

The Effect of Budget Execution Performance and Asset Management Performance on the Quality of Financial Statements Moderated By Disclosure of Financial Statements (Empirical Study on Ministry of Public Works and Housing)

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Abstract

This study aims to determine the effect of budget execution performance, asset management performance on the quality of financial statements, moderated by financial statement disclosure. A research population is a work unit at the Ministry of Public Works in the Province of DKI Jakarta. Data were collected using the purposive sampling method. Based on these criteria, as many as 50 work units were selected as samples in this study. Method of data analysis using Structural Equation Model (SEM) Partial Least Square (PLS) with Smart PLS software Version 3. The test results show that the performance of budget execution does not affect the quality of financial statements, asset management performance has a significant effect on the quality of financial statements, disclosure of financial statements does not moderate the effect of budget execution performance and asset management performance on quality financial statements.

Keywords: Budget execution performance, asset management performance, disclosure of financial statements, quality of financial statements.

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INTRODUCTION

In accordance with Undang-Undang No. 17 Tahun 2003 concerning State Finances, that the submission of government financial accountability reports that meet the principles on time and are prepared by generally accepted government accounting standards is one of the efforts in realizing transparency and accountability in the management of state finances. Considering that financial statements is the main mechanism in creating public accountability (Rutherford, 2000), the quality of financial statements prepared by the government, in this case, the financial statements of ministries/agencies as an element in the formation of consolidated financial statements at the central government level, is a concern.

A qualified ministry financial statement is a financial statement prepared as a form of accountability for budget execution by the government as a steward to the public as a principal, where the financial statements

through the disclosure of financial statements can provide information that can be understood by users, free from information and material errors, can be compared with the reporting period so that the financial statements can be used as consideration for decision making.

Based on the Summary of Semester Examination Results (IHPS) I which was submitted by the Audit Board of The Republic of Indonesia (BPK RI) to the Indonesian House of Representatives in November 2020 for the examination of 86 Ministry/Agencies Financial Statements (LKKL) and 1 State General Treasurer Financial Statement (LKBUN) 2020, with an unqualified opinion (WTP) on 83 LKKL and 1 LKBUN, reasonable opinion (WDP) on 2 (two) LKKL, there are still many significant audit results on the financial statements. Against the results of the examination of 86 Financial Statements of Ministries/Agencies (LKKL) and 1 Financial Statement of the State General Treasurer (LKBUN), BPK RI

stated that there were 426 administrative irregularities and 1.094 problems of non-compliance. These problems include 668 non-compliance problems that can result in a loss of IDR 589,54 billion that occurs in 78 ministries/agencies, a potential loss of IDR 1.89 trillion that occurs in 26 ministries/agencies, and a shortage of revenue of IDR 1,77 trillion that occurs in 51 ministries/agencies. In addition, there were 1.037 internal control system weaknesses consisting of 376 weaknesses in the accounting and reporting control system that occurred in 76 ministries/agencies; 435 weaknesses in the control system for the implementation of the revenue and expenditure budget that occurred in 82 ministries/agencies; and 226 weaknesses in the internal control structure that occurred in 74 ministries/agencies. This shows that although many ministries/agencies have obtained unqualified opinions, there are still problems with the quality of financial statements prepared by ministries/agencies.

Financial statements are expected to provide quality information on decision-making. Where quality information can produce quality financial statements as well (Wilkinson *et al.*, 2000). And that information will be useful if the information can support decision-making and can be understood by users of financial statements (Xu *et al.*, 2003). So that the quality of financial statement disclosure affects the quality of decision making (Tresnawati *et al.*, 2016; Meiryani, 2019). In addition, disclosure of financial statements affects the fairness of financial statements, and the information disclosed through financial statements helps management to make appropriate financial decisions, and disclosure makes the information available in financial statements more precise, independent, and objective (Ailwan *et al.*, 2013). Financial Statements are prepared by accounting entities, namely government work units, presenting reports on budget execution and management and administration of government assets, namely State-Owned Goods (BMN). The government continues to strive to realize quality, reliable, and accountable financial statements, including through continuous improvement to adequate internal controls, particularly concerning budget execution and reliable management and presentation of government assets.

