

Factors Affecting the Usefulness of Governments' Financial Statements in Indonesia

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This research aims to analyse factors affecting the usefulness of governments' financial statements in Indonesia from preparers and user's perspective. Governments' financial statements may be ignored as they have no direct impact on stakeholders. Thus, this research would identify external and internal factors which significantly affect the usefulness of the financial statement. Questionnaires were sent to preparers and users in central and local government offices all over Indonesia. The research method is based on a quantitative method using multiple regression and Principle Component Analysis (PCA). Overall results show that according to both preparers and users, the external factors that positively affect the usefulness of the governments' financial statements are pressure from the internal auditor and society, while surprisingly pressure from the press negatively affect the usefulness of governments' financial statements. For internal factors, only regulation has a positive effect on the usefulness of governments' financial statements.

Key words: *Usefulness, government, financial statements, users, preparers, Indonesia.*

Introduction

The usefulness of the financial statement is always an interesting issue in accounting research, especially in governmental accounting. Financial statements should be able to be used for decision judgement. There are two groups who benefit from financial statements: preparers and users. Preparers have interests in the benefits of the institution, that it can work well, effectively and efficiently. Financial statements can be a basis for policy decision making. In the case of government reporting, budgeting processes proposed by the government can be

interfered with by some factors, including internal and external factors. Moreover, the budget would be discussed by parliament members who also have some interests and purpose. Thus, the discussion would be tough and contain political moves from other parties including the government. For users, the usefulness of the financial statement can be applied for the analysis and recommendations for the government. Third party analysis is needed for the government as objective analysis. Users can be parliament members, people, academicians and NGOs (Kadhim Sendw et al., 2019).

Previous research on the usefulness of financial statements in government was conducted by (Nogueira & Jorge, 2016). They discussed factors affecting the decision usefulness of financial statements. Two factors affected the usefulness, financial body and country situation and lack of user knowledge. Nogueira, Margarida F. Jorge, and Cervera Oliver (2013) also stated that there are two different groups in defining the usefulness of financial statement, politicians and technicians. Technicians are perceived to have a greater value of usefulness of financial statement compared to politicians.

The research gap to be filled is the indicator of usefulness used in this study, based on the qualitative characteristic of local government financial statements. Moreover, the respondents consist of both preparers and users of financial statements. To map the affecting variables, factor analysis would be applied. Thus, the purpose of this study is to analyse factors affecting the usefulness of governments' financial statements in Indonesia from preparers and user's perspectives. Specific affecting variables have been identified to conduct this research (Zarin & Gaskari, 2016).

The research starts with the introduction which explain the important issue of the research. Then, literature review would discuss relevant theory, previous research and hypothesis. The research method is based on quantitative analysis and explaining affecting variables. Then the analysis includes crosstab analysis and factor analysis. Finally, the conclusion is provided to answer the research objective. This may be the first paper which discusses affecting factors on the usefulness of financial statements in Indonesia which is based on users and preparers perspective.

Literature Review

Contingency Theory and Institutional Theory

Nogueira and Jorge (2016) use contingency theory and institutional theory to explain that an organisation must adopt new accounting practices that seek better adjustments. The adjustments between administrative systems and contingency factors (whose accounting system design is included) will depend on the organisation's capacity to recognise and adapt to

change as a function of external and internal factors. Values, both inside and outside the organisation, as well as community rules, can also play a role in the decision to introduce organisational change, including organisations the accounting system.

The values and rules of society that play a role in organisational change support the view that organisations gain legitimacy if they adapt to external expectations. Otherwise stated, there is pressure to introduce certain accounting practices without considering whether this will bring benefits (Geiger & Ittner, 1996; Nogueira & Jorge, 2016). In Indonesia, since the issuance of Government Regulation No. 71/2010 which requires the implementation of accrual-based Government Accounting Standards, all ministries, institutions and local governments should fully implement the accrual-based system. Local governments must implement an accrual accounting system as an obligation of the central government even though the benefits cannot yet be clearly obtained (Yuliati, Yuliansyah, & Adelina, 2019).

