

## THE EFFECT OF GOVERNMENT INTERNAL CONTROL SYSTEM AND GOVERNMENT ACCOUNTING SYSTEM ON PERFORMANCE ACCOUNTABILITY WITH THE FINANCIAL QUALITY STATEMENTS AS INTERVENING VARIABLES (Case Study: The Government of Lumajang Regency, East Java)

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### ABSTRACT

*This study aims to analyze the influence of the Government Internal Control and System (SPIP) and Government Accounting Standards (SAP) on performance accountability with a financial quality statement as an intervening variable. This type of research is used for quantitative data. Data sources are obtained from primary data. Good performance accountability has an impact on the performance of government officials in providing services to the community. The quality of audible and audited financial statements can increase the credibility of the performance accountability of local governments, especially in the district government of Lumajang. So, the suitability or disagreement of the organization in carrying out its functions and responsibilities will have consequences for legitimacy. SAP regulations in a government can provide convenience in preparing financial reports or implementing government activities. The results of this study prove that between SPIP and SAP can affect the quality of the financial statements of the Lumajang District Government. Financial reports can be of quality because Human Resources (HR) can provide good performance, so the level of accountability of the performance of the Lumajang district government is also very important in carrying out government activities. The SPIP variable in this study cannot directly influence performance accountability, but there must be an intervening variable, namely the quality of financial statements. Quality of financial statements can be an intermediary for the influence of the SPIP variable on performance accountability. Quality of financial statements can be an intermediary influence of SAP variables to performance accountability. SAP can influence the performance accountability of government agencies through the intervening variables by the quality of financial reports.*

Keywords: Government Internal Control System, Government Accounting System, Performance Accountability, Financial Quality

### INTRODUCTION

Important aspects of carrying out the bureaucracy are the management of the Central Government and the Regional Government. The success of a policy is determined by the ability of management in the government bureaucracy to implement the policy in a transparent and accountable manner. All activities within government agencies will be measured in terms of accountability for performance, both in terms of individual performance, work unit performance, and agency performance, as well as overall government performance. The existence of a clean bureaucracy and always being obedient to the policy will be able to meet the expectations of the community for the performance of public services in Indonesia, one of them in the Regional Government. Djalil (2014: 63) said that accountability is an ethical concept that is close to the public administration of government (executive government agencies, legislative bodies of parliament and judicial institutions). This is often used synonymously with the concepts of responsibility, answering, blameworthiness and which can explain one aspect of public administration.

Government agencies including the Regional Government are obliged to account for the management of resources and the implementation of policies to achieve performance accountability assessments so that the Regional Government can know the quality and success of the services provided to the community. Also, it can be used as a tool to evaluate performance in the past period, used as the basis for further organizational strategy development. Every year the Financial Audit Agency (BPK) evaluates opinions on the performance of each Ministry / State Institution and Regional Government through an Audit Report (LHP). The government is said to have good performance, if it can provide good service to the community as a whole (Made, Adi, and Nyoman 2015).

A good performance culture in a local government becomes a success factor in implementing performance accountability, namely by optimizing the application of the Government's Internal Control System (SPIP). According to Government Regulation Number 60 of 2008 the Government's, Internal Control System is an integral process in actions and activities carried out continuously by leaders and employees to provide confidence in achieving organizational goals. Through effective and efficient activities, a reliability of financial statements, observation of state assets, compliance with laws and regulations (Article 1). Agency performance accountability can be realized through the submission of financial accountability reports that meet the principles on time and are prepared by accrual-based Government Accounting Standards.

The quality of information in government financial statements is strongly influenced by compliance with Government Accounting Standards (SAP). Where the preparation of financial statements is one indicator of opinion by the Republic of Indonesia Supreme Audit Agency (BPK 2015), this shows the importance of the application of accrual-based SAP at the latest

five years since it was published in the preparation of government financial reports as stipulated in Law number 17 of 2013 concerning state finance. Implementation guidelines issued by government regulation No. 71 of 2010 concerning Government Accounting Standards for substitutes for PP No. 24 of 2005. This is very necessary to meet the demands of transparency on the accountability of government performance in making the quality of financial statements.

For previous research has revealed the influence of SPIP and SAP on the quality of financial statements, as revealed by Trisnani, Dimiyati, and Paramu (2017) stating that SPIP has a positive effect on the reliability of financial statements, meant that the effectiveness of SPIP could improve the reliability of financial statements. The results of the same study were conducted by Sari and Witono (2014), and Desmiyawati (2014). Indriasih and Koeswayo (2014) proved that SPIP in regional government has a positive influence on the quality of financial statements.