In relation to the implementation of the budget, the government has also established the Budget Implementation Performance Indicator (IKPA) which has four aspects that are used in the calculation, namely: (i) Aspects of the suitability of planning with budget execution; (ii) Aspects of the effectiveness of the implementation of activities; (iii) Aspects of efficiency in the implementation of activities; and (iv) Aspects of compliance with regulations. The Budget Implementation Performance Indicator (IKPA) is a concern of Ministries/Agencies because, by achieving IKPA, it will guarantee the achievement of outputs and

outcomes (benefits of public spending on public services and development that must be achieved within 1 year) Ministries/agencies and their impact can be felt by the community.

Asset management is a very important component to realize better financial statements (Yusuf, 2010). Although asset management has developed quite rapidly, in Indonesia, this is especially the case of the context of asset management of regional governments which is not fully understood by regional property managers (Siregar, 2004). Research conducted by Tresnawati *et al.*, 2016; Susanto and Meiryani, 2019 stated that the quality of financial statement disclosure affects the quality of decision making so that the information presented can be understood by users of financial statements. And according to research conducted by Ailwan *et al.*, 2013 the disclosure of financial statements affects the fairness of financial statements, and the information disclosed through financial statements helps management to make appropriate financial decisions, and disclosure makes the information available in financial statements more precise, independent and objective.

Following Article 16 paragraph 1 of Undang-Undang Nomor 15 Tahun 2004 concerning Audit of State Financial Management and Responsibility, that the provision of an opinion on financial statements is based on criteria for conformity with government accounting standards, adequate disclosure, compliance with laws and regulations, and effectiveness of the internal control system. Regarding the level of disclosure of the financial statements of Ministries/Agencies (K/L) based on Government Accounting Standards (SAP), it has increased every year, indicating that Ministries/Institutions had made efforts to improve the quality of financial statements (Sari *et al.*, 2015).

The importance of financial statements as a form of accountability for the implementation of government activities as public servants as explained by the Stewardship theory where government management will try to provide the best service (act as stewards) for the interests in the principal, namely achieving public welfare including through public accountability in the form of financial statements quality ones.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Stewardship Theory

Donaldson & Davis (1991) states that stewardship theory is an alternative to agency theory, where managers act not to maximize their personal goals or benefits. However, the manager's actions are based on motivation to achieve organizational goals or interests. In this theory, the motivation of managers is not solely in the form of economic factors but is based on the motivation of joint responsibility to provide the

best service for the achievement of organizational goals. So that the rewards obtained are more in the form of self-actualization, performance achievement, and personal development through the implementation of roles and authority in acting as stewards for principals facilitated by the organizational structure to achieve the goals that have been set. Stewardship theory assumes that there is a strong relationship between the success of achieving organizational goals with principal satisfaction (Davis *et al.*, 1997). Concerning the government sector, financial statements are a form of accountability for the accountability of the implementation of activities by the government, where the government acts as a steward to the people that act as principals. So that government management will try to provide the best service (acting as a steward) for the interests in the principal, namely achieving public welfare, including through public accountability in the form of quality financial statements.

Budget Execution Performance and Financial Statements Quality

Budget execution performance is a form of accountability for government activities to realize public welfare of the quality of performance in the implementation of the State Ministries/Agency budgets, viewed from the aspect of conformity to planning, the effectiveness of budget implementation, efficiency of budget implementation, and compliance with budget implementation regulations which are then reported by the government as a steward for the community as a form of public accountability. Budget execution performance is measured in a value called the Budget Implementation Performance Indicator (IKPA) which is a tool to measure the quality of State Ministry/Agency budget implementation published to encourage changes in state financial management behavior (Indonesia, 2018). Based on Minister of Finance Regulation Number 195/PMK.05/2018 concerning Monitoring and Evaluation of State Ministry/Agency Budget Execution, Budget Implementation Performance Indicators (IKPA) consists of the following components:

