

Accounting Practices Effectiveness and Good Governance: Mediating Effects of Accounting Information Quality in Municipal Office of Medan City, Indonesia

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Abstract

Public sector in Indonesia, nowadays, should implement good governance concepts in accordance to perform a "clean government". This condition is requested by the donor country that gave a grant or loan for Indonesian's Government. In order to implement good governance, there are some concepts that have to be considered. The concepts are: accountability and transparency, that can be represent by the accounting information quality. This research aims to investigate about the effect of accounting practices effectiveness on the good governance with the accounting information quality as the intervening variable in municipal office of Medan City, Indonesia. We conduct a census method in this research. We also used a questionnaire in data collection. Data analysis for this research is path analysis. The result showed that: (1). Accounting practices effectiveness significantly affected the accounting information quality in municipal office of Medan City, (2). Accounting practices effectiveness significantly affected the good governance practices in municipal office of Medan City, (3). Accounting information quality significantly affected good governance practices in municipal office of Medan City., (4). Accounting information quality can be considered as the intervening variable between accounting practices effectiveness and good governance in municipal office of Medan City.

Keywords: Accounting practices effectiveness, accounting information quality, good governance, accounting information, accountability.

1. Introduction

Public sector accounting paradigm is closely related to regional autonomy and fiscal decentralization that is currently running. Relation to reform the public sector, local autonomy to be one part of the reform of the public sector it self. Autonomy provides flexibility (discretion) in the area to develop local financial management systems are widely (Mardiasmo, 2002). Accounting for the public sector has a major role to prepare the financial statements as a form of implementation of public accountability. This is confirmed by Mardiasmo (2002) which states that good governance and public sector accounting has a strong relationship, in which the public sector accounting as a tool to do a good elaboration governance to order more real. Several other studies indicate that the particular accounting accounting public sector has a very important role in the creation of good governance, Kelkar (2009); Shil (2008); Santoso and Pabelum (2008).

Public sector accounting is closely linked with the implementation and accounting treatment in the public domain (Mardiasmo, 2009). American Accounting Association (1970) in Glynn (1993) states that the purpose of accounting in public sector organizations is to provide the necessary information in order to manage the operations and allocation of resources entrusted to the organization appropriately, efficiently, and economically, as well as providing information for the report accountability of the management implementation and report the results of operations and the use of public funds.

Financial accounting information is a product of management, and management information knowing that it can be used as input in the process of governance (Richard, 2001). This means that financial accounting information as a basis for an important input in the process of good governance. In line with the opinion of the Bushman and Smith (2003) that the accounting information is the product of accounting. According to Schiavo-Campo and Tomasi (1999) making of accounting information in the form of financial statements is a form of transparency requirements as a condition of supporting the lack of accountability in the form of openness on the activities of government management of public resources. Transparency of information, especially financial and fiscal information should be in a form that is relevant and easy to understand. From this statement may indicate that the financial statements that meet the principles of accountability and transparency of financial reporting quality is established through information that is relevant and easy to understand.

Bastian (2006:125) states that during this public sector organization in Indonesia generally produce poor information quality, often unreliable and can only be used as consideration for the decision making period after the reporting period.

Based on the development of opinion on the financial statements is given on municipal office has not shown fantastic and yet make a dramatic change to how precisely certain conditions even a decline, for example, opinion unnatural increase of 6% in 2008 to 10% in 2009. Results evaluation of 1460 there were 151 cases of

weakness Local Government Finance Report (LKPD) the SPI comprises 754 cases of weakness of accounting and reporting control systems, control system flaws 530 budget execution, as well as 176 cases of weakness of the internal control structure. There is nothing that can be analyzed with these numbers because they do not have comparative indicators, such as total findings for each indicator opinion formers (BPK, 2010).

Furthermore, another condition that illustrates the weakness of the quality of accounting information is expressed by Daeng (2009) that the Supreme Audit Agency (BPK) to assess the quality of the Regional Financial Statements from year to year is declining, "From 2004 to 2008 Local Government Finance Report continued to decline. Masykur Ali Musa (2009) also stated that approximately 90% municipal office in Indonesia has not been able to make the local government finance report as the budget realization report, balance sheet, cash flow statement and notes to the financial statements properly.