Accrual based accounting in the Public Sector in Indonesia

One of the changes in local government accounting reform in Indonesia is the introduction of an accrual basis in the accounting system. The Government Accounting System was first implemented after the issuance of Government Regulation No. 24/2005 by applying the Cash towards Accrual (CTA) system. In 2010, the government issued Government Regulation No. 71/2010 which states that the implementation of accrual accounting must be implemented in 2015. Applying accrual-based accounting especially to local governments in Indonesia is not easy. Prior to its application in Government Regulation No. 71/2010, the implementation of the accrual-based system had actually been postponed for eight years (Yuliati et al., 2019). This delay shows the unpreparedness of the state apparatus (user). The constraints are not only that they do not have human resources or qualified accountants (Maimunah, 2016; Ritonga, 2016; Widayastuti, Edy, & Adiputra, 2015), but also leadership commitment (Ritonga, 2016), and infrastructure in supporting accrual-based accounting (Ritonga, 2016).

Although there are still many obstacles, the use of the accrual basis in the preparation of financial reporting for public entities allows for the information disclosed to be more useful for decision making, especially for internal decisions, such as budget and cost preparation. According to Kober, Lee, and Ng (2010), accrual information helps increase transparency and assignment of local entity responsibilities that benefit users.

Qualitative Characteristics of Local Government Financial Statements

Based on the Conceptual Framework of Government Accounting Standards, there are four qualitative characteristics that become normative prerequisites needed so that government financial reports can meet the desired quality and be useful for decision making. These four

qualitative characteristics are: relevant, reliable, comparable, and understandable (KSAP, 2010).

Relevance is referred to as the capability of making a difference in the decisions made by users in their capacity as capital providers (IASB, 2008). Relevance is operationalised using four items referring to predictive and confirmatory value. Predictive value explicitly refers to information on the organisations' ability to generate future cash flows. Information about an economic phenomenon has predictive value if it has value as an input to predictive processes used by capital providers to form their own expectations about the future (IASB, 2008). Information has confirmatory value if it confirms or changes past (or present) expectations based on previous evaluations (IASB, 2008). In addition to predictive and confirmatory value, accounting information is considered relevant if the information is presented in a timely way and with full disclosure.

Reliable accounting information has three characteristics: faithful representation, verifiability and neutrality. To faithfully represent economic phenomena that information purports to represent, financial reports must be complete, neutral, and free from material error (IASB, 2008). The financial report can never be completely free from bias, since economic phenomena presented in financial reports are frequently measured under conditions of uncertainty. Many estimates and assumptions are included in the annual report. Therefore, it is important to examine the arguments provided for the different estimates and assumptions made in the annual report (Jonas & Blanchet, 2000). Neutrality is defined as the absence of bias intended to attain a predetermined result or to induce a particular behaviour. Neutrality refers to the intent of the preparer; the preparer should strive for an objective presentation of events rather than focusing solely on the positive events that occur without mentioning negative events (Jonas & Blanchet, 2000). The last characteristic is verifiability. Verifiability implies that differently knowledgeable users of financial reporting information can reach general consensus, although not necessarily complete agreement (IASB, 2008; Sohrabi, 2017).

Understandability, will increase when information is classified, characterised, and presented clearly and concisely. Understandability is referred to when the quality of information enables users to comprehend their meaning (IASB, 2008). The information in the financial statement must be well-organized so that it is easier to understand where to search for specific information.

The last qualitative characteristic is comparability. Comparability is the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena (IASB, 2008). Comparability includes consistency that refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across entities (IASB, 2008).

Hypothesis Development

Use of Local Government Financial Statements

Several studies have studied the information needs in financial reporting of public entities, both internal and external users (Collins et al., 1991; Kober et al., 2010; Mack, 2006; Nogueira & Jorge, 2016; Nogueira et al., 2013). Those studies conclude that users of financial reporting do not assume that accrual-based information is useful for their decision making and show a preference for cash-based information (Mack, 2003; Yamamoto, 2008). In contrast, subsequent studies found that accrual-based information was useful for decision making. Kober et al. (2010) analysed the perceptions of users and trainers about the use of cash-based budget information and financial accrual-based information for decision making in the Australian Government. Using respondents from internal users and external users, the result shows that information organised on an accrual basis is generally considered to be more useful than cash budget based accounting.

The results of the study by Kober et al. (2010) is also supported by the results of study by Andriani, Kober, and Ng (2010) and Nogueira et al. (2013) who examined the same type of decision but in the context of internal decisions. Based on previous studies, the research hypotheses formulated are as follows:

H1: Accrual-based information is useful for decision making by both internal and external users

Factors That Influence the Use of Accrual-Based Information in Financial Reporting *External Factors*

The usefulness of financial reporting for the decision making process of internal users/decision makers depends on factors inside and outside public sector organisations (Nogueira & Jorge, 2016). Several factors are directly related to individual characteristics and attitudes of decision makers. In addition, the factors that influence the usefulness of financial reporting also include the results of certain institutional standards from each of the other external factor organisations.