- a) Indicators of conformity with planning and budgeting consisting of revisions of budget (DIPA), deviation of fund withdrawals from planned withdrawals of funds, and budget minus personnel expenditures.
- b) The effectiveness of the implementation of activities consisting of an order for disbursement of funds (SP2D) returns, budget absorption, and bill settlement.
- c) Compliance with regulations consisting of submission of contract data, management of supply money (UP), and submission of Treasurer Accountability Report (LPJ).
- d) Efficiency of Implementation of Activities consisting of return to Payment Order (SPM) by State Treasury Service Office (KPPN), submission of SPM dispensation, and Cash Plan or Fund Withdrawal Plan.

Quality financial statements as a form of accountability for government activities by PP no. 71 of 2020 concerning Government Accounting Standards has 4 (four) characteristics, namely relevant (having feedback, predictive benefits, timely, and complete), reliable (honest presentation, verifiability, and neutrality), comparable, and understandable.

Budget implementation plays an important role in determining the quality of financial statements because it is related to accountability for funds used in development. If the implementation of the budget goes well, the quality of financial statements will also increase. The integration of budgeting performance data and financial reporting will increase transparency, public trust, and government public accountability (Melitski and Manoharan, 2014). Fransiska *et al.*, 2016 states that the level of weakness in the control system for the implementation of the revenue and expenditure budgets has a positive influence on the quality of local government financial statements. In addition, research by Santha Julia Sardi *et al.*, (2016) states that there is a positive and significant influence on the clarity of budget targets variables with the quality of financial statements.

H1: Budget Execution Performance has a significant effect on the Quality of Financial Statements

Asset Management Performance and Financial Statements Quality

Based on PP No. 27 of 2014 concerning the Management of State Property, that the management of assets aims to create an orderly administration and support the orderly management of assets with the following objectives:

- a. Asset's property is properly recorded.
- b. All activities in the framework of asset management can be carried out based on functional principles, certainty, transparency, openness, efficiency, accountability, and value certainty.
- c. The value/data of assets for the needs of management reports as material for the preparation of the central government's balance sheet already describes the amount, condition, and fair value of the asset.

In preparing financial statements, management has a responsibility and to ensure that information is presented fairly following the reporting requirements of accounting frameworks such as GAAP and IFRS (Beasley *et al.*, 2012). So that the purpose of effective internal control over financial reporting is to fulfill financial reporting responsibilities, including controlling the management of assets so that it is expected to achieve fairness of the information and the level of reliability of assets in the balance sheet. Where the existence of assets greatly affects the smooth wheels of government and development.

According to Hasbi *et al.*, 2010, that the framework for the management of State Property includes asset identification, asset demand analysis, asset age, and performance measurement. Assets that are one of the outputs of budget execution are managed by the government so that they are managed properly according to the provisions of the regulations to realize orderly administration and support the orderly management of assets. Concerning public sector reform, asset management is an integral part of public sector reform (Grubisic *et al.*, 2009). Asset management is a very important component for realizing better financial statements (M. Yusuf, 2010), where the implementation of asset management has a significant impact on the quality of financial statements (Kurniasih, 2017; Anggriawan and Yudianto, 2018).

H2: Asset Management Performance has a significant effect on the Quality of Financial Statements

Budget Execution Performance, Asset Management Performance, Financial Statement Disclosure, and Financial Statements Quality

Components in financial reporting are reporting on the realization of the implementation of the budget and reporting on asset management which is presented in the form of disclosures in the form of numbers and explanations in the financial statements. Disclosure of financial statements affects the fairness of financial statements, where the information disclosed through financial statements helps management to make the right financial decisions, and disclosure makes the information available in financial statements more precise, independent, and objective (Ailwan *et al.*, 2013).

