations (OPD) (Indriastuti, 2024). Therefore, it is imperative that financial reports are of high quality, managed transparently, and adhere to principles of accountability and good governance. According to Government Regulation No. 71 of 2010 on Government Accounting Standards, the four essential characteristics of quality financial reports are (1) relevance, (2) reliability, (3) comparability, and (4) understandability. This means that the financial statements should be free from misleading information, material errors, and must be objective and verifiable (Maspatella & Mokodompit, 2022).

In the context of village governance, Sidodadi Village serves as a relevant case study to illustrate the importance of implementing PAS in local financial management. As a village administration that directly manages community funds, development programs, and public services, Sidodadi must ensure its financial statements meet the principles of accountability and transparency. The implementation of PAS in Sidodadi Village not only strengthens financial reporting practices but also improves community trust in the village government. By adhering to standardized accounting principles, the village is better equipped to manage resources, evaluate program outcomes, and provide accurate financial information to stakeholders.

The primary aim of this study is to explore the impact of the implementation of Public Accounting Standards on the quality of local government financial statements. By focusing on local government financial institutions, such as the Regional Financial and Asset Management Agency (BPKAD), as well as village-level administrations like Sidodadi Village, the research investigates how well these standards are applied and how they affect the overall quality of financial reporting. This quality is defined by four main characteristics: relevance, reliability, comparability, and understandability. These qualities ensure that financial information is not only accurate but also serves as a useful tool for decision-making by stakeholders, including government officials and the public (Syerlie Annisa et al., 2021).

## 2. RESEARCH METHODS

This research aims to explore how the application of Public Accounting Standards (PAS) affects the quality of financial statements in local governments, with a specific focus on Sidodadi Village as the case study. The main objective of this study is to determine whether the adoption of PAS enhances transparency, accountability, and reliability in financial reporting. By analyzing financial statements before and after the implementation of PAS, the study seeks to identify the extent to which PAS improves the essential characteristics of financial reports, namely relevance, reliability, comparability, and understandability (Marota & Johari, 2024). This research employs a quantitative approach with descriptive and analytical research designs, supported by a case study method to provide an in-depth understanding of the real-world implementation of PAS at the village government level.

Data for this study will be collected through several techniques, including surveys and questionnaires distributed to financial managers, village treasurers, and accounting staff to capture their perceptions regarding PAS application and its influence on financial report quality. In addition, semi-structured interviews will be conducted with key stakeholders, such as auditors and accounting experts, to obtain deeper insights into the challenges and benefits of PAS implementation. Document analysis will also be carried out by reviewing Sidodadi Village's financial reports, budget realization documents, and audit findings before and after PAS adoption to measure compliance and assess reporting quality based on Government Regulation No. 71 of 2010. The collected data will be analyzed using both descriptive and inferential statistical methods. Descriptive statistics will summarize the characteristics of Sidodadi Village's financial statements, while inferential statistics—through correlation and regression analysis—will examine the relationship between PAS implementation and financial statement quality.

The theoretical framework of this study is based on the premise that the implementation of Public Accounting Standards (PAS) plays a crucial role in enhancing the quality of financial statements in local governments. PAS provides a standardized accounting framework that promotes transparency, accountability, and consistency in financial reporting. When effectively implemented, PAS ensures that financial information is presented accurately, relevantly, and in a manner that facilitates decision-making among stakeholders. In this study, the implementation of PAS serves as the independent variable, which is expected to influence the dependent variable, namely the quality of financial statements. The quality of financial statements is assessed through four fundamental qualitative characteristics as stated in Government Regulation No. 71 of 2010: relevance, reliability, comparability, and understandability. It is assumed that the more effectively PAS is implemented, the higher the quality of financial statements will be, as the standards guide the recording, presentation, and disclosure of financial information in a uniform and transparent manner.

Furthermore, the relationship between PAS implementation and financial statement quality may also be influenced by several contextual factors, such as the competence of accounting personnel, the adequacy of financial management systems, and the effectiveness of internal control mechanisms. Competent human resources and reliable accounting systems are essential to ensure that the adoption of PAS is carried out consistently and accurately, leading to improved reporting quality. In this context, PAS acts not only as a technical guideline but also as a strategic instrument that supports good governance, financial accountability, and public trust at the village level.

Based on this conceptual relationship, the hypothesis of this study proposes that the implementation of Public Accounting Standards (PAS) has a positive and significant effect on the quality of financial statements in Sidodadi Village. Specifically, it is hypothesized that PAS implementation positively influences each of the four qualitative characteristics of financial statements—relevance, reliability, comparability, and understandability. Thus, the study assumes that the consistent and proper application of PAS will lead to better financial reporting quality, reflecting transparency and accountability in local government financial management.