Nogueira and Jorge (2016) examine external factors such as pressure from domestic problems (for example budget constraints), pressure from regulatory/monitoring bodies, political pressure, pressure from professional institutions, citizens' control, Media and public opinion scrutiny. The monitoring body can consist of internal audit and external audit. In Indonesia, the supervisory/internal auditor function is carried out by the Financial and Development Supervisory Agency and external auditor function by the Supreme Audit Institutions. The Financial and Development Supervisory Agency functions in assessing quality in order to

achieve efficiency and effectiveness; whereas the Supreme Audit Institutions function to provide an opinion on the appropriateness of a government's accountability. Both put pressure on the government to report and present financial information accountably.

In addition to pressure from domestic and community institutions, pressure can also come from creditors, especially international lending institutions such as the IMF and World Bank. Government organisations borrow funds to provide programs and services to the community now and in the future. In ensuring that the debtor is able to return borrowed funds, the creditor will oversee the performance of the government organisation in using loan funds. Full disclosure and more detailed financial reporting, especially regarding debt, is presented to meet the demands of creditors.

Pressure from Central Government (regulation) is also one of the external factors that could influence the usefulness of financial reporting. Government Regulation No. 71/2010 requires the implementation of accrual-based Government Accounting Standards all ministries, institutions and local governments should fully implement this system.

Nogueira and Jorge (2016) find that pressure from professional accounting bodies and national problems are the factors that mostly affect the use of financial statements for decision making. Professional accounting bodies and the financial situation in the country stimulate information needs by users in the public sector related to decision making.

Nogueira and Jorge (2016) argue that external (institutional) pressures or contingencies can increase the usefulness of financial reporting, even generating further information needs (new and different), because the institutional users will use financial reporting to show how they run the organisations. Thus, the second hypotheses can be formulated are as follows:

H2a: Domestic pressure problems positively affect the usefulness of financial reporting.

H2b: External auditor pressure positively influences the usefulness of financial reporting

H2c: Internal auditor pressure positively influences the usefulness of financial reporting

H2d: Political pressure from the legislature positively influences the usefulness of financial reporting

H2e: Pressure from professional organisations positively influences the usefulness of financial reporting

H2f: Community oversight positively influences the usefulness of financial reporting

H2g: Monitoring by the media and public opinion positively influences the usefulness of financial reporting

H2h: Pressure from international creditors positively influences the usefulness of financial reporting

H2i: Regulation positively influences the usefulness of financial reporting

Internal Factors

Buylen and Christiaens (2013) and Nogueira and Jorge (2016) argue that there are several internal factors that influence changes in the accounting and reporting system and the usefulness of financial information. Nogueira and Jorge (2016) used the measurement of individual characteristics such as excessive workload, lack of appropriate knowledge and training, rejection of change, lack of professional experience to measure internal factors that influence the usefulness of financial reporting. These factors are directly related to individual characteristics and attitudes of decision makers.

In addition to individual characteristics, the lack of articulation between the accounting information system and objectives and mission, the non-existence of sufficient computing means to be able to use the information appropriately, the complexity of the financial information elaborated in an accrual basis are also internal factors that are also considered to affect the usefulness of financial reporting.

Culture / organisation values and regulation are also considered to be able to influence the way employees perform bureaucratic actions. In Indonesia, culture / organisation values are proven to affect performance (Adi, Suardikha, & Putri, 2017) and also budgetary slack (Ardinasari & Aisyah, 2017). A more open organisational culture can avoid conflicts of interest between agents and principals (Ardinasari & Aisyah, 2017). The challenge of the current Indonesian Government to provide services to the public with excellent quality requires a change in the paradigm of government bureaucracy. But in reality, the implementation of mindset, work culture and institutional structure to date has still not been able to bring a clean, competent, and serving bureaucracy (Adiperdana, 2016).

Factors related to the individual characteristics of decision makers namely skills, knowledge and experience concepts are very relevant in determining the level of usefulness they provide for financial information (Askim, 2008; Nogueira & Jorge, 2016; Paulsson, 2006; Yamamoto, 2008). Nogueira and Jorge (2016) found that internal factors, namely lack of knowledge and training about accounting information systems, were the factors that most influenced the use of financial statements for internal decision making.

If external (institutional) pressures can increase the usefulness of financial reporting, it can even lead to further information needs, internal organisational factors and individual characteristics and attitudes can inhibit external pressures and limit the usefulness of financial information (Nogueira & Jorge, 2016). Thus, the third hypotheses are formulated as follows:

H3a: Excessive workload negatively affects the usefulness of financial reporting.