Nofianti & Suseno (2014), stated that the internal control system has a positive effect on the application of the quality of financial statements, which in turn also affects the performance accountability of local governments. Sardi, Rifai, and Husnan, (2016) said that SAP has a positive effect on improving the Quality of Financial Reports, and the Quality of Financial Reports has a positive effect on the Performance Accountability of Government Agencies. Amalia, (2017) stated that SPIP and Regulation have a positive effect on the quality of financial statements, and the quality of financial statements has an effect on performance accountability.

Papilaya (2016) stated that SPIP has a negative effect on the quality of local government financial reports. Yusniyar, Darwanis, and Abdullah, (2016) stated that SAP hurts the quality of financial statements. Erawati & Abdulhadi, (2018) stated that SAP hurts the quality of local government financial reports. Ajhar, (2015) stated that it could not prove the influence of SPIP on performance accountability, that the accountability of government performance will increase is not determined by SPIP implemented by each SKPD, but there are directly influence for other factors.

## THEORITICAL

### Accountability Performance

Ellwod (1993) explained that there are four dimensions of accountability that must be met by public sector organizations, such as accountability for probity and legality, accountability for probity, abuse of power, while legal accountability is related to guaranteeing compliance with laws and other regulations required in the use of resources, and public funds. Process accountability is related to whether the procedures used in carrying out tasks are good enough in terms of the adequacy of accounting information systems, management information systems, and administrative procedures. Accountability processes manifest through the provision of public services that are fast, responsive and inexpensive; accountability program which is program accountability related to consideration of whether or not the stated goals can be achieved and whether it has considered alternative programs that provide optimal results with minimal costs; Policy accountability is accountability of policies related to the responsibility of the government, both central and regional, for policies taken by the government against the DPR / DPRD and the wider community.

### Government Internal Control System (SPIP)

The Financial and Development Audit Agency / BPKP (2010) revealed that the background of the need for government regulations regarding SPIP originated from the issuance of state financial reforms, namely the enactment of Law no. 17 of 2003 concerning state finance, Law No. 01 of 2004 concerning state treasury, and Law N0. 15 of 2004 concerning inspection of management and accountability of state finances. Also, there is Law No. 28 of 1999 concerning the administration of a clean and free country from corruption, collusion and nepotism also became a strong foundation that SPIP was needed so that Government Regulation No. 60 of 2008 concerning SPIP was issued to regulate the problems faced by the government in Indonesia. The regulation explains that:

"Internal Control Systems are actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in achieving organizational goals through effective and efficient activities, the reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations."

### Government Accounting Standards (SAP)

Accrual-based SAP in 2010 was compiled by the Government Accounting Standards Committee (KSAP) and established as Government Regulation Number 71 of 2010. The publication of SAP has made a profound change to the pattern of government financial management in Indonesia. SAP is stated in the form of a Statement of Government Accounting Standards (PSAP), which is supplemented by an introduction to government accounting standards and prepared by the conceptual framework of government accounting. SAP must be used as a reference in preparing the accountability report of the State Budget (APBN) and Regional Revenue and Expenditure Budget (APBD) and government financial reports, which include budget realization reports, reports on changes in more budget balances, balance sheets, operational reports, current reports cash, statement of changes in equity and notes on financial statements.

### Financial Quality Statements

Government Regulation No. 71 of 2010 concerning SAP in the section KKAP paragraph 24 explains that several objectives of financial statements are prepared, namely: (1) providing sources, allocations, and use of financial resources, (2) providing information on the adequacy of current period revenues to finance all expenditures, (3) Providing information about the economic resources used in the reporting entity as well as the results that have been achieved, (4) Providing information about how the reporting entity funds all of its activities and fulfills its cash needs, (5) Provides information about the financial position

and condition of the reporting entity relating to sources of revenue, both short and long term, including those originating from tax and loan levies, (6) Providing information about changes in the financial position of the reporting entity whether it has increased or decreased, as a result of the reporting period. Quality financial statements are those that can fulfill the goals set out in PP No. 71 of 2010.