The low quality of financial information indicating the weakness of the effectiveness of public sector accounting practices. This is because the public sector accounting related to the purpose external financial reports produced. Speaking about the effectiveness of public sector accounting means talking about the public sector accounting attempts to exploit the potential of the ability to achieve the objective of financial statements. The objective of financial statements is to provide information used in decision-making, accountability and evidence management, and evaluating managerial and organizational performance (IFAC, 2000; GASB, 1999). This condition is confirmed by Eugene (2003) which states that a change in an accounting problem that can reduce the quality and integrity of the financial reporting process. Hashem Nejad et al (2008) in his research found that the implementation of accounting results in entities lead to improvements in the process of decision making by managers, internal control and the quality of financial reports and facilitate transactions in the entity.

Based on the above problems are found from the BPK examination, it can be indicated that the implementation of public sector accounting in Medan city government has not been effective so that the resulting financial statements are also wrong. This has been confirmed by Nasution (2009) which states that the financial statements of Medan was wrong. Irregularities financial report shows that the accounting information which is derived from the accounting is not qualified. Unqualified accounting information will lead to poor quality of good governance. Such as that produced by Byard et al (2006) in his research, that the quality of accounting information has a relationship with good quality of governance.

Research on the influence of the quality of accounting information to good governance has also been done by several researchers, Arvanitidou Virginia et al (2007) stated that the use of transparent financial accounting information in corporate control mechanisms can improve the effectiveness of the governance process which in turn prevents corruption. Furthermore Wang (2008) in his research found evidence that one of the factors that can influence the governance of the company is the quality of accounting information. While in Indonesia, research on this was done by Santoso and Pambelum (2008) who found evidence that the implementation of public sector accounting and accounting information quality affects the accountability of government.

Broadly speaking, that the above problems by Mardiasmo (2006) is the constraint of good governance. When viewed from the public sector accounting's point of view, there are three main issues why good governance is still far from reality: First, the absence of local government accounting system that can both support the implementation of reliable reporting. The absence of a reliable accounting system led to weak internal controls (internal control) of local government. Second, a very limited number of personnel of local government accounting educational backgrounds, so they do not really care or may not understand these issues. On the other hand, very few scholars who are interested in quality accounting profession to develop its local government because of the low compensation offered by the local government. Third, yet full implementation of Financial Accounting Standards Public Sector standard, where as the Accounting Standards are very important as a guide to making the financial statements and as a control mechanism. Not the full implementation of accounting standards will lead to negative implications in the form of low reliability of financial information as well as difficult in auditing.

Based on the descriptions above, researchers interested in conducting further research on the effect of the application of public sector accounting in terms of effectiveness and influence the quality of accounting information to good governance. Research on the above have been carried out. From the existing research results to the researchers state that there is the influence of public sector accounting application to good governance, as well as the quality of accounting information to good governance. However, research on the effectiveness of public sector accounting to good governance through the quality of accounting information has not been done in Indonesia.

Researchers in the field of accounting states that the application of accounting can improve the quality of accounting information (Hashemi Nejad et al, 2008; Eugene, Jr. 2003). According to Bushman and Smith (2003) that the accounting information is the product of accounting in business. Unqualified accounting information will lead to poor quality of good governance (Byard et al, 2006). Therefore, the application of accounting could be expected to affect good governance through an intermediary quality of accounting

information.

II. LITERATURE REVIEW AND HYPOTHESES

I. Effect of Application of Accounting Public Sector Effectiveness on Good Governance

Definition of good governance is often defined as good governance (Mardiasmo, 2009). While the World Bank (1994) defines good governance as a solid implementation of management development and responsible in line with the principles of democracy and the market is efficient, avoiding any allocation of investment funds, and the prevention of corruption both political and administrative, budgetary discipline and run a legal creation and political framework for the growth of business activity.

Furthermore, the United Nations Development Program (UNDP) in 1997 defines good governance as follows: Governance is the exercise of authority / power in the economic, political, and administrative measures to manage the affairs of the state at all levels and is an instrument of state policy to encourage the creation of the welfare state, integrity, and social cohesion in the community. In other words, a synergy and constructive relationship between the state, private sector, and public. But in reality, the state is still the most dominant. UNDP filed 9 (nine) as the characteristic principles of good governance: participation, rule of law, transparency, responsiveness, consensus orientation, equity, effectiveness and efficiency, accountability, strategic vision. Of the nine principles according Mardiasmo (2009:18) there are at least three things that can be played by the public sector, namely the creation of accounting transparency, public accountability, and effectiveness and efficiency.