Disclosure can be interpreted as releasing information on stakeholders (Hendriksen, 1991), and is one of the important principles that shows the fairness of financial statements whose accuracy of information affects stakeholder decision making (Ailwan *et al.*, 2013). Disclosure of financial statements is part of the concept of quality of financial accounting information that is useful in decision making (Tasios and Bekiaris, 2012).

In the disclosure of financial statements, there are 3 (three) general concepts, namely (Hendriksen, 1991):

- a. Adequate disclosure, which is the minimum disclosure required by applicable regulations.
- b. Fair disclosure, namely fair disclosure which is an ethical goal to provide equal treatment to all report users by providing appropriate information on potential readers.
- c. Full disclosure, namely full disclosure regarding the completeness of the presentation of the information disclosed in a relevant manner.

Based on PP No. 71 of 2019 concerning Government Accounting Standards, the principle of full disclosure is part of the principle of government

financial reporting. The minimum disclosure required by the applicable accounting standards are mandatory, namely the disclosure of information that must be disclosed by regulations or Government Accounting Standards. Mandatory disclosure is part of SAP which aims to achieve financial transparency and accountability.

H3: Disclosure of Financial Statements Moderates the Effect of Budget Execution Performance on the Quality of Financial Statements

H4: Disclosure of Financial Statements Moderates the Effect of Asset Management Performance on the Quality of Financial Statements

RESEARCH METHOD

This section describes the types of data collected, data sources, data periods, and the methodology used to test relationships.

Data, Population, and Sample

The population of this study is the work unit of the Ministry of Public Works in the central region of DKI Jakarta Province. The data used in this study are as follows:

1. Budget execution performance variables: Budget Implementation Performance Indicator (IKPA) data from the 2019 Online Monitoring of the State Budget Treasury System (OM-SPAN).
2. Variables of asset management performance and quality of financial statements: Questionnaire data submitted to financial management employees and BMN sampling work units.
3. Variables of financial statement disclosure:
 - a. The questionnaire data was submitted to the financial management staff and the BMN sampling work unit.
 - b. 2019 Work Unit Financial Statements Disclosure.

The sample of this study was taken by purposive sampling. The criteria for selecting the sample of this study were:

1. Work unit owning fixed assets with a value above Rp5 billion.
2. Work unit with non-public service agency (Non-BLU) status.
3. Not a Consolidated Working Unit.
4. Work unit with active status. So, based on the above criteria, 50 sampling units were obtained.

Data Analysis

The data analysis method used to examine the relationship between the variables of this study using the Structural Equation Modeling (SEM) method to analyze research that has several independent (exogenous), dependent (endogenous), partial and simultaneous moderating variables. Data analysis included descriptive statistics, data quality test, and Partial Least Square test.

RESULT AND DISCUSSION

Descriptive statistics

The rate of return of the questionnaire is 49 respondents with the demographic statistics of the respondents as shown in Table 1.

