

## **ANALYSIS OF ACCOUNTABILITY AND PUBLIC PARTICIPATION ON THE QUALITY OF THE FINANCIAL STATEMENTS OF THE GENERAL ELECTION COMMISSION**

Novi Natalia Padang<sup>1</sup>, Idhar Yahya<sup>2</sup>, Badaruddin<sup>3</sup>, Nurlinda<sup>4</sup>

<sup>1</sup>Faculty of Economics and Business, Universitas Sumatera Utara. [novipadang06@gmail.com](mailto:novipadang06@gmail.com)

<sup>2</sup>Faculty of Economics and Business, Universitas Sumatera Utara. [idharyahya@gmail.com](mailto:idharyahya@gmail.com)

<sup>3</sup>Faculty of Social and Political Sciences, Universitas Sumatera Utara. [badaruddin@usu.ac.id](mailto:badaruddin@usu.ac.id)

<sup>4</sup>Politeknik Negeri Medan. [nurlinda@polmed.ac.id](mailto:nurlinda@polmed.ac.id)

### **ABSTRACT**

This study aims to analyze the effect of accountability and public participation on the quality of the financial statements of the General Election Commission in North Sumatra Province. The research design used is causal associative with a quantitative approach. Data were collected through questionnaires from 96 respondents consisting of employees involved in the financial management of the General Election Commission in 32 districts/cities. The data analysis technique uses Partial Least Square with smartPLS software. The results showed that accountability and public participation have a significant influence on the quality of financial statements. Good accountability helps ensure transparency and responsibility in financial management, while public participation strengthens oversight of the financial reporting process. This study has limitations on limited regional coverage and focuses only on the General Election Commission as the object of research. The implication of the results of this study is the importance of increasing accountability to achieve higher quality financial reports, which in turn will support better governance. This study makes a significant contribution in strengthening the literature related to the effect of accountability on the quality of financial statements in the government sector.

**Keywords:** Accountability, Public participation, Quality of financial statements.

### **1. INTRODUCTION**

Government financial reports are one of the important issues in government, because these reports can provide important information for the public and other stakeholders about the management of state finances (Sormin, et al., 2022). These financial statements contain information about government budget receipts and expenditures, balance sheets, cash flow statements, and notes to financial statements. So that the government financial statements presented must meet adequate characteristics in order to have good quality. If the government's financial statements do not meet adequate characteristics, it will cause errors in decision making about resource allocation, which will then result in state losses, revenue shortages, administrative weaknesses, inefficiency, and ineffectiveness of resources.

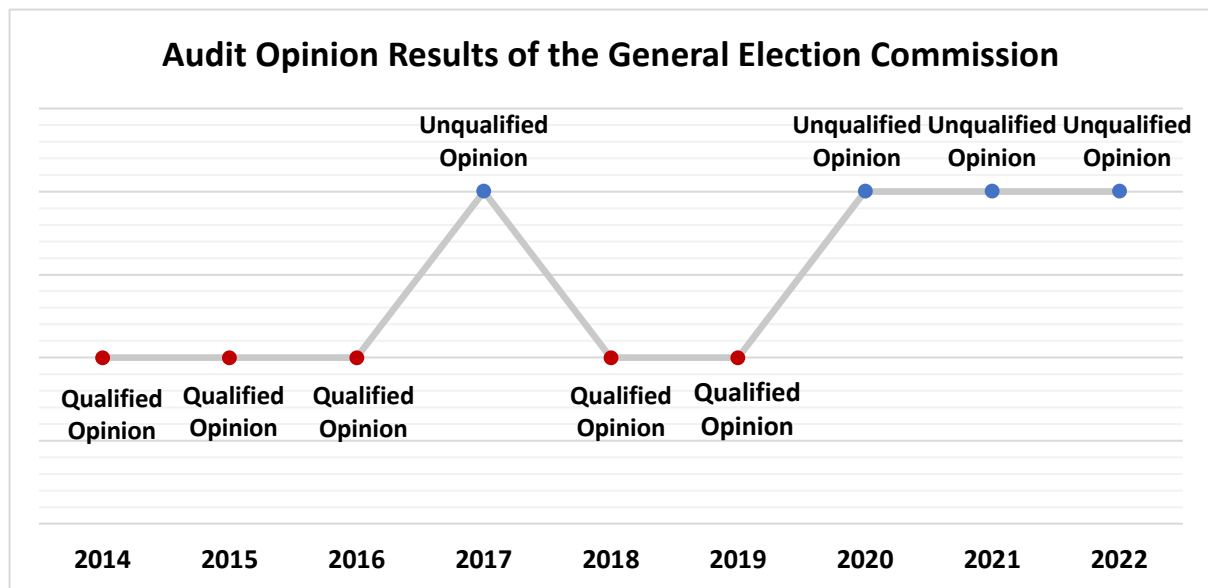
Based on the Overview of the First Semester Audit Results conducted by the Supreme Audit Agency of the Republic of Indonesia on 83 Ministry/Institution Financial Statements and the Financial Statements of the State General Treasurer in 2022, it can be seen that there are 82 Ministry/Institution