In order to realize good governance (good governance), the government is expected to perform various remedial measures to improve transparency and public accountability, one of them with the implementation of public sector accounting more effective. Public sector accounting is closely linked with the implementation and accounting treatment in the public domain which has an area of more extensive and complex than the private or business sector. Public domain here include government agencies (central and local government as well as government work units), state-owned enterprises and local (state-owned enterprises and enterprises), foundations, universities, political organizations and mass organizations, and NGOs (NGO). According to Bastian (2006) Accounting for the public sector is defined as the mechanism accounting and analysis techniques applied to the management of public funds in higher institutions and state departments under it, local governments, state enterprises, enterprises, NGOs and social foundations, and the projector project cooperation of public and private sector.

Accounting for the public sector has a major role to prepare the financial statements as a form of implementation of public accountability. Application of accounting itself is an accounting process to collect, process change, report, and disseminate reports to the user. Generally, the application of accounting provides information for management accounting organizations (Hakansson and Lind, 2004) and is a tool for the efficient administration of resources, and support informed decision-making (Quattrone, 2009). This shows that the application of accounting has an important role in establishing financial reporting and accounting information for internal and external users who are used to assess the financial status and performance of the organization.

Research Richard (2001) show that financial accounting is a key ingredient in the process of corporate governance. Similarly, studies Eugene (2003) which states that the accounting and auditing system is a component of a broader corporate governance and cannot be "fixed" in any way, without substantive change in the overall governance process. Furthermore Shil (2008) states that the accounting is referred to as a vehicle to ensure good corporate governance, and it is believed that the world should adopt a uniform global accounting standards and has been done.

Furthermore Kelkar (2009) states that the accounting framework impact on the quality of governance. Other research conducted by Brown et al (2011) which states that there is a positive relationship between good governance with accounting quality.

Discussion on the effect of public sector accounting to good governance in Indonesia has been done by Mardiasmo (2002) who stated good governance and public sector accounting has a strong relationship, in which the public sector accounting as a tool for elaboration good governance to order more real. Furthermore Mardiasmo (2006) states public sector accounting, which is articulated through management accounting, financial accounting, and auditing the public sector is very urgent development and its application as a tool to achieve transparency and public accountability in achieving good governance. Similar to the results of research undertaken by Santoso and Pambelum (2008) who found evidence that the implementation of public sector accounting effect on good governance in this case for government accountability.

The effectiveness of the application of accounting is defined as the result of accounting practices regarding the accounting process inspection, transformation, explanation, analysis, dissemination of the report, and share accounting information to managers backed by the reliability of information (Hanpuwadal and Ussahawanitchakit, 2010: 1). According Hanpuwadal and Ussahawanitchakit (2010:1). There are four dimensions that describe the effectiveness of the application of accounting consistency: 1) adequate financial information integration, 2) the formation of useful financial reporting, 3) effective dissemination of financial reporting, and 4)

the accounting information can be trusted.

The first dimension is to measure the effectiveness of accounting practices are adequate financial information integration. Information is the most important thing in an organization (Boritz, 2005). Therefore, information integration is a merger of several existing databases into a single, centralized information system (Metais et.al, 1997). Therefore, information integration is to bring together multiple sources of information into a single information. The second dimension to measure the effectiveness of the application of accounting is the establishment of useful financial reports. It refers to the accounting practice of building, and the presence of financial reporting for each sector within the organization, and the specific elements needed in financial reporting for the needs of users (Bonson et al, 2009).

The third dimension to measure the effectiveness of the application of accounting financial reporting is effective deployment. It is defined as the application of accounting for delivery (Hakansson and Lind, 2004) and the disclosure of financial reporting to the appropriate users, including effective access to information from the user. The effectiveness of the application of accounting provides financial reporting and then spread to the various subunits within the organization are coordinated to work so as to achieve goals and improve the adaptation of activities and across the boundaries of the organization's resources (Hakansson and Lind, 2004). In short, the effectiveness of the application of accounting provides a communication in the form of information to the user that leads to creating user satisfaction and financial reporting information that is useful.

Last dimension to measure the effectiveness of the application of accounting is the accounting information that can be trusted. This refers to the quality of information produced by the application of the accounting attributes reliability and accuracy in accordance with accounting standards to produce clear reports, analyzed, predictability, and the use of performance evaluation (Yang et.al, 2009). Credible accounting information is a factor in determining the quality of decision making (Yan and Child, 2004).