H3b: Lack of articulation between accounting information systems and objectives and missions negatively affects the usefulness of financial reporting

H3c: Lack of knowledge and suitable training on the accounting information system negatively affects the usefulness of financial reporting

H3d: Non-existence of sufficient computing means negatively affecting the usefulness of financial reporting

H3e: The complexity of the financial information elaborated in an accrual basis negatively affects the usefulness of financial reporting

H3f: Resistance to change negatively affects the usefulness of financial reporting

H3g: Lack of professional experience in the post / function currently held negatively affects the usefulness of financial reporting

H3h: Organisational culture negatively affects the usefulness of financial reporting

Research Method

Population, Data and Sample

The population of this study is the stakeholders of financial statements. According to the Indonesian Government Accounting Conceptual Framework, the main users of government financial statements are the society, legislatives, lenders and the government. We collected primary data by distributing online questionnaire via google form. The respondents were classified into two main groups. The first group were users of financial statements, who were divided into 5 groups, namely: (1) Academics (Students / Lecturers); (2) Non-Governmental Organisations (NGO); (3) Creditors; (4) Legislative Members (DPR / DPRD); and (5) Society. The second group were preparers of financial statements who were classified into 2 levels, namely: (1) management level consisting of echelon 1/echelon 2 and echelon 3/echelon 4; (2) operational level consisting of functional position and staff. This level division was important to add some analysis regarding the different perceptions based on each position.

Dependent Variable

Using a five-point Likert scale, respondents were asked to rate the usefulness of government financial statements under each of the five decision situations (1 = strongly disagree, 2 = disagree; 3 = neutral; 4 = agree and 5 = strongly agree). Questions related to the use of financial statements are developed from the qualitative characteristics of government financial statements. The qualitative characteristics aim to assess the quality of information simultaneously to determine the decision usefulness of financial reporting. The list of questionnaire questions and references can be seen in table 1 below.

Table 1: The Measurement of Dependent Variable

Criteria	Questions	
Relevant	A1	Government financial statements enable users to check and confirms earlier predictions or evaluation
	A2	Government financial statements help users in predicting future outcomes
	A3	Government financial statements have timely information
	A4	Government financial statements have adequate or full disclosure of all necessary information
Reliable	A5	Government financial statements represent what they purport to represent
	A6	Government financial statements have verifiable information
	A7	Government financial statements are free from bias
Comparability	A8	Government financial statements allow comparison between or among different entities
Understandability	A9	Government financial statements have information that are understandable by users
Overall	A10	Government financial statements are generally useful for decision making

Source: GAFCF: Qualitative characteristics of accounting information from government accounting standard conceptual framework and Nogueira and Jorge (2016) for question 10

Independent Variable

Nogueira and Jorge (2016) classify two explanatory factors to explain the usefulness of financial reporting: External Factors and Internal Factors. Using a five-point Likert scale, respondents were asked to rate and indicate the degree of influence of the following external/internal factors on the usefulness of the financial reporting under the five decision situations (1 = does not influence greatly, 2 = does not influence; 3 = neutral; 4 = influence and 5 = influence greatly). The question lists of those two factors can be seen in table 2. The factors refer to Nogueira and Jorge (2016) with some modification as follows: (1) For external factors, we separate the pressure from internal and external auditors; and add one additional factor, pressure from international creditors; (2) For internal factors, we add two more factors culture/organisation value and regulation.

Table 2: The Measurement of Independent Variables

External Factors		Internal Factors	
EXT1	Pressure of a national problem (e.g. budget constraints)	INT1	Excessive workload
EXT2	Pressure from external auditors (BPK)	INT2	Lack of articulation between the accounting information system and objectives and mission
EXT3	Pressure from internal auditors (Itjen/APIP)	INT3	Lack of knowledge and suitable training on the accounting information system
EXT4	Political pressure from legislative bodies (DPR/DPRD)	INT4	Non-existence of sufficient computing means to be unable to use the information appropriately
EXT5	Pressure from professional organisations (KSAP, IAI)	INT5	Complexity of the financial information elaborated in an accrual basis
EXT6	Citizens' control	INT6	Resistance to change
EXT7	Media and public opinion scrutiny	INT7	Lack of professional experience in the post/function currently held
EXT8	Pressure from International Creditors (World Bank, ADB, IMF)	INT8	Organisational culture
EXT9	Regulation		

Source: Nogueira and Jorge (2016) with modification

To test the hypothesis, regression method and Principal Component Analysis (PCA) is used. PCA is a technique to reduce the question variables to one or several main components that can explain the research construct (Johnson & Wichern, 2002).