Financial Statements (99%) that have received an Unqualified Opinion. The General Election Commission is one of 83 institutions that have been examined by the Supreme Audit Agency of the Republic of Indonesia in the Overview of Semester I Audit Results in 2022. And from the results of the examination, the General Election Commission is included in 82 institutions (99%) that obtained an Unqualified opinion.

The following is the development of audit opinion results owned by the General Election Commission from 2014 to 2022.

**Figure 1.**

Election Commission Audit Opinion Results



*Source: Indonesia Audit Board (2023)*

As is known, the audit results obtained by the General Election Commission from 2014 to 2016 showed that the General Election Commission always obtained an Unqualified audit opinion. Furthermore, in 2017 the General Election Commission managed to obtain an Unqualified opinion, which showed that there had been improvements in the process of preparing and reporting finances at the General Election Commission in that year. However, after obtaining an Unqualified opinion in 2017, in fact the General Election Commission has not been able to maintain these results because in 2018 and 2019 the General Election Commission again obtained Unqualified opinion results. In 2020 the General Election Commission again obtained an Unqualified opinion and managed to maintain it for 2021 and 2022. But if you reflect on the phenomenon that occurred in 2017, it seems that the possibility of the General Election Commission returning to an Unqualified opinion is still possible because the General Election Commission has also received an Unqualified opinion in 2017 and in the following year it actually returned to an Unqualified opinion in 2018 and 2019.

The General Election Commission's financial statements for 2014-2019 show uncertainty in financial management, with an unqualified opinion indicating significant findings. Some of these issues

include the inability to account for cash, inaccurate inventory records, and lack of evidence for debt. Audit findings such as cash shortages and expenditures without evidence question the accountability and transparency of the General Election Commission. Thus, improvements to the financial management system are needed for the General Election Commission to achieve an unqualified opinion, increase public confidence, and ensure integrity in elections.

Generally, quality financial reports will be produced by agencies that apply good governance principles (Hsu and Yang, 2022; Salatina and Sembiring, 2022). Because currently the public demand for quality government financial reports is increasing so that the government is expected to implement good governance practices properly. In the principles of good governance, the government acts to serve the interests of society and is accountable for its actions to the public (Singh, 2022). So that the application of good governance principles will create more effective and efficient governance.

One of the principles emphasized in good governance is accountability. Accountability is an important concept in maintaining effective and efficient government performance. Accountability refers to the government's obligation to be responsible for the actions and decisions taken and the results achieved in carrying out its duties. In other words, accountability can ensure that the government has carried out its duties responsibly to the public it serves. So that the implementation of good accountability in government has a direct impact on the quality of the resulting financial statements (Tran, et al., 2021). In addition, public participation can also help improve the quality of government financial reports. People involved in the public participation process can provide input and feedback on government financial reports, which can help improve the reliability of the financial reporting process (Langella, et al., 2021). This will help strengthen the government's financial monitoring and control system, and encourage more effective and efficient financial management.

**Table 1.**

Research Gap

Independent	Previous Research	Results
Accountability (X <sub>1</sub> )	Ga, et al., (2022); Masnila, et al., (2022); Tran, et al., (2021); Al-Khonain dan Al-Adeem (2020).	Significant Effect
	Saleh, et al., (2021); Yaya and Wahyuli (2019).	No Significant Effect
	Langella, et al., (2021); Khotimah, et al., (2021); Al-Khonain and Al-Adeem (2020);	Significant Effect
	Nirwana and Haliah (2018). Saleh, et al., (2021); Sumual, et al., (2021).	No Significant Effect
Public Participation (X <sub>2</sub> )		

*Source: Review of Previous Research*

Based on the research gap as shown above, it can be seen that research on the effect of accountability and public participation on the quality of financial reports still has inconsistencies in results. Where the results of previous studies have not been completely the same. So that further research is worth doing to see how accountability and public participation affect the quality of the General Election Commission's financial statements.