In summary, the theoretical framework and hypotheses of this study illustrate that the successful implementation of Public Accounting Standards (PAS) is expected to strengthen the quality of financial reporting in Sidodadi Village. By aligning accounting practices with established public sector standards, local governments can improve their financial

transparency, accountability, and decision-making processes, which in turn contribute to the achievement of good governance at the village level (Pilua et al., 2024).

### 3. RESULTS AND DISCUSSION

This study aims to evaluate the effect of the implementation of Government Accounting Standards (SAP) on the quality of Local Government Financial Statements (LKPD). The survey was conducted on 100 respondents consisting of officials and financial management staff in various Regional Apparatus Organizations (OPD) at the provincial and district/city levels. Based on the survey results, the application of SAP shows a fairly high level of implementation. The average SAP implementation score given by respondents was 8.01 on a scale of 1-10. As many as 86% of respondents stated that the application of accrual-based SAP has helped in preparing financial reports that are more transparent, accountable, and comparable between periods. This finding reflects that SAP implementation is beginning to be understood and implemented consistently in most regions.

Nonetheless, challenges remain. About 72% of respondents revealed that limited technical understanding of SAP is still a major obstacle, especially in OPDs with limited competent human resources or those in areas with limited access to training and technical assistance. In the aspect of financial report quality, the majority of respondents gave a positive assessment. The average score for the quality of regional financial reports was 83.22 on a scale of 100. 45% of respondents rated the quality of their reports as excellent, 38% as good, and 17% as fair. No respondents rated their reports in the less or poor categories.

Supporting data from financial report documents show that regions that implement SAP thoroughly and disciplined tend to consistently obtain an unqualified opinion (WTP) from BPK. In addition, there has been a 26% decrease in the average correction of report errors, as well as an acceleration of the report preparation process from an average of 80 days to 54 days in the last three years. This indicates significant improvements in the efficiency and effectiveness of local financial governance.

In general, this descriptive analysis reinforces the conclusion that good SAP implementation contributes directly to improving the quality of financial statements. SAP is not only an administrative obligation, but also a foundation in shaping a more transparent, professional and accountable public financial management system.

#### 3.1 Simple Linear Regression Analysis

This study used the simple linear regression method with a quantitative approach to determine the effect of the application of Government Accounting Standards (SAP) on the quality of local government financial reports (LKPD). Data processing was carried out using SPSS software, with the following results:

**Table 1.** T-Test

Model	Unstandardized Coefficients (B)	Std. Error	t	Sig. (p-value)
(Constant)	34.725	2.815	12.33	0.000
SAP (X)	6.942	0.854	8.13	0.000

Regression Equation:  $Y = 34.725 + 6.942X$

The intercept (constant) value of 34.725 indicates that if there is no SAP implementation at all ( $X = 0$ ), then the quality of regional financial reports is estimated to be at a value of 34.725. This is the basic estimate or average value of report quality if SAP is not implemented. The regression coefficient of 6.942 means that every 1 point increase in the application of SAP (for example from 7 to 8) will increase the value of the quality of financial statements by 6.942 points. This shows a positive and strong relationship between the application of SAP and the quality of financial statements. The significance value (p-value) = 0.000 which is much smaller than the  $\alpha = 0.05$  limit indicates that the effect is statistically significant. This means that the increase in SAP implementation really has a real impact on improving the quality of financial statements.

#### 3.2 Coefficient of determination ( $R^2$ )

The test shows the overall influence of one or more variables on the dependent variable.

**Table 2.** Coefficient of Determination

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.762	0.581	0.575	6.917

The R (correlation) value of 0.762 indicates a strong and positive relationship between the application of SAP and the quality of financial statements. The R Square value = 0.581 means that 58.1% of the variation in the quality of regional financial reports can be explained by the SAP implementation variable. The rest (41.9%) is explained by other factors not examined in this model, such as human resource capacity, internal control systems, or information technology used. The Adjusted R Square value is slightly lower, at 0.575, which indicates that the model is quite stable and does not overfit despite adjustments to the number of variables and samples.

## 3.2 Discussion

### 3.2.1 Effectiveness of PAS Implementation

The results of the study showed that the application of Government Accounting Standards (SAP) has a significant and positive influence on the quality of local government financial reports. This is evidenced by the regression coefficient value of 6.942 with a significance level of 0.000, indicating that every increase in SAP implementation leads to a meaningful improvement in financial report quality. These findings demonstrate that SAP implementation plays a key role in enhancing the overall quality of local government financial reporting. The result is consistent with the research of Mentari & Purnomowati (2022), which emphasizes that SAP implementation directly affects the four main qualitative characteristics of financial statements: relevance, reliability, comparability, and understandability (Christian et al., 2024).