2. Effect of Accounting Information Quality on Good Governance.

Accounting information is a product of corporate accounting. According to Schiavo-Campo and Tommasi (1999) making of accounting information in the form of financial statements is a form of transparency requirements as a condition of supporting the lack of accountability in the form of openness on the activities of government management of public resources.

Accounting information presented in the form of financial statements that can be used as a basis for decision-making, the accounting department is required to be able to present information that is relevant, accurate, and timely. This is because the information that is worthy of consideration and that benefits in decision making is information that meets the characteristics of relevant, accurate, and timely Hilton, Maher and Selto (2000); Bodnar (2003: 10).

Poor-quality accounting information will cause poor quality of good governance. Byard et.al (2006) in his study stated that the quality of accounting information has a relationship with the quality of good governance. Similarly Bushman and Smith (2001) in his research found that the results of the quality of accounting information has a strong relationship with corporate governance, because the accounting information is a tool used in the process of governance. Furthermore Wang (2008) gives the results of research that one of the factors that can affect the quality of corporate governance is the accounting information. Arvanitidou Virginia, et.al (2007) stated that the use of transparent financial accounting information in corporate control mechanisms increase the effectiveness of the governance process which in turn prevents corruption.

Furthermore Richard (2001) states that the accounting information is implicitly used both to indicate whether the action against the governance and management needed to help determine the remuneration to the different stakeholders in the case of legal disputes and financial difficulties. Mardiasmo (2002) states that the disclosure of financial information that is reliable and an efficient tool for shareholder protection and corporate governance as well as to increase the confidence of investors to invest. Furthermore Mardiasmo (2006) stated that along with the increasing demands of the realization of good public governance, a change in accounting method is seen as an urgent solution to be applied due to the application of double entry can produce auditable financial statements. Similarly, research conducted Santoso and Pambelum (2008) which states that the information generated in the form of financial statements should show information about the performance accountability of government agencies is needed, because the government has material information in the decision to make management improvements in the administration of government affairs better.

3. Effect of Implementation Effectiveness Public Sector Accounting on the Quality of Accounting Information.

Application of accounting is the accounting process for collecting, change processes, reporting, and disseminating reports to users. Generally, the application of accounting presenting accounting information for management (Hakansson and Lind, 2004) and is a tool for the efficient administration of resources, and support informed decision-making (Quattrone, 2009).

Implementation of effective accounting is needed in an organization. The effectiveness of the application of accounting can be defined as a result of accounting practices regarding the accounting process inspection, transformation, explanation, analysis, dissemination of reports, and share accounting information for managers backed by the reliability of information (Hanpuwadal and Ussahawanitchakit, 2010: 4). Based on the above statement can be indicated that the application of accounting that can effectively produce quality accounting information.

Further research conducted Eugene (2003) who found results that a change in the accounting problems that may reduce the quality and integrity of the financial reporting process. Similarly, in a study conducted by Hashem Nejad et.al (2008) found that the implementation of accounting results in entities lead to improvements in the process of decision making by managers, internal control and the quality of financial reports and facilitate role in transactions within the entity.

4. Influence Effectiveness of the Implementation of Public Sector Accounting Through Good Governance on Accounting Information Quality

Public sector accounting is closely linked with the implementation and accounting treatment in the public domain which has an area of more extensive and complex than the private or business sector, Mardiasmo (2006). Glynn (1993) in Mardiasmo (2006) states that the role of accounting in the public sector organization is to provide the necessary information in order to manage the operations and allocation of resources entrusted to the organization appropriately, efficiently, and economically, as well as provide information for accountability reporting implementation of the management response and report on the results of operations and the use of public funds.

According to Bastian (2006: 16) Accounting for the public sector is closely related to the accounting function as a provider of information for both governments and the public. Accounting information for the public sector is a very important requirement and high along with the increasing demands of public accountability and transparency by public institutions.