Results

The total questionnaire returned was 113; but only 108 questionnaires (96%) were complete and could be used for further analysis. The final sample responses consist of 50 observations from preparers and 58 observations from users. The demographic data of the final sample can be seen in table 3. The preparers majority consists of males, with a postgraduate academic background, who have management roles with average under 15 years of experience, and without chartered accountant certification. The demographic data for users shows that the majority of users is female, with a postgraduate background, and have a role as academics (lecturers/student), with an average of less than 15 years of experience, and have chartered accountant certification.

Table 3: Demographics of Respondent

Demographic Data		Preparer	User
Observations		50	58
Sex	Male	70%	44%
	Female	30%	56%
Academic Background	Postgraduate	74%	86%
	Undergraduate	16%	10%
	Vocational	10%	4%
Role	Management	64%	
	Operational	36%	
	Academician		48%
	Citizen		16%
	Others		36%
Experience in Recent Role	< 15 years	70%	54%
	> 25 years	30%	46%
Accounting Certification	Yes	16%	52%
	No	84%	48%

Number of Chartered Accountants (CA) is very small for preparers. 84% preparer respondents do not have CA certification. As a profession, especially accountants, they should hold this certification. From table 4, we can see that there were no efforts for preparers to take this certification. But not for users, where numbers of CA holders are bigger than preparers. In addition, CA can be an important certification for them.

Table 4: Percentage of Non- CA holder

Period of work	Preparer (%)	User (%)
Less than 5 years	18	12.07
5-15 years	46	22.41
16-25 years	14	10.34
more than 26 years	6	0
Percentage	84	48.28

Most of preparer respondents did not pursue their accounting degree up to Master level. They usually stop with a bachelor's degree of an accounting program. This however would affect the level of accounting analysis and theory. Users would have better knowledge in accounting theory and study as it would not be delivered for undergraduate programs.

From table 5, perception of usefulness between preparers and users are almost similar. This we can see from top 4 rank of mean. Component A8 which states that governmental financial

statement can be compared from previous period. Comparability has the highest rank for usefulness. While, component A2 which states that governmental financial statements have information which can assists users to predict future results based on past and current information. This financial statement can be the basis for future budget and planning for the government.

Table 5: Rank of Mean for Component of Usefulness

Component	User	Component	Preparer
A8	4.1897	A8	4.4600
A10	4.0517	A2	4.3800
A2	4.0517	A9	4.3000
A9	3.8103	A10	4.2600
A1	3.6897	A7	4.2000
A4	3.6552	A5	4.1800
A7	3.6552	A4	4.1600
A6	3.6379	A1	4.0800
A3	3.5862	A6	4.0200
A5	3.4138	A3	3.9800

The highest external factor from preparers and users is EXT9, pressure from regulation (see table 6). The values and rules of society that play a role in organizational change support the view that organisations gain legitimacy if they adapt to external expectations. Otherwise stated, there is pressure to introduce certain accounting practices without considering whether this will bring benefits (Geiger & Ittner, 1996; Nogueira & Jorge, 2016). In Indonesia, it applies when government entities have an obligation to adopt an accrual-based system.

Table 6: Rank of Mean for External Factor

Component	User	Component	Preparer
EXT9	4.2759	EXT9	4.3000
EXT2	4.0862	EXT1	3.9800
EXT4	3.9483	EXT2	3.8400
EXT1	3.9310	EXT3	3.7400
EXT7	3.7759	EXT7	3.3600
EXT8	3.7069	EXT4	3.3200
EXT3	3.6724	EXT8	3.1400
EXT6	3.2931	EXT5	3.1200
EXT5	3.1897	EXT6	3.0800

Table 7 present that the component INT7, lack of professional experience in the post/function currently held, is what is perceived by users as the most affecting internal factor. Users perceived that to use information from local government financial statements they need to be equipped with sufficient accounting knowledge. For preparer INT 4, the existence of sufficient computing means to be able to use the information appropriately is the most important. Preparers must be equipped with several data analytical software to be able to use the information for decision making.