The theory that will be used is Stewardship theory developed by Donaldson and Davis (1991) and the theory of legitimacy developed by Suchman (1995) which will be explained as follows:

### Legitimation Theory

The Grand theory that underlies this research is the Legitimation Theory stated by Suchman (1995) which describes the organization will be formed when there are conditions of organizational behavior that are in line with the expectations of the parties around the organization, so that conformity or disagreement in carrying out their functions and responsibilities will have consequences for legitimacy and the performance and ignition of the organization goals. The relationship between individuals, organizations, and society can be seen as a "social contract", based on the definition of economic theory.

### Stewardship Theory

Stewardship Theory which has been developed by Donaldson and Davis (1991) which illustrates that there is no situation in which management is motivated for individual goals but rather focuses on the main objective of the organization's interests. The theory of Stewardship has the roots of psychology and sociology which are designed to explain the situation in which the government is a steward and acts in the interests of the owner. This theory describes the existence of a strong relationship between satisfaction and success of an organization.

## METHODOLOGY

The form of research used in this study is explanatory research, namely research that discusses causal relationships between research variables and testing hypotheses that have been formulated (Singarimbun and Effendy, 2009: 65).

Sekaran and Bougie (2013: 240) stated that the population refers to all groups of people, events, or interesting things that researchers want to examine. The population is the staff of the Regional Work Unit (SKPD) in Lumajang district, East Java province. Based on data obtained from the Lumajang district government there are 22 SKPDs. Sekaran and Bougie (2013: 241) said that samples are part of the population. The size of the sample was statistically or based on research estimates. The number of samples used in this study is four respondents per 22 SKPD in Lumajang district, East Java so that it consists of 88 respondents.

The method of determining the sample used is the purposive sampling method. Sekaran and Bougie (2013: 252) purposive sampling is respondents who can provide the necessary information because of only those who have information or meet the criteria specified in the study. The sample selection criteria required and allowed to fill in the questionnaire include:

1. Head of SKPD Lumajang, East Java
2. Deputy Head of SKPD Lumajang, East Java
3. Financial staff are consist of the receipt treasurer and spending SKPD Lumajang, East Java

Answers from respondents were divided into five categories of assessment where each question was given a score of 1-5, the scores given were: (1) score 1 = none, (2) score 2 = never, (3) score 3 = rare, (4) score 4 = often, (5) score 5 = very often

This study uses an SEM-PLS (Structural Equation Modeling– Partial Least Square) model aimed at analyzing data with the help of WarpPLS 6.0 software.

### Outer Model

Outer Model (measurement model) or what is called a measurement model is a correlation between indicators and latent variables. In this study, there is a measurement model which is all indicators of reflection, namely SPIP, SAP, Performance Accountability, Quality of financial statements. The equation of the outer model (Ghozali, 2014) is:

$$X = \Pi x \xi + \varepsilon x \dots\dots\dots[1]$$

$$Y = \Pi y \eta + \varepsilon y \dots\dots\dots[2]$$

Noted:

x and y= matrix variable manifest independent dan dependent

$\xi$  and  $\eta$  = matrix construct latent independent dan dependent

$\Pi$  = matrix loading

$\varepsilon$  = matrix outer model residue

### Inner Model

Inner model In PLS inner model or inner relation that explains the relationship between non-measurable variables based on the substance of the theory. The model of the equation in this study:

$$Y1 = \beta1 X1 + \beta2 X2 + \beta3 X3 + \varepsilon1$$

$$Y2 = \beta4 X1 + \beta5X2 + \beta6 X3 + \beta7 Y1 + \varepsilon2$$

Noted :

- X1 = SDM Utilization
- X2 = SAP Application
- X3 = SIPKD Utilization
- Y1 = SPIP Application
- Y2 = Quality of LKPD
- $\beta_1, \beta_2, \dots, \beta_7$  = path coefficient
- $\epsilon_1, \epsilon_2$  = inner residual

**HYPOTHESIS**

The Government's Internal Control System is a process designed to provide reasonable guarantees regarding the achievement of management objectives in the following categories; (1) reliability of financial statements, (2) effectiveness and efficiency of operations and (3) fulfillment of the usual legal and regulatory requirements (Arens, 2008). To improve government performance, a government internal control system needs to be created so that government agencies can find out about public funds used by the central government and local governments (Rosdiana, 2010). The existence of internal control, the entire process of evaluation, monitoring and other supervisory activities on the organization can be used as a benchmark for effectiveness and efficiency in realizing good governance (Soeseno, in Ramandei 2009).