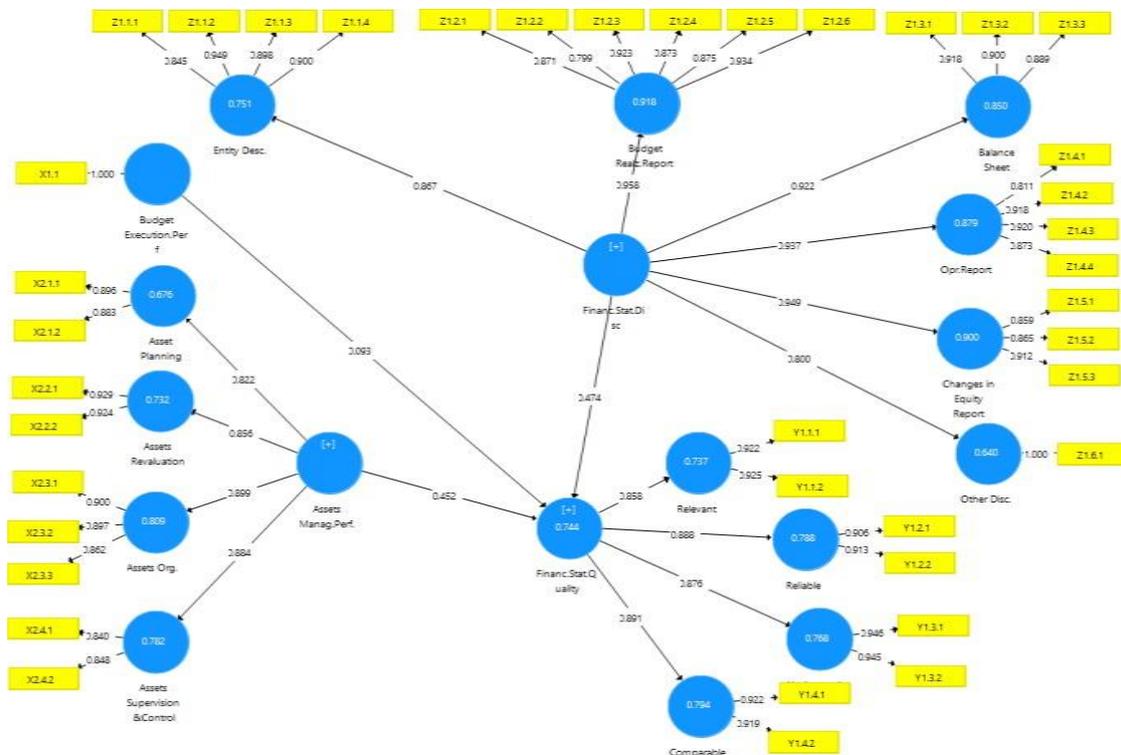
Table 1: Respondent Demographic Statistics

Description	Number	Percentage
Gender		
Men	29	59,18
Women	20	40,82
Total	49	100,00
Age		
< 25 years old	2	4,08
25 - 34 years old	16	32,65
35- 44 years old	21	42,86
34-54 years old	8	16,33
> 55 years old	2	4,08
Total	49	100,00
Education		
Senior High School	1	2,04
Associate's degree	6	12,24
Under Graduate	31	63,27
Post Graduate	11	22,45
Total	49	100,00

Based on the table above, the rate of return on the questionnaire is 98%. And The number of male respondents is 59.18% compared to female respondents. The majority of respondents are aged 35-44 years or 42, 86 percent compared to the total respondents. Most of the respondents' education is undergraduate by 63.27 percent compared to the total respondents.

1. Validity Test

The validity test was conducted to determine whether the research questionnaire was valid. The condition for fulfilling validity is if the outer loading value of each indicator on the latent variable/construct is worth 0.7 (Ghozali, 2015).



Picture 1: Outer Loading Values

Based on the picture above, it can be seen that all outer loading of each indicator is > 0.7 . This shows that all indicators meet the requirements of convergent validity.

2. Reliability Test

Reliability testing is carried out to measure the level of reliability of the tool measure research. The construct is said to be reliable if the composite reliability value is more than 0.70, and Cronbach's alpha is more than 0.7, and AVE above 0.5 (Ghozali, 2015).

Table 2: Reliability Test

Variable	Cronbach 's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Budget Excecuton Perf. (X1)	1,000	1,000	1,000	1,000
Assets Manag.Perf (X2)	0,914	0,915	0,929	0,594
Financ.Stat. Quality (Y1)	0,926	0,927	0,939	0,660
Financ.Stat.Disc (Z1)	0,976	0,976	0,978	0,676

Based on the table above, all the dimensions in the variables of budget execution performance, asset management performance, financial statement disclosure, and financial statements quality have Cronbach's Alpha and Composite Reliability above 0.7, and an AVE value above 0.5. So it can be concluded that the indicators used in each dimension have good enough reliability or can measure the construct.