Table 7: Rank of Mean for Internal Factor

Component	User	Component	Preparer
INT7	4.2069	INT4	4.1800
INT2	4.0345	INT3	4.1400
INT4	4.0172	INT5	4.0800
INT3	4.0000	INT2	4.0200
INT8	4.0000	INT8	4.0000
INT6	4.0000	INT6	4.0000
INT5	3.9138	INT7	3.9400
INT1	3.6724	INT1	3.7000

Table 8 shows that the 10 variables in dependent variable can be reduced to two components which explain the overall variance by 64,96%. In general, the first component represents reliability and the second component represents relevance. From these two components, we create the usefulness Index (INDEX). The INDEX represents all the qualitative characteristics needed to make government financial statements useful for decision making.

Table 8: PCA for Dependent Variable

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total
1	5.180	51.797	51.797	5.180	51.797	51.797	4.964
2	1.316	13.159	64.956	1.316	13.159	64.956	3.124

The result of regression using INDEX as the dependent variable and all external and internal factors as independent variable can be seen in table 9.

Table 9: Hypothesis Testing

Variables	B	T	Sig.	Remark
(Constant)	-0.709	-1.035	0.303	
EXT1	0.036	0.364	0.717	
EXT2	-0.209	-1.578	0.118	
EXT3	0.279	2.247	0.027	**
EXT4	-0.064	-0.597	0.552	
EXT5	-0.110	-1.054	0.294	
EXT6	0.294	2.590	0.011	**
EXT7	-0.279	-2.096	0.039	**
EXT8	-0.144	-1.373	0.173	
EXT9	0.367	2.243	0.027	**
INT1	0.076	0.710	0.480	
INT2	-0.087	-0.569	0.570	
INT3	0.147	0.774	0.441	
INT4	-0.019	-0.113	0.911	
INT5	0.006	0.043	0.966	
INT6	0.116	0.776	0.440	
INT7	-0.107	-0.629	0.531	
INT8	-0.143	-1.032	0.305	

** : significance with $\alpha = 5\%$

The result from table 9 shows that four external factors affect the usefulness of government financial information. Regulation, pressure from internal auditors and citizens' control has a positive effect; while media and public opinion scrutiny have a negative effect on the usefulness of government financial information. Meanwhile, there is no internal factor that affects the usefulness of government financial information. This confirms that the usefulness of government financial information is more influenced by external factors. Regulation of PP 71/2010, means that all government entities both at central government and regional government must implement accrual-based accounting starting fiscal year 2015. According to Kober et al. (2010) and Paulsson (2006), accrual information helps increase transparency and assignment of local entity responsibilities that benefit users.

In Indonesia, the internal auditor represented by The Financial and Development Supervisory Agency functions is assessing quality in order to achieve efficiency and effectiveness. They assist government entities to follow up recommendations from external auditors. The follow up consists of improvement of internal control weaknesses and incompliance with the regulation. If the root causes can be overcome, accounting information can have high a quality for users to make decisions. Citizens' control can go through many forms; such as control from Non-Government Organisations (NGOs). NGOs uses extensive accounting information

especially during elections or budget hearings. They monitor whether elected officials keep their campaign promises. Surprisingly, media and public opinion affects the usefulness of financial information negatively. Media have their own sources of information. Media can reach information directly from the resource person and need no secondary data such as financial statements. Thus, information from financial statements become substitutes of their own information.

Conclusion

This research aims to analyse factors affecting the usefulness of governments' financial statements in Indonesia from preparers and user's perspectives. Specific affecting variables consist of external and internal factors following Nogueira and Jorge (2016) with some modification to adjust with Indonesian context. We collected primary data by distributing online questionnaires via google form. The respondents consisted of users and preparers who are asked their perceptions regarding factors affecting the usefulness of governments' financial statements. The final sample respondents consisted of 50 observations from preparers and 58 observations from users.

To test the hypothesis, regression method and Principal Component Analysis (PCA) is used. The result shows that four external factors affect the usefulness of government financial information. Regulation, pressure from internal auditors and citizens' control have a positive effect; while media and public opinion scrutiny have a negative effect on the usefulness of government financial information. There is no internal factor that affects the usefulness of government financial information.

The results of this study can contribute to the discussion on the factors affecting the usefulness of accounting information prepared using an accrual basis. In Indonesia, all governments' entities must implement an accrual accounting system as an obligation of the central government even though the benefits themselves cannot yet be clearly obtained. The result shows that regulation is one of the factors that affects the usefulness of accounting information. It confirms previous literature that the accrual information helps increase transparency and assignment of local entity responsibilities that benefit users. Further study can explore the different effects of external and internal factors based on the type of users. This will help regulators to pay attention on the informational need of the different type of users.

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