The implementation of the Accounting System will provide an increase in performance accountability in government, this is because the purpose of implementing SAP is to realize the function of transaction analysis to financial reporting. SAP can eventually become an information that can measure and assess government performance in order to describe the successes and failures of its performance. Thus, the application of a local government accounting system can help the government in realizing accountability for its performance. Development of hypotheses in this study, namely:

- H1: SPIP affects the Quality of Financial Statements
- H2: SAP affects the Quality of Financial Statements
- H3: SPIP affects the Accountability of Government
- H4: SAP affects the Accountability of Government
- H5: Quality of Financial Statements has an effect on Performance Accountability
- H6: SPIP has indirect effects on Performance Accountability Through the Quality of Financial Statements.
- H7: SAP has indirect effects on Performance Accountability Through the Quality of Financial Statements.

**RESULTS**

The path coefficient values obtained from Partial Least Square (PLS) are then used to test the direct and indirect effects of the research hypothesis.

Table 1.  
Direct Effect For Hypothesis Research Results

Hypothesis	Variables	Path Coefficient	Standard Errors	P-value	Results
H1	X1 ® Z	0.385	0.095	<0.001	Accepted
H2	X2 ® Z	0.371	0.096	<0.001	Accepted
H3	X1 ® Y	0.039	0.101	0.358	Rejected
H4	X2 ® Y	0.286	0.094	0.002	Accepted
H5	Z ® Y	0.409	0.095	<0.001	Accepted

Source : data processed, 2018

Based on table 1, the coefficient of the influence of each of the economic variables on endogen is obtained and the value of p-value for each coefficient of influence. The results of hypothesis testing in table 1 can be described as follows:

The Effect of Government Internal Control System (SPIP) (X1) on the Quality of Financial Reports (Z) is significant at  $\alpha = 0.05$ , seen through the p-value of <0.001, the value is smaller than 0.05 ( $\alpha = 5\%$ ). The coefficient of 0.385 is positive indicating that the relationship between the two is supported and in the same direction, meaning that the better the Government Internal Control

System (SPIP) owned by the Lumajang District Government will improve the Quality of Financial Reports (Z) in the Lumajang District Government and vice versa.

The Effect of Government Accounting Standards (SAP) (X2) on the Quality of Financial Statements (Z) is significant at  $\alpha = 0.05$ , seen through the p-value of  $<0.001$ , the value is smaller than  $0.05$  ( $\alpha = 5\%$ ). The coefficient of  $0.371$  is positive, indicating the relationship between the two is supported and in the same direction, meaning that the better the Government Accounting Standards (SAP) (X2) owned by the Regional Government of Lumajang Regency will improve the Quality of Financial Statements (Z) in the Lumajang Regional Government and vice versa.

The Effect of Government Internal Control System (SPIP) (X1) on Performance Accountability (Y) is not significant at  $\alpha = 0.05$ , seen through the p-value of  $0.358$ , the value is greater than  $0.05$  ( $\alpha = 5\%$ ). The coefficient of  $0.039$  marked is not supported to indicate the relationship between the two, but the good and bad SPIP (X1) owned by the Lumajang Regional Government will not have an impact on the Performance Accountability (Y) of the Lumajang District Government.

The Effect of Government Accounting Standards (SAP) (X2) on Performance Accountability (Y) is significant at  $\alpha = 0.05$ , seen through the p-value of  $0.002$ ; this value is smaller than  $0.05$  ( $\alpha = 5\%$ ). The coefficient of  $0.286$  has a positive sign indicating the relationship between the two is in the same direction and significant, meaning that the better the Government Accounting Standards (SAP) (X2) owned by the Regional Government of Lumajang Regency will improve the Performance Accountability (Y) of Lumajang District Government and vice versa.

The Effect of Financial Report Quality (Z) on Performance Accountability (Y) is significant at  $\alpha = 0.05$ , seen through the p-value of  $<0.001$ , the value is smaller than  $0.05$  ( $\alpha = 5\%$ ). The coefficient of  $0.409$ , marked positively indicates the relationship between the two is supported and in a direction, meaning that the better the Quality of Financial Statements (Z) owned by the Regional Government of Lumajang Regency will increase Performance Accountability (Y) in the Regional Government of Lumajang Regency and vice versa.