## 2. LITERATURE REVIEW

### Decision Usefulness Theory

Decision Usefulness Theory is an accounting theory that emphasizes the importance of accounting information in assisting economic decision making by users of financial statements. This theory states that accounting information should be useful in assisting users of financial statements in making informed economic decisions. This theory also emphasizes the importance of considering the needs of users of financial statements in determining the form, content, and disclosure of relevant and reliable accounting information (Feriza, et al., 2022). Decision Usefulness Theory demands that the financial information presented must be in accordance with generally accepted accounting principles and describe financial performance clearly and accurately (Ngoc Hung, et al., 2023). In addition, this theory also encourages entities to improve their financial reporting processes to improve the quality and relevance of the financial information presented.

### Financial Statement Quality

Financial reports are basically the result of an accounting process that functions as a means of conveying financial information or activities of a company to those who need it (Priyono and Mutmainah, 2022). Quality financial statements are financial statements that have met the principles of relevance, reliability, comparability, and understandability in accordance with PP No. 71 of 2010. The financial statements must contain an overview of government financial transactions that provide information about an entity's finances as part of the government's responsibilities regulated by Government Accounting Standards (Suratman, et al., 2022).

### Accountability

Accountability means responsibility or the state of being accountable or the state of being held accountable (Abhayawansa, et al., 2021). In accounting, accountability refers to activities that aim to produce accurate information disclosure (Ibrahim, et al., 2022). This principle stipulates that the government must be responsible for the management of public finances and resources entrusted by the community. The results of previous research conducted by Tran, et al., (2021) succeeded in finding empirical evidence regarding the effect of accountability on the quality of government financial reports. In line with these results, research conducted by Ga, et al., (2022); Masnila, et al., (2022); and Al-

Khonain and Al-Adeem (2020) which shows that accountability can significantly affect the quality of government financial reports.

### Public Participation

Public participation, especially from the people who are the subject of development, is very important in building good governance (Guo and Bai, 2019). Public participation also means involving the public in the decision-making process and the formulation of policies that will have an impact on people's lives. So the government needs to provide space for more active public participation, for example through public consultation, dialogue, or participation in the decision-making process. The results of research conducted by Langella, et al. (2021) successfully show that high levels of public participation can help the government to produce higher quality government financial reports. These results are also supported by the results of research conducted by Al-Khonain and Al-Adeem (2020); Khotimah, et al., (2021); and Nirwana and Haliah (2018) which show that public participation has a significant effect on the quality of government financial reports.

## 3. METHODOLOGY

### 3.1. Research Design

The type of research conducted is causal associative, which aims to find a cause-and-effect relationship between various variables (Sugiyono, 2019). The method used in this research is a quantitative approach using a deductive-inductive approach.

### 3.2. Sample

This research was conducted in the Secretariat of the Regency/City General Election Commission in North Sumatra Province. So that the population used in this study is the entire Regency/City General Election Commission in North Sumatra Province, totaling 32 agencies.

The sample was drawn based on certain criteria (purposive sampling). Purposive sampling is a non-probability sampling technique where researchers select participants based on specific objectives or criteria. The purpose of purposive sampling is to obtain a sample that represents the population to be studied, but not a random sample. The respondents of this study consisted of:

1. The sample is an employee involved in financial management with a minimum work period of 2 years.
2. The sample consists of: 1 (one) person is the Authorized Budget User, 1 (one) Commitment Making Officer and 1 (one) Finance Officer.

Based on these criteria, it can be seen that the number of samples used in this study were  $3 \times 32 = 96$  respondents.

### 3.3. Data Collection

The data collection method used in this research is to use a questionnaire. The questionnaire method is a data collection method used to collect data by distributing a list of questions to respondents so that the respondents provide answers.

### 3.4. Data Analysis

This study uses data analysis techniques using Smart PLS software which is run by computer media. PLS (Partial Least Square) is a variant-based structural equation analysis (SEM) that can simultaneously test the measurement model and test the structural model. Furthermore, PLS is an analytical method that is soft modeling because it does not assume that the data must be with a certain scale measurement, which means that the number of samples can be small (under 100 samples).