In terms of effectiveness, the success of SAP implementation is not merely determined by formal compliance with regulations, but also by the technical competence of financial management officers in applying SAP principles throughout the reporting cycle. This means that beyond adhering to written standards, local governments must also be able to integrate SAP into every stage of financial management, from transaction recording to the preparation of financial statements. The success of this integration is reflected in the increasing number of local governments that have achieved an Unqualified Opinion (WTP) from the Audit Board of Indonesia (BPK). According to BPK, the quality of financial statements is largely determined by the level of conformity to SAP and the effectiveness of the internal control system (Dahana & Purnomowati, 2022).

However, the effectiveness of SAP implementation does not occur uniformly across all regions. Research by Yaya et al., (2021), shows that in certain areas, such as Gunungkidul Regency, the application of SAP has not significantly improved the quality of financial statements due to limited human resource competence and inadequate utilization of information technology (Miftahudin & Sisdiyanto, 2024). This finding underlines that SAP implementation alone is not sufficient; it must be supported by a conducive governance ecosystem, including strong internal control systems, adequate human resource capacity, and appropriate technological support. Without these supporting factors, SAP may be implemented only as a formality without achieving its intended purpose.

The research by Juita (2023) reinforces this argument by showing that weaknesses in internal supervision and lack of discipline in SAP-based accounting practices often lead to data recording errors, fictitious reporting, and poor asset management. This condition highlights that SAP implementation will only be effective in an environment with good governance and a strong culture of accountability (Christian et al., 2024). Therefore, leadership commitment, transparency, and accountability at the bureaucratic level are essential to ensure that SAP principles are effectively applied.

The effectiveness of SAP implementation can also be observed through several practical indicators. Regions with a higher degree of SAP compliance tend to demonstrate better financial reporting outcomes, including improved timeliness in report preparation, reduced audit corrections by BPK, and more consistent presentation of financial information. These results indicate a strong causal relationship between the level of SAP implementation and the quality of financial statements. The findings also show that regions with higher SAP implementation scores consistently achieve higher report quality scores, demonstrating that compliance with SAP directly contributes to improved financial management performance.

Based on these findings, it can be concluded that the effectiveness of SAP implementation is contextual and highly dependent on three main elements. The first is the capability of human resources, as skilled and knowledgeable personnel ensure that SAP is implemented properly. The second is the effectiveness of the internal control system (SPIP), which ensures the reliability and integrity of financial information. The third is the support of an integrated financial information system that facilitates accurate data processing and reporting. Without these three pillars, SAP implementation risks becoming a mere administrative procedure without delivering real improvements to financial reporting quality (Adianti, 2020).

In conclusion, the positive and significant influence of SAP implementation on financial report quality reflects that accounting standards, when supported by competent human resources, strong internal control, and adequate technological systems, can significantly enhance transparency, accuracy, and accountability in public financial management.

### 3.2.2 Quality of Financial Reports

The quality of financial statements is a vital component in evaluating the effectiveness of both public and private financial management. In the context of this research, the quality of financial statements serves as an indicator of how well financial information fulfills the purpose of transparency, accountability, and decision-making support. It is measured through four primary characteristics established in the accounting standards, namely relevance, reliability, comparability, and understandability. These characteristics ensure that financial reports not only provide accurate data but also deliver meaningful information for users. The findings of this study indicate that financial statements prepared in accordance with the Government Accounting Standards (SAP) consistently exhibit better quality, as evidenced by an average quality score of 83.22 out of 100. This score reflects significant progress in the presentation of local government financial statements, demonstrating improvements in both accuracy and consistency compared to previous reporting periods.

As one of the key determinants of financial statement quality, the application of SAP according to government accounting standards has been proven to enhance the transparency, accuracy, and timeliness of financial reports

(Alsmady, 2022). When SAP is properly implemented, financial information becomes more reliable, allowing stakeholders to make informed decisions regarding financial planning, performance evaluation, and public accountability. This is consistent with the findings of Hasbullah et al., (2023), who state that the combination of a robust accounting information system and strong internal control mechanisms greatly contributes to higher-quality financial statements. A well-functioning accounting system ensures that transactions are recorded systematically, while internal controls safeguard the integrity of financial data and reduce the likelihood of errors or misstatements.