Table 2  
Indirect Influence Hypothesis Testing Results

Indirect Effect	Direct Effect Coefficient		Indirect Effect Coefficient	P-value Sobel	Results
X1 → Z → Y	X1→Z = 0.385*	Z→Y = 0.409 <sup>ns</sup>	0.157	0.016	Accepted
X2 → Z → Y	X2→Z = 0.438*	Z→Y = 0.409 <sup>ns</sup>	0.152	0.019	Accepted

nb : \* = direct effect significant    ns = direct effect no significant

Sources: primary data processed, 2018

Table 2 shows the indirect effect coefficient and the Sobel test p-value value. Indirect effects are accepted if the p-value value of the Sobel test results is  $<\alpha = 0.05$  (5%) and vice versa. The test results in detail can be explained as follows:

Testing the indirect effect using the Sobel test, it is known that the p-value value calculated using the Sobel formula is  $0.3016$ , the value is smaller than the value of  $\alpha = 0.05$  (5%), so it is stated that there are indirect effects supported between the Government Internal Control System (SPIP) (X1) against Performance Accountability (Y) through Financial Report Quality (Z). Testing the indirect effect using the Sobel test, it is known that the p-value value calculated using the Sobel formula is  $0.019$ , the value is smaller than the value of  $\alpha = 0.05$  (5%), so it is stated that there is an indirect influence supported between Standards Government Accounting (SAP) (X2) towards Performance Accountability (Y) through Financial Report Quality (Z).

#### The Effect of SPIP on the Financial Quality Statements

The result of the hypothesis test one which states that the Government's Internal Control System has a positive effect on the quality of financial statements is accepted. The results of this study are consistent with the research conducted by Atyanta (2012), Darwanis and Chairunnisa (2013), Mirnayanti (2013), Sari and Witono (2014), Desmiyawati (2014), Trisnani, Dimiyati, and Paramu (2017), and Siahaya (2018) which proved that SPIP has a positive effect on the quality of financial statements. The results of this study indicate that the Lumajang District government that applies regulation No. Permendagri No. 60 of 2008 concerning SPIP will have an impact on the results of financial statements made each year. Based on the results of this study, it can be concluded that SPIP can realize quality financial report results if the Lumajang local government always adheres to the applicable regulations. SPIP regulations are also made from the demands of the community for services provided. Actions that

are not by the applicable regulations, there will be no quality in the financial statements made by the local government. This is by the principle of the theory of limitation which prioritizes the commitment of regional governments to comply with the laws and regulations of the state in every activity of their government.

#### **The Effect of SAP on the Financial Quality Statements**

The results of the second hypothesis test which states that Government Accounting Standards have a positive effect on the quality of financial statements are accepted. Quality financial statements if the financial statements are relevant, reliable, comparable, and understandable to all groups. 4 (four) indicators are stated in Government Regulation No. 71 of 2010 concerning SAP. This research can be concluded that when the regional government apparatus applies SAP well, the quality of the financial statements of the local government is getting better. Good performance accountability will also have an impact on the performance of government officials in providing services to the community. Local governments are given the right to manage the surrounding resources and are given the right to improve their surrounding resources by implementing activities that have been established in the Regional Government Activities Plan (RKPD), because local governments are obliged to report their performance to the community and the central government. This research is also supported by previous research conducted by Hapsari (2016) explained that SAP has a positive effect on the quality of financial statements. So, SAP is able to contribute more to improving the quality of financial statements. SAP regulations are made to make it easier to carry out financial statement accountability in accordance with activities that have been designed each year. So that it can minimize delays in making financial statements. this is also in accordance with the theory of legitimation.

#### **The Effect of SAP on Accountability Performance**

The results of the fourth hypothesis test which state that the application of SAP has a positive effect on performance accountability is accepted. The results of this study support the findings of Afrina (2015) who have proven that SAP influences the achievement of performance accountability. The results of this study, it can be concluded that performance accountability can be realized if the local government always adheres to the SAP regulations applied to PP No. 71 of 2010 concerning accrual-based SAP. The same study was conducted by Pamungkas (2012), and Santoso (2008) which states that SAP assessment has a positive effect on performance accountability of government agencies. This research is by the theory of legitimation principles which prioritizes the commitment of regional government officials to comply with the regulations in each activity. Local governments are required to implement accrual-based SAP regulations in carrying out annual financial reports and events. The public sector has greater responsibilities than the private sector, so each government activity will be regulated in a regulation that will provide rules for every activity carried out and always supervised by its activities. The commitment of the regional government to implement financial reports by accrual-based SAP is one of the efforts to get legitimacy towards the central government and the community.