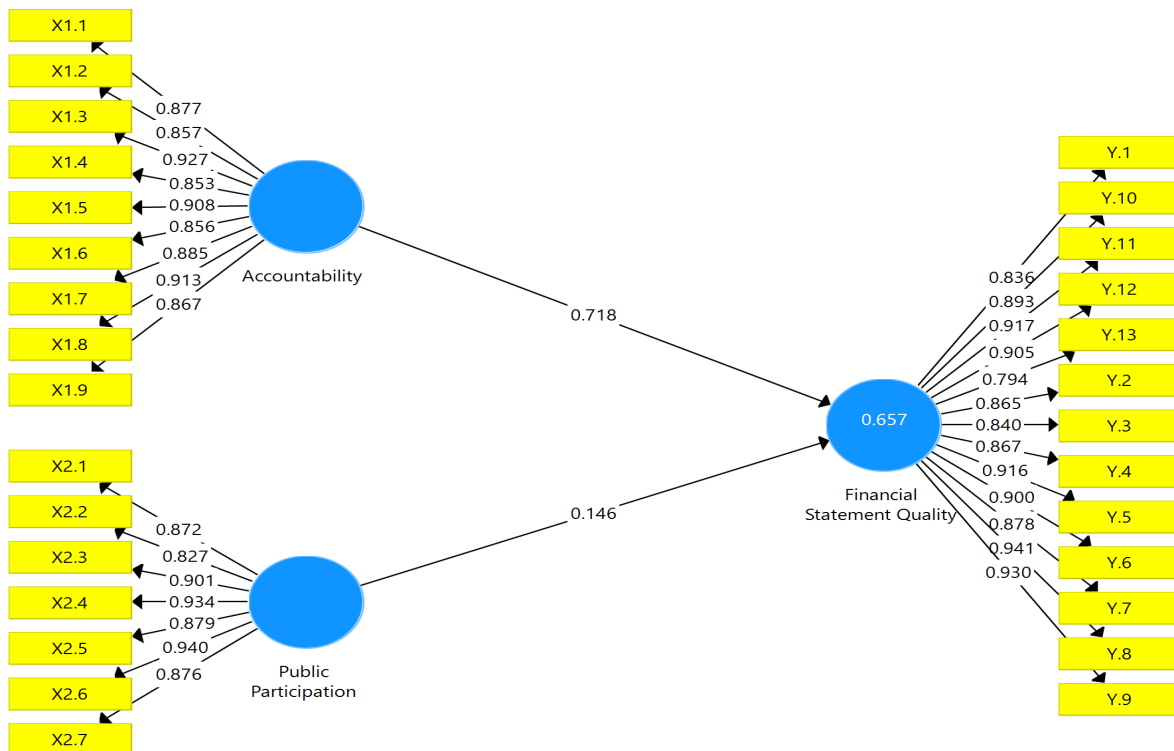
## 4. RESULTS AND DISCUSSION

### 4.1. Result

#### Convergent Validity

Convergent validity aims to determine the validity of each relationship between indicators and their constructs or latent variables. In testing convergent validity, the assessment can be done based on outer loadings or loading factors as shown in the following figure.

**Figure 2.** Loading Factor



*Source: Data processed (2024)*

Based on the picture above, it can be seen that all indicators used in this study have a loading factor value greater than 0.7. So that the model in this study is said to have good convergent validity. Apart from using the loading factor value, the Average Variance Extracted (AVE) value can also be used to measure convergent validity in a research model. The AVE value illustrates how much diversity the indicators contained in a construct have with the recommended AVE value of 0.50.

**Table 2.**

Average Variance Extracted (AVE)

Variabel	AVE	Result
Accountability	0.780	Valid
Financial Statement Quality	0.782	Valid
Public Participation	0.793	Valid

*Source: Data processed (2024)*

The results above show that all indicators representing the tested variables have an AVE value above 0.5. So it shows that there is a strong correlation between indicators.

#### Discriminant Validity

The first test of discriminant validity is by testing Fornell-Larcker with the following results:

**Table 3.**

Fornell-Larcker Criterion

Variabel	Accountability	Financial Statement Quality	Public Participation	Result
Accountability	0.883			Valid
Financial Statement Quality	0.802	0.884		Valid
Public Participation	0.576	0.559	0.890	Valid

*Source: Data processed (2024)*

Based on the test results above, it is known that all variables have an AVE square value whose value is higher when compared to the AVE square value on other constructs. So that the model in this study is said to have good discriminant validity.

#### Reliability

Reliability testing aims to prove the accuracy, consistency and accuracy of the instrument in measuring variables. A variable can be declared reliable if the Cronbach's Alpha, rho\_A and Composite Reliability values are greater than 0.70.