3. Evaluation of the Goodness of Fit Structural Model (Inner Model)

Coefficient of determination (R-Square) shows how much the variables independent can describe the dependent variable. Testing the results of R-square for endogenous latent variables of 0.75, 0.50, and 0.25 can be concluded that the model is strong, moderate, and weak (Ghozali, 2015).

Table 3: R-squared Coefficient of Determination Test Results

Variable	R Square	R Square Adjusted
Financ.Stat.Quality (Y1)	0,751	0,723

That the R-square value of the dependent variable Financial Statements Quality (Y) is 0.751. This means that the variables of Budget Execution Performance (X1), Asset Management (X2), and Financial Statement Disclosure (Z1) have a simultaneous (together) effect of 75.1% on the Quality of Financial Statements (Y1), while the remaining

amount is 24.9% is explained by other variables that are not used in this study. Therefore, the model can be said to be good, or the model has a good predictive value, which can then be used in hypothesis testing.

4. Hypothesis Testing

Table 4: carrying out its functions, as a form of accountability for the implementation of Test-Path Coefficient Value with Financial Statement Disclosure Variables Questionnaire Data

Relationship Between Variables	T Statistics	P Values
Budget Exec.Perf*Financ.Stat.Disc -> Financ.Stat.Quality (Y1)	0,141	0,888
Budget Exec.Perf (X1) -> Financ.Stat.Quality (Y1)	0,773	0,440
Assets.Mang.Perf.*Financ.Stat.Disc -> Financ.Stat.Quality (Y1)	1,324	0,186
Assets Manag.Perf. (X2) -> Financ.Stat.Quality (Y1)	4,148	0,000
Financ.Stat.Disc (Z1) -> Financ.Stat.Quality (Y1)	3,762	0,000

Table 5: Test-Path Coefficient Value with Financial Statement Disclosure Variables Financial Statement Data

Relationship Between Variables	T Statistics	P Values
Budget Exec.Perf*Financ.Stat.Disc -> Financ.Stat.Quality (Y1)	0,365	0,715
Budget Exec.Perf. (X1) -> Financ.Stat.Quality (Y1)	0,564	0,573
Assets.Mang.Perf.*Financ.Stat.Disc -> Financ.Stat.Quality (Y1)	0,008	0,993
Assets Manag.Perf. (X2) -> Financ.Stat.Quality (Y1)	7,738	0,000
Financ.Stat.Disc (Z1) -> Financ.Stat.Quality (Y1)	0,546	0,585

Hypothesis Test 1: The Effect of Budget Execution Performance on the Quality of Financial Statements

Based on table 4, the T-Statistic value = 0.704 <1.960 and p-value = 0.440> 0.05, the null hypothesis is accepted, which means that there is no effect of budget execution performance on the quality of financial statements at a significance level of 5%.

The test results related to the relationship between budget execution performance and the quality of financial statements are not in line with those carried out by Setiyawati *et al.*, (2020), Nurdiono *et al.*, (2016), Fransiska *et al.*, (2016), and Santha Julia Sardi *et al.*, (2016) state that there is an effect of budget execution on financial statement information. In carrying out its duties as a steward for the community, the government must be responsible for the management of the budget that is mandated for each period of the fiscal year. Obedience and order to the provisions of regulations is a benchmark in measuring the performance of the government's budget implementation in activities by the government. According to Wang, 2000 states that the budget is one of the performance measurement tools, where competency analysis and political support increase the use of budget performance measurement to lead to more efficient, effective, and government accountability. This is in line with Government Regulation Number 68 of 2008 concerning Financial Reporting and Performance of Government Agencies which states that about the use of the budget, government agencies are required to compile a performance report which is a brief and complete summary of the performance achievements that have been achieved based on a work plan. stipulated in the framework of implementing the State Budget. So it can be concluded that budget execution is more correlated with government performance as stated in the Government Agency Performance Report about the disclosure of performance achievements that have been achieved by the government about the use of budgets with measured quantity and quality. In addition, according to the Regulation of the Minister of Finance Number 195/PMK.05/2018 concerning Monitoring and Evaluation of the Implementation of State Ministries/Agencies' Expenditure Budgets, that the performance of the budget implementation is measured in a value called the Budget Implementation Performance Indicator which is a measuring tool for the quality of implementation of the published State Ministry/Agency budgets to encourage changes in state financial management behavior. However, the existence of these indicators cannot objectively be used to determine the quality of the work unit's financial statements. This is considering that the performance indicators of budget implementation are more illustrative of the compliance of the work unit with the provisions of the process of implementing the disbursement or realization of the budget. Meanwhile, during the audit process of the financial statements, the performance indicators of the implementation of the