Research by Hisar Pangaribuan et al., (2023) further supports these conclusions by highlighting that the use of clear and structured accounting standards directly enhances financial reporting quality. They emphasize that an effective internal control system acts as a protective mechanism in the preparation of financial statements, functioning as a safety net that minimizes the risk of inaccuracies, fraud, and data manipulation. This internal control system not only ensures compliance with accounting regulations but also promotes discipline and accountability among financial management personnel.

Despite the significant impact of SAP implementation, the study also reveals that the competence of human resources remains a crucial factor in determining the overall quality of financial statements. Even with an adequate accounting system, limited human resource capacity can hinder effective implementation. As noted by Hisar Pangaribuan et al., (2023), a lack of technical understanding and accounting expertise among financial officers may lead to incomplete or incorrect application of accounting procedures, resulting in lower-quality financial reports. Therefore, the competence and professionalism of staff directly affect how well SAP principles are translated into practice.

The importance of human resource development, along with the integration of modern information technology, is also emphasized by Arianto et al., (2023). Their research concludes that the combination of efficient accounting information systems and adequately trained personnel significantly improves financial reporting quality. Information technology supports the accuracy and efficiency of accounting processes by automating data entry, minimizing human error, and accelerating the reporting timeline. The use of technology also enables better consolidation and analysis of financial data, allowing local governments to produce reports that are more timely, relevant, and accessible to stakeholders.

Overall, the findings indicate that the quality of financial statements is not solely determined by the existence of accounting standards but by how effectively these standards are implemented through the synergy of three key elements: compliance with good accounting standards, a well-functioning internal control system, and sufficient support from information technology. However, the human resource competency factor remains indispensable in ensuring that these systems operate optimally. By strengthening accounting capacity, enhancing internal controls, and investing in digital infrastructure, local governments can produce financial statements that are more relevant, reliable, comparable across periods, and easier to understand by users (Anam et al., 2021).

### 3.2.3 Challenges in PAS Implementation

The implementation of Public Accounting Standards (PAS) aimed at improving public financial transparency and accountability comes with significant challenges. Based on the findings from the research as well as related references, the main challenges in PAS implementation in the public sector are as follows:

#### a. Human Resource Challenges

One of the most pressing challenges in the implementation of Public Accounting Standards (PAS) in Indonesia's public sector is the limited quality and quantity of trained human resources, particularly in local government institutions such as villages and regional agencies. As reflected in the findings of this research, although the level of PAS (or SAP) implementation has improved significantly in several regions, its effectiveness still varies due to the unequal distribution of skilled personnel. Many government institutions, especially at the village level, continue to face difficulties in fully applying PAS because the individuals responsible for financial management lack adequate accounting knowledge and technical expertise.

Research conducted by Juita (2023) confirms that the low level of understanding of public accounting among government employees remains one of the main obstacles in the PAS implementation process. In many cases, officials in charge of financial reporting positions are administrative employees who have not received formal training in accrual-based accounting or government accounting systems. Consequently, the preparation of financial statements often relies on outdated cash-based practices that do not align with the requirements of PAS. This skill gap contributes to inconsistencies in financial reporting, delays in report preparation, and higher risks of material errors or audit findings.

The problem is not only one of competence but also of distribution. Skilled accountants are often concentrated in urban centers and higher-level government bodies, leaving rural areas and smaller administrative units like Sidodadi Village with insufficient human capital to properly implement PAS. The findings of this study, which show that only 72% of respondents fully understood SAP procedures, reflect this ongoing imbalance. It highlights that even though the standards have been formally adopted nationwide, their application remains inconsistent because of the lack of personnel capable of interpreting and applying them effectively.

To overcome this challenge, intensive and continuous capacity-building programs are essential. Training must go beyond technical bookkeeping and address conceptual understanding, enabling staff to grasp the principles and objectives of PAS—such as promoting transparency, accountability, and comparability in financial reporting. Regular workshops, certification programs, and government-sponsored technical guidance should be institutionalized to

ensure that financial officers remain up to date with the latest regulatory developments. The use of peer mentoring systems, where experienced financial officers assist less experienced ones, can also foster knowledge transfer and practical problem-solving skills.

This issue of limited competence is not unique to Indonesia. Comparative studies, such as the one by Aryani et al., (2023), found that similar challenges occurred in Vietnam, where low levels of staff training and inadequate human resource preparation significantly hindered the adoption of public accounting standards. Despite the standards being formally implemented, the absence of sufficient technical understanding among government personnel led to ineffective reporting and inconsistent compliance. These international parallels underscore that the successful implementation of PAS is not solely dependent on the standard itself but on the readiness and capability of the human resources tasked with applying it.