**Table 4.**

Reliability

Variabel	Cronbach's Alpha	rho_A	Composite Reliability	Result
Accountability	0.965	0.966	0.970	Reliable

Financial Statement Quality	0.977	0.978	0.979	Reliable
Public Participation	0.956	0.957	0.964	Reliable

*Source: Data processed (2024)*

The table above shows that each construct has a value above 0.70 in the Cronbach's Alpha, rho\_A and Composite Reliability tests so that all variables can be said to be reliable.

#### Inner Model

After testing the outer model and getting valid and reliable results. Next, testing the inner model (structural model) is carried out. Inner model testing is done by looking at the path coefficient and r-square values. The higher the r-square value, the better the prediction model of the proposed research model. The path coefficients value shows an overview of how strong the effect or influence of the independent variable is on the dependent variable.

**Table 5.**

Inner Model

	Original Sample (O)	T Statistics ( O/STDEV )	P Values
Accountability -> Financial Statement Quality	0.718	9.256	0.000
Public Participation -> Financial Statement Quality	0.146	1.749	0.081
R Square		0.657	
R Square Adjusted		0.650	

*Source: Data processed (2024)*

Based on the test results above, it can be seen that accountability is proven to have a positive and significant effect on the quality of financial statements. Meanwhile, public participation has no effect on the quality of financial statements at the 5% significance level. While the results of R Square show that accountability and public participation are able to explain variations in the quality of financial reports by 65.7%. While the remaining 34.3% is explained by other variables not included in this study.

#### 4.2. Discussion

##### The effect of accountability on the quality of financial statements

The results obtained in this study indicate that accountability is proven to have a positive and significant effect on the quality of financial statements. Accountability can be interpreted as an obligation to be responsible for the actions, decisions, and use of resources carried out by the government (Vasto, et al., 2024). Accountability ensures that the government is responsible to the public it serves and carries out its duties responsibly (Ahmad, et al., 2024). One way that can be done to ensure accountability in government is to conduct reporting and supervision. Financial and performance reports really need to be presented in a clear way, so that the public can understand how the government uses its funds and resources (Higenyi, 2024).



The results of these findings are in line with the results of previous research conducted by Ga, et al., (2022) which also succeeded in finding empirical evidence regarding the effect of accountability on the quality of government financial reports. Likewise, research conducted by Tran, et al., (2021); and Prabowo, et al., (2023) found that accountability has a positive and significant effect on the quality of government financial reports. As well as other research results conducted by Masnila, et al., (2022); and Al-Khonain and Al-Adeem (2020) which show that accountability can significantly affect the quality of government financial reports.

#### The effect of public participation on the quality of financial statements

The results obtained in this study indicate that public participation is proven to have no effect on the quality of financial statements. As stated in Law No. 14 of 2008 that the government must be able to encourage public participation in every public policy-making process. So that the emphasis on public participation as a principle of good governance reflects efforts to build institutional norms and practices that support democratic decision making and are responsive to community needs. However, the results of this study indicate that public participation has no significant effect on the quality of financial reports, so this can be caused by several factors such as the level of public understanding of the financial management process and the lack or limited public access to public financial data. Because public participation will have no impact if the mechanism for channeling aspirations and supervision from the public is not well designed by the government. Without clear and effective channels for the public to provide input or conduct oversight, public participation will not produce meaningful changes in the quality of financial reports produced by the government.

These findings are in line with the results of research conducted by Saleh, et al., (2021) which shows the results that public participation has no effect on the quality of government financial reports. Likewise, research conducted by Sumual, et al., (2021) found that public participation has no effect on the quality of financial statements.

## 5. CONCLUSION

The findings in this study indicate that accountability is proven to have a positive and significant effect on the quality of the General Election Commission's financial statements which is in line with Decision Usefulness Theory. Decision Usefulness Theory emphasizes that the main purpose of financial statements is to provide useful information, such as stakeholders, to make the right decisions. When accountability is strengthened, the quality of information in the financial statements will improve, so that users can more easily assess the performance, compliance and effectiveness of the General Election Commission. Meanwhile, public participation is proven to have no effect on the quality of financial statements at the 5% significance level, which indicates that the role of public participation is not sufficiently integrated in the financial reporting process. Although public participation can serve as a

monitoring and control mechanism, if it is not implemented effectively, its impact on the quality of information useful for decision makers is still very limited. This suggests the need to strengthen public participation mechanisms in order to have a greater influence on the preparation of financial reports in accordance with Decision Usefulness Theory.

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