budget are not the main consideration for the auditors in determining the quality of the financial statements in terms of budget execution, but more to the aspect of accountability for the implementation of the budget.

Hypothesis Test 2: The Effect of Asset Management Performance on the Quality of Financial Statements

Based on Table 5, the T-Statistics = 4.148 > 1.960, and p-value = 0.000 <0.05, the null hypothesis is rejected, which means that there is an effect of asset management performance on the quality of financial statements at a significance level of 5%. This means that the performance of asset management can affect increasing the value of the quality of financial statements.

This means that the better the level of asset management performance, the better the quality of financial statements in the work unit. Good asset management as a form of government accountability as a public servant (steward) based on the motivation of joint responsibility to provide the best service for the achievement of organizational goals, is illustrated in the government's financial statements which are presented in the form of relevant, reliable, understandable information, and can be compared. Good asset management starting from planning and budgeting for asset requirements, asset valuation, asset administration, supervision, and control will produce quality financial statements, which are reflected in the accuracy of the coding and recording of assets on the balance sheet. The results of this study are in line with research conducted by M, Yusuf (2015), Kurniasih (2017), Wahyuni *et al.*, (2018), Anggriawan and Yudianto (2018), and Poae *et al.*, (2017) which states that asset management is a very important component to realize better financial statements.

Hypothesis Test 3: Disclosure of Financial Statements Moderates the Effect of Budget Execution Performance on the Quality of Financial Statements

Based on Table 4, the T-Statistic = 0.141 < 1.960, and p-value = 0.888 > 0.05, and based on Table 5, T-Statistic = 0.564 < 1.960, and p-value = 0.573 > 0.05. Those means the null hypothesis is accepted, that the effect of budget execution performance on the quality of financial statements is not moderated by financial statements disclosure at a significant level of 5%.

However, the tests of the direct influence between the disclosure of financial statements on the quality of financial statements using the questionnaire data (primary data), tables 4 show that there is a significant influence of the disclosure of financial statements on the quality of financial statements with a T-Statistic of 3,762 > 1.960 and p-value = 0.000 < 0.05. But the tests of the direct influence between the disclosure of financial statements on the quality of financial statements using the financial statement

disclosure data (secondary data), tables 5 show that there is no significant influence of the disclosure of financial statements on the quality of financial statements with a T-Statistic of $0.546 < 1.960$ and p-value $= 0.585 > 0.05$. This shows that there is a difference between respondents' perceptions and the reality of the disclosures presented in financial statements. Respondents considered that the work unit has carried out the disclosure of financial statements very well and adequately. However, when tested through Financial Statements disclosure, it turns out that there are still many work units that have not disclosed financial statements adequately, regarding the explanation of the increase or decrease in accounts.

In the public sector report according to PP No. 71 of 2010 concerning Government Accounting Standards and Regulation of the Minister of Finance Number 222/PMK.05/2016 concerning Amendments to Regulation of the Minister of Finance Number 177/PMK.05/2015 concerning Guidelines for Preparation and Submission of Financial Reports of State Ministries/Institutions, that disclosure of financial statements the government as required in the Statement of Government Accounting Standards including disclosures related to the general description of the entity, accounting policies, explanations related to the Budget Realization Report (LRA), explanations related to the Balance Sheet, explanations related to Operational Reports (LO), explanations related to the Changes in Equity Report (LPE), as well as explanations regarding other important disclosures. During the audit process by BPK RI, the disclosure of these financial statements was not the main consideration for the audit. The audit will focus more on order in compliance with laws and regulations, as well as the implementation of internal control in the implementation of the work unit entity's activities.