#### **The Effect of Financial Quality Reports on Accountability Performance**

Hypothesis five states that the quality of financial statements has a positive effect on performance accountability accepted. This result means that the quality of financial statements is accepted against performance accountability. Good or quality financial statements will indicate increased accountability or accountability for the financial statements that have been made. A financial report will be of quality if the financial statements can be audited and the audit results indicate compliance with applicable SAP. This accordance with the theory of legitimacy which explained the behavior of government organizations that are in line with the expectations of the community. A quality in preparing financial reports based on accrual-based SAP can show accountability for the performance of a good government and automatically affect to the community service. This study supports previous research, like Darwanis and Chairunnisa (2013) which showed that the application of public sector accounting and quality financial reports have a significant effect on the performance accountability of government agencies. The same research was also conducted by Santoso and Pambelum (2008), Pamungkas (2012), Nugraeni (2015). The theory of Legimitation plays an important role in the quality of the preparation of financial reports in a local government and the central government.

#### **The Effect of Uncertain SPIP on Performance Accountability Through Financial Quality Statements**

The sixth hypothesis for testing the direct and indirect effects of the Government's Internal Control System (SPIP) variable on performance accountability through intervening the quality of financial statements have a positive effect, accept. Based on the calculation above, the better SPIP carried out by the district government is lumajang, the quality of the financial report itself will increase. It will affect to the performance accountability. Indriasi and keswayo (2014) which proved that SPI in local governments affects the quality of financial statements, and then financial quality influences performance accountability. Likewise with research, Suwanda (2015), Munawar (2016), and Amalia (2017). The results of the study also support the concept of legitimation theory, illustrating that the obligation of regional governments to prepare financial statements by the regulations intended so that the financial statements produced actually show the actual financial condition so that the fairness of the financial statements can be accounted for. Also, the results of this study also support the theory of stewardship, the principle is to prioritize continuous improvement, in this case, is the achievement of performance accountability based on SPIP that is applied in serving the surrounding community.

#### **The Effect of SAP Impartial Against Performance Accountability Through Financial Quality Statements**

Hypothesis six for testing the direct and indirect effects of Government Accounting Standards (SAP) variables on performance accountability through intervening the quality of financial statements has a positive effect. Based on the calculation results, the quality of financial statements can be an intermediary for the influence of SAP variables on performance accountability. SAP can

influence the performance accountability of government agencies through the intervening variables of the quality of financial reports. If SAP is applied to the preparation of financial statements, then the quality of financial statements will increase so that by increasing the quality of financial reports the performance accountability of government agencies will also increase. The results of this study support the findings of the Hapsari study, (2016) which explains that financial report quality can be intervening SAP towards performance accountability.

## CONCLUSION

This study aims to analyze the influence of the Government Internal Control and System (SPIP) and Government Accounting Standards (SAP) on performance accountability with the quality of financial statements as intervening. This research uses research indicators for each variable to produce research that is by the government environment and by the current rules. This research was conducted on the Government of Lumajang Regency, East Java Province, which consisted of 22 SKPD with a total sample of 88 respondents. The results of this study prove that between SPIP and SAP can affect the quality of the financial statements of the Lumajang District Government. Financial reports can be of quality because Human Resources (HR) can provide good performance, so the level of accountability of the performance of the Lumajang district government is also very important in carrying out government activities. The SPIP variable in this study cannot directly influence performance accountability, but there must be an intervening variable, namely the quality of financial statements. Quality of financial statements can be an intermediary for the influence of the SPIP variable on performance accountability. Quality of financial statements can be an intermediary influence of SAP variables to performance accountability. SAP can influence the performance accountability of government agencies through the intervening variables by the quality of financial reports.

## IMPLICATION

The results provided that empirical evidence about the concept of legitimation theory, which emphasizes the compliance of local governments with regulations that can achieve good performance accountability. Local government adherence to regulations is one of the efforts to obtain legitimacy from the central government, that APBD has been used properly as a form of good government regulation that can be seen from the performance of local governments through financial reports made every year or semester. The results also provide an empirical evidence for the theory of stewardship in public sector organizations, which prioritizes public interest as a form of performance accountability. Performance accountability can be realized through the effectiveness of SPIP implementation, SAP compliance according to regulations, and financial report quality.

## LIMITATION

This study has several limitations, one of which is, the implementation of research in Lumajang Regency was hampered because several SKPDs were still preoccupied with annual financial reports or accountability, so researchers could only request results from questionnaires without interviews with those concerned. Hypothesis measurement of each variable is only based on the answers or perceptions of the respondents. There are several SKPD results from the questionnaire there is no difference from the four results of the response.

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