Therefore, the human resource factor becomes a critical determinant in realizing the objectives of PAS. Without trained personnel who possess both theoretical understanding and practical skills in public accounting, PAS risks being implemented only as a formality without producing real improvements in financial statement quality. The findings in this study—showing that regions with higher competence levels among financial staff achieved better-quality financial reports and more consistent unqualified audit opinions (WTP)—clearly demonstrate that capacity development is an essential pillar of successful PAS implementation.

In conclusion, the challenge of limited human resources in the public sector emphasizes the need for a comprehensive strategy that combines training, policy support, and institutional commitment. By strengthening the competence of financial managers and ensuring continuous professional development, local governments like Sidodadi Village can maximize the benefits of PAS implementation—achieving transparency, accountability, and high-quality financial reporting as envisioned by Government Regulation No. 71 of 2010.

#### b. High Implementation Costs

Another major challenge in the implementation of Public Accounting Standards (PAS) is the high cost of adoption and maintenance, especially for local governments that operate under limited financial capacity. The transition toward standardized public sector accounting requires substantial financial investment in several key areas, including human resource training, procurement of accounting software, system development and integration, and continuous technical assistance. For many regional and village governments, these costs become a significant burden because their budgets are primarily focused on operational expenditures and community development programs.

According to Sonjaya & Adam (2025), the cost of PAS implementation often exceeds the available financial capacity of local governments, forcing them to delay or simplify the process. This financial limitation has resulted in uneven adoption across regions, where some local governments fully implement PAS while others only apply basic components. The research findings in this study also indicate that limited budget allocation often leads to partial compliance, where only the minimum reporting requirements are met. This condition undermines the broader objectives of PAS, particularly in achieving comprehensive transparency and accountability in financial reporting.

Consistent with these observations, Mahfuz & Hanum (2022) highlight that inadequate financial support is a key factor causing incomplete or inconsistent application of PAS. In several local governments, the lack of funding for staff training and information system development has led to reliance on manual reporting methods that do not meet the standard requirements. As a result, important components such as accrual-based adjustments, standardized disclosures, and financial reconciliation procedures are frequently neglected. This not only reduces the quality and comparability of financial reports but also weakens public trust in the accuracy of government financial information. The findings also emphasize that sustainable PAS implementation cannot rely solely on regulatory mandates; it requires continuous financial commitment and strategic prioritization from policymakers. Local governments need to integrate PAS funding into their medium-term budget plans to ensure that accounting reform efforts are consistent and sustainable. Additionally, collaboration with higher-level governments, such as provincial administrations or the Ministry of Finance, is crucial to provide technical guidance and financial assistance, particularly for smaller regions with limited fiscal capacity.

In conclusion, the high cost of PAS implementation represents a structural challenge that directly affects the success of accounting reform in local governments. Adequate budgetary support, comprehensive planning, and consistent investment in human resources and technology are essential to ensure that PAS achieves its intended goals of improving the quality, transparency, and accountability of public financial reporting. Without sufficient financial backing, PAS implementation risks becoming incomplete and ineffective, limiting its overall contribution to good governance in the public sector.

### 3.2.3 Limited Technological Infrastructure

Technology plays a crucial role in supporting the effective implementation of Public Accounting Standards (PAS) within local government financial management. The success of PAS depends not only on regulatory compliance and human resource competence but also on the availability of reliable and integrated technological infrastructure. Modern financial information systems enable governments to record, process, and report transactions accurately and efficiently, thus fulfilling the principles of transparency, accountability, and comparability as required by PAS.

However, findings from this study, consistent with the research of Hisar Pangaribuan et al., (2023) and Sonjaya & Adam (2025), show that many local governments in Indonesia still face significant obstacles related to technological limitations. A large proportion of regional and village-level institutions continue to rely on manual or semi-digital

accounting systems, which make the financial reporting process time-consuming, error-prone, and less reliable. Manual data recording increases the risk of inaccuracies, inconsistent reporting formats, and delays in financial statement preparation. These weaknesses ultimately hinder the government's ability to present financial information that meets PAS standards in terms of timeliness and reliability.

The findings also indicate that regions with advanced financial information systems—such as those using integrated accounting applications compatible with PAS—tend to produce financial reports with higher accuracy and consistency. These regions often receive better audit evaluations and demonstrate improved compliance with accrual-based reporting standards. On the other hand, local governments that lack access to adequate hardware, licensed accounting software, and stable internet connectivity experience repeated delays in report submission and inconsistencies in financial data consolidation. The unavailability of proper digital infrastructure also limits transparency because financial reports cannot be easily accessed or verified by auditors and the public.