This will be different for private sector entities. Where the private sector will pay great attention to disclosure or disclosure in the company's financial statements. This is done to attract investors to be willing to invest or invest in the company. The company's financial statements will be prepared with adequate disclosures so that investors will obtain sufficient information for making investment-related decisions in the future. It is different for public sector entities, where the financial statements that are prepared are a form of government accountability as a steward for the community for the implementation of budget management in one period of the fiscal year as an effort to realize transparency and accountability in state financial management.

Hypothesis Test 4: Disclosure of Financial Statements Moderates the Effect of Asset Management Performance on the Quality of Financial Statements.

Based on table 4, the T-Statistics = $1.324 < 1.960$ and p-value = $0.186 > 0.05$, and based on table 5,

the T-Statistics = $0.008 < 1.960$ and p-value = $0.993 > 0.05$. Those means the null hypothesis is accepted, that the effect of assets management performance on the quality of financial statements is not moderated by financial statements disclosure at a significant level of 5%.

Adequacy of disclosure in financial statements related to assets in accordance with Minister of Finance Regulation Number 181 of 2016 concerning assets Administration, that disclosure of assets in Financial Statements includes asset mutations consisting of initial balances, purchases, grants, outgoing transfers/incoming transfers, write-offs, and ending balances. However, the work unit has not yet fully disclosed adequate explanations for the causes or other matters in detail for each mutation in the financial statements. So it can be said that in the audit process, the adequacy of disclosure on asset management has not become the main consideration of the auditor in determining the fairness of a financial statements. Where the accuracy of the classification or codification of assets and the accuracy of the recording value of assets on the balance sheet in accordance with the provisions of the regulations are the focus of the auditor on the audit process of the financial statements. Compliance with laws and regulations according to Rai (2011) is a dominant factor because activities in the public sector are strongly influenced by regulations and legislation. So that the aspect of compliance with laws and regulations, in addition to the effectiveness of an adequate internal control system, becomes the focus of the audit process on financial statements. Thus, it can be concluded that the disclosure of financial statements is not the main focus in the process of auditing financial statements. In contrast to private sector companies, given that they are very interested in investors, the company will try to make adequate disclosures in the company's financial statements. Private sector companies will disclose how, in one financial reporting period, the company has developed or optimized company assets. This will provide information to investors that the company is managing its assets quite well so that investors will be interested in investing by investing in the company.

CONCLUSION

Based on the results of research conducted and through several hypothesis tests, the following conclusions were obtained:

1. There is no significant effect between the performance of budget execution on the quality of financial statements.
2. There is a significant influence between the performance of asset management on the quality of financial statements. This shows that the better the asset management performance carried out by the work unit, the better the quality of the financial statements.
3. The effect of budget execution performance on the

quality of financial statements is not moderated by financial statements disclosure. This means that the relationship between budget execution performance and the quality of financial statements is not better, even though it is moderated by the disclosure of financial statements. However, from the results of testing the direct influence with primary data shows that the disclosure of financial statements significant effect on the quality of financial statements. But from direct test results with secondary data show that disclosure of financial statements does not affect the quality financial statements. This means that there is a difference respondents' perceptions with the reality of the disclosures presented in the report finances prepared by the work unit.

4. The effect of assets management performance on the quality of financial statements is not moderated by financial statements disclosure. This means that the relationship between asset management performance and the quality of financial statements is not better, even though it is moderated by the disclosure of financial statements.

Some suggestions that can be made in further research include expanding the object of research and adding research variables such as follow-up to the results of audit examination, the application of Government Accounting Standards, the role of internal auditors, and the use of information technology.

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