The effectiveness of the application of accounting will produce quality accounting information (Hanpuwadal and Ussahawanitchakit, 2010). According to him there are four dimensions that demonstrate the effectiveness of the application of accounting consistency: 1) adequate financial information integration, 2) the formation of useful financial reporting, 3) effective dissemination of financial reporting, and 4) reliable accounting information. These four dimensions are used together to produce accounting information that provides benefits to users in making economic decisions and in evaluating the performance of the organization. Furthermore, Byard et.al (2006) stated that the low quality of accounting information that will lead to poor quality of good governance. Therefore, in this study the effectiveness alleged accounting application will affect the good governance through quality accounting information.

Based on the above framework, the hypothesis proposed in this study are:

1. Public Sector Accounting Implementation Effectiveness effect on Quality of Accounting Information
2. Effectiveness Implementation of International Public Sector Accounting effect on Good Governance
3. Quality of Accounting Information effect on Good Governance
4. Effectiveness of Public Sector Accounting Application influence on good governance through the Quality of Accounting Information.

III. Research Methods

Objects in this study is the effectiveness of public sector accounting, accounting information quality and good governance. This study aims to get a picture or description of the influence of the effectiveness of the implementation of public sector accounting to good governance with the quality of accounting information as an intervening variable. This research was conducted at Municipal offices in Medan City Government. The method in this study uses descriptive methods. While this type of research is verification. The unit of analysis in this research is the organization of the Municipal Offices residing in the city of Medan. Analytical techniques used to test the research hypothesis is Path Analysis.

IV. Result

Before the data analysis done, it first needs to be tested on data obtained include the validity and reliability test using SPSS version 17. Based on SPSS output that all questions on the questionnaire about the variables examined is valid and reliability.

1. Effect of Application of Accounting Public Sector Effectiveness on Good Governance

Based on SPSS output gives the value of the standardized beta effectiveness of public sector accounting in the equation of 0.571 and significance at 0.00. This means that the effectiveness of public sector accounting affects the quality of accounting information.

The magnitude of the effect of variable effectiveness of public sector accounting to variable quality of accounting information can be seen from the coefficient determination. The coefficient of determination obtained from squaring the path coefficient value, so the coefficient of determination effectiveness of public sector accounting to variable quality of accounting information is calculated using the following formula. $R^2_{Y1} = (PYX)^2 = (0.571)^2 = 0.326$. Based on these calculations obtained R^2 of 0.326 or 32.6%. Thus it can be concluded that the effectiveness of the Public Sector Accounting Implementation give effect to the Quality of Accounting Information by 32.6% and the remaining 67.4% other is the influence of other variables not examined. Thus, the sub-structure lines first equation is obtained as follows: $Y = 0,571X + 0.674$

Furthermore, to prove whether the effectiveness of public sector accounting effect on the quality of accounting information, the hypothesis that there would be tested. Based on the data processing of the calculation results obtained t value of 5.016 and a significance value of 0.000. T value will be compared with the value of t in the t distribution table, while the value will be compared with the significance of $\alpha = 0.05$. With $\alpha = 0.05$ and degrees of freedom (db) obtained by 52 t table value of ± 2.009 . Due to the t value (5.016) is greater than t table (2.009) then H_0 is rejected and H_1 is accepted. This is in line with a significance value of 0.000 is the result of the calculation is smaller than $\alpha = 0.05$. This suggests that the effectiveness of the Public Sector Accounting Implementation significant effect on Quality of Accounting Information.

The influence of the effectiveness of public sector accounting significantly to the quality of accounting information for the implementation of effective public sector accounting is of note for generating accounting information are good also. If the implementation of effective public sector accounting, the accounting information generated provide good quality too.

Findings indicate that the effectiveness of public sector accounting is done by on Municipal offices in Medan City Government has been excellent. Under these conditions the expected Municipal offices in Medan need to increase the longer the integration of adequate financial information in a way more attention to systematically document management in each section, create a single standard that is more stringent in integrating information between parts, giving more attention to bridge information between parts. It also results in improving accounting information is believed to be done by always using every accounting standard accounting practices in the Municipal offices, and more into account existing processes within and from outside on education in generating accounting information. By paying attention to these things, it is expected that the accounting information generated can be of higher quality than the previous one.

The results of this study are consistent with research Hanpuwadal and Ussahawanitchakit (2010) which states that the effective application of accounting is needed in an organization, so as to provide reliability information. Furthermore Hashem Nejad Et al (2008) found that the implementation of the results of an entity's accounting leads to improvements in the decision process by managers, internal control and the quality of financial statements.

2. Effect of Accounting Information Quality on Good Governance

Based on the SPSS output gives