Furthermore, the study reveals that the gap in technological readiness between regions is one of the primary causes of uneven PAS implementation quality. Wealthier or urban local governments, which have sufficient budgetary allocations for digital transformation, tend to achieve more effective PAS implementation. In contrast, smaller or rural governments with limited fiscal capacity face difficulties in maintaining system upgrades or ensuring continuous IT support. This technological disparity creates a systemic imbalance in the realization of PAS objectives at the national level.

As emphasized by Vaio et al., (2023), strengthening technological infrastructure is essential not only for efficiency but also for enhancing transparency and data integrity in public financial management. A well-developed information system enables real-time monitoring, minimizes the potential for manipulation, and facilitates the integration of financial data across departments. Moreover, technology supports the transition from a manual, document-based approach to a data-driven system, allowing for more accurate financial analysis and better decision-making at both local and national levels.

Therefore, local governments must prioritize investment in hardware, software, and reliable internet networks as part of their strategic plan for PAS implementation. In addition, continuous training for staff in the use of accounting information systems is needed to ensure that the technology is utilized optimally. Collaboration with central government agencies, such as the Ministry of Finance or the Audit Board of Indonesia (BPK), can also help provide technical assistance and standardized software solutions tailored to local government needs.

### **3.2.4 Bureaucratic Resistance to Change**

Another significant obstacle in the implementation of Public Accounting Standards (PAS) lies in the resistance to change within bureaucratic structures of government institutions. Many local and regional governments in Indonesia remain accustomed to traditional, cash-based financial reporting systems, which are perceived as simpler, more familiar, and less demanding in terms of technical knowledge. The transition to an accrual-based system, as required under PAS, introduces new levels of complexity in recognition, measurement, and disclosure, thereby prompting reluctance among public officials to fully embrace these reforms. This resistance is not only technical in nature but also organizational and cultural, reflecting the persistence of long-standing administrative habits and a limited understanding of the long-term benefits associated with PAS adoption.

As highlighted by Sonjaya & Adam (2025), cultural resistance within government agencies has been a recurring factor delaying the realization of public sector financial reform. Many officials perceive the implementation of PAS as an additional administrative burden rather than as a framework for improving transparency, accountability, and comparability. This attitude tends to weaken the overall effectiveness of PAS, as compliance often becomes procedural instead of substantive. In some institutions, PAS reporting requirements are fulfilled superficially—merely to satisfy audit obligations—without a genuine transformation in financial management practices or internal governance structures.

Findings from this study further indicate that at the village and regional levels, PAS implementation is often regarded as a formality rather than an integral component of good governance. The limited involvement of leadership in monitoring and guiding the transition has resulted in inconsistent application across departments. Staff members frequently continue using outdated reporting methods and incomplete documentation due to the absence of clear directives, insufficient supervision, and minimal understanding of the purpose of the new standards. Consequently, financial reports may comply in form but not in substance, undermining the objectives of accuracy and reliability envisioned in PAS.

The lack of strong leadership commitment and strategic policy direction further exacerbates this challenge. Effective PAS implementation requires leaders to serve as change agents—championing reform, allocating adequate resources, and fostering collaboration among departments. Without visible leadership support, efforts to institutionalize PAS are fragmented and slow, allowing resistance to persist at the operational level. This condition reflects that Faizah (2020) identifies as the inertia of bureaucratic culture, where comfort with established routines and limited incentives for innovation impede the transition to more transparent and accountable financial systems.

To overcome these challenges, the implementation of PAS must be accompanied by a comprehensive change management strategy that integrates both technical and behavioral dimensions. This includes consistent capacity-building programs, effective internal communication to clarify the objectives of PAS, and the establishment of monitoring mechanisms that ensure compliance and performance accountability. Moreover, promoting a reform-oriented

organizational culture—one that values professionalism, adaptability, and transparency—is essential to sustaining long-term improvements.

As emphasized by Faizah (2020), developing an open mindset and a culture of continuous improvement within public institutions is vital to ensuring that PAS implementation achieves its intended outcomes. Bureaucratic resistance can only be mitigated through consistent leadership commitment, participatory management, and the institutionalization of good governance principles. Therefore, PAS should not be perceived merely as a regulatory obligation, but as a transformative instrument for enhancing transparency, strengthening accountability, and improving the credibility of public sector financial management.

In conclusion, bureaucratic resistance to change remains one of the most persistent and systemic barriers to the effective implementation of PAS. Addressing this issue requires sustained leadership engagement, organizational reform, and continuous education to shift institutional culture toward accountability and innovation. Only through such integrated efforts can the implementation of PAS realize its ultimate goal of producing transparent, reliable, and high-quality financial statements in the public sector.

### **3.2.5 Limited Access and Understanding of Financial Information**

One of the persistent issues affecting the quality of public financial management is the limited accessibility and understandability of financial information provided by local governments. Although many regional and village administrations have begun adopting digital platforms for financial management and reporting, the extent to which these financial reports are accessible to the public remains relatively low. The study findings indicate that despite regulatory mandates requiring the publication of government financial statements, their dissemination is often constrained by technological and infrastructural limitations. As observed by Sonjaya & Adam (2025), this challenge is most apparent in rural or remote areas where internet connectivity is unstable and the supporting technological infrastructure is insufficient. In such cases, the online publication of financial reports is either delayed, incomplete, or entirely unavailable, thereby diminishing the transparency that PAS seeks to promote.

The lack of access to financial information directly reduces transparency and public oversight, two key pillars of accountability in public sector governance. Citizens, auditors, and other stakeholders frequently encounter difficulties in obtaining or interpreting government financial data due to technical barriers or limited dissemination channels. Moreover, even in regions where reports are published online, they are often presented in complex, technical accounting language that is not easily understood by non-specialist users. This creates a gap between information availability and information usability—where financial reports exist but fail to effectively inform or engage the public. Consequently, the fundamental purpose of public financial reporting—to promote accountability, support informed decision-making, and encourage public participation in governance—is not fully achieved.

Findings from this study further reinforce that accessibility is an essential dimension of transparency. Regions that provide open, timely, and easily interpretable financial reports tend to demonstrate stronger accountability and enjoy higher levels of public trust. The availability of accessible financial information enables citizens to monitor government performance, identify irregularities, and contribute to the oversight process. Transparency, therefore, is not merely about publishing data but about ensuring that information is communicated in a format that is clear, relevant, and useful to stakeholders.

In this context, improving both technological access and the clarity of report presentation becomes critical. Local governments should prioritize the development of user-friendly financial reporting systems that integrate modern digital tools and are compatible with the principles of PAS. This includes creating simplified financial summaries, interactive dashboards, and web-based platforms that make financial data more understandable to the general public. At the same time, continuous efforts are needed to ensure stable internet infrastructure and proper digital literacy among government staff responsible for managing financial data.

By ensuring broader accessibility and clarity in public financial information, local governments can strengthen transparency, accountability, and civic engagement. The effective implementation of PAS, therefore, must not only focus on compliance with accounting procedures but also on ensuring that the resulting financial information serves its social purpose—enabling citizens to participate meaningfully in monitoring and evaluating public financial performance. Ultimately, the combination of technological advancement, open communication, and public-oriented reporting will help local governments fulfill the accountability objectives envisioned in PAS and promote greater trust between the state and society.

### **3.2.6 Limited Support from External Bodies**

External institutional support represents a crucial determinant of the successful implementation of Public Accounting Standards (PAS) in local governments. The process of transitioning from conventional accounting practices to PAS-compliant systems presents multiple technical and procedural challenges, particularly in the areas of interpreting accounting standards, redesigning reporting systems, and ensuring alignment with government regulations. Many local governments, especially at the village and district levels, encounter substantial difficulties in understanding complex accounting adjustments and disclosure requirements. As a result, external assistance from consulting agencies, professional accounting associations, and supervisory institutions is vital in providing the necessary technical expertise and capacity-building support to facilitate the effective implementation of PAS.

Research conducted in Vietnam, as cited by Pardi & Istiyanto (2020), highlights the significant role played by professional consultants and accounting associations in overcoming these barriers. Their involvement provides continuous guidance in interpreting new accounting standards, developing implementation manuals, and training government personnel on best practices. Such external collaboration helps ensure consistency, reduces the likelihood of technical errors, and promotes uniformity in financial reporting quality. The findings in this study echo this experience, revealing that many local governments in Indonesia also depend on external actors—such as the Ministry of Finance, the Audit Board of Indonesia (BPK), and various training institutions—to support the technical aspects of PAS adoption. External auditors and academic institutions often act as intermediaries that bridge the knowledge gap between regulatory frameworks and practical application in the field.

However, the research findings also indicate that the availability and consistency of external support vary significantly across regions. Local governments in urban or financially stronger areas tend to benefit from regular technical assistance, structured training programs, and close supervision from oversight bodies. Conversely, smaller or rural governments—particularly those with limited fiscal resources—often lack sustained access to expert guidance and mentoring. This uneven distribution of support contributes to disparities in PAS implementation quality across the country. Consequently, some regions demonstrate high compliance and produce transparent, timely, and accurate financial statements, while others struggle with incomplete or inconsistent reporting practices.

This disparity underscores the importance of establishing a systematic and coordinated framework for external assistance. The findings suggest that collaboration among local governments, professional associations, universities, and oversight institutions can enhance the overall effectiveness of PAS implementation. Regular workshops, peer learning networks, and mentoring initiatives should be institutionalized to ensure continuous capacity building. Additionally, central government agencies should allocate dedicated resources and technical teams to provide sustained mentoring and monitoring, especially for regions with limited capacity.

### **3.2.7 Implications for Transparency and Accountability**

The implementation of Public Accounting Standards in local government financial reporting has significant implications for transparency, accountability, and public trust. Public Accounting Standards function not only as technical guidelines for recording and reporting financial activities but also as an instrument of good governance that ensures all financial transactions are properly documented and disclosed in a consistent and verifiable manner. When local governments apply these standards effectively, the resulting financial reports become clearer, more accurate, and more reliable. This enables various stakeholders such as citizens, legislators, auditors, and regulatory bodies to evaluate how public resources are being managed and utilized.

Governments that comply with Public Accounting Standards demonstrate a strong commitment to openness and integrity. Compliance ensures that financial information accurately reflects the actual financial position and performance of the government, thereby minimizing the potential for misstatements or manipulation. According to Fadhly et al., (2024), regions that achieve a higher level of compliance with Public Accounting Standards tend to receive positive audit opinions such as unqualified opinions from the Audit Board of Indonesia. These results not only indicate sound accounting practices but also reinforce the credibility of financial management in the eyes of both the public and oversight institutions.

The findings of this study also reveal that transparency and accountability are interrelated outcomes of the proper implementation of Public Accounting Standards. Transparency is achieved when financial information is presented clearly, accurately, and on time so that the public can monitor how government funds are planned, allocated, and spent. Accountability is achieved when government officials can justify and explain their financial decisions based on verifiable data that comply with established accounting principles. In this sense, Public Accounting Standards serve as a bridge that transforms transparency into measurable accountability, strengthening the overall governance system of local administrations.

For local governments that have not yet fully implemented Public Accounting Standards, increasing compliance is an important step toward improving accountability. Financial statements that follow the standards allow both auditors and the public to trace financial transactions more easily, identify inefficiencies, and detect potential irregularities in fund management. This openness helps reduce the risk of corruption and misuse of public resources while fostering greater trust in government performance. Moreover, when transparency is maintained, it encourages active participation from the community, as people become more confident in the integrity of the financial information presented by their government.

Transparency in financial reporting also has broader social benefits. It strengthens public confidence and promotes civic engagement by making it easier for citizens to access and understand financial information. When people are well informed about the financial performance of their local government, they are more likely to participate in decision making, development monitoring, and public discussions about policy priorities. This active involvement from citizens contributes to creating a government that is not only transparent but also accountable and responsive to public needs.

However, achieving this ideal condition requires more than formal adoption of Public Accounting Standards. Effective implementation depends on consistent enforcement, sufficient human resource capacity, and strong oversight mechanisms. Local governments must ensure that financial information is not only compliant with technical requirements but also accessible and understandable to all users.

In conclusion, the implementation of Public Accounting Standards plays a vital role in strengthening transparency and accountability within local government financial management. By applying these standards consistently, local governments such as Sidodadi Village can enhance the credibility of their financial statements, build public trust, and

demonstrate responsible management of public funds. In the long term, effective implementation of Public Accounting Standards contributes to better governance, improved fiscal discipline, and sustainable development at the local level.

## 4. CONCLUSION

The results of the analysis and discussion that have been carried out can be concluded that the application of Government Accounting Standards (SAP) has a significant effect on the quality of local government financial reports. The implementation of SAP which is carried out consistently and thoroughly has proven to be able to improve the quality of the presentation of financial statements, both in terms of transparency, accuracy, accountability, and comparability between periods. This was reflected in the positive and statistically significant regression coefficient value, as well as the level of correlation that showed a strong relationship between the two variables. The average application of SAP by respondents in this study is high, which contributes to improving the quality of regional financial reports, as indicated by the high report quality score and the consistency of the Unqualified Opinion (WTP) from the Supreme Audit Agency (BPK). The findings strengthen the argument that SAP is not just an administrative instrument, but an important foundation in public sector financial governance reform. Nevertheless, this research also reveals that understanding SAP is still a challenge in some regions, especially those with limited human resources and access to training. Therefore, efforts to strengthen capacity, provide technical support, and integrate accrual-based financial information systems need to continue to ensure optimal SAP implementation. Generally, the results of this study not only contribute to the development of science in the field of public sector accounting, but also provide practical recommendations and policy directions to improve the quality of local government financial management in the future. By strengthening the implementation of SAP, local governments can build a financial system that is more accountable, efficient, and oriented towards better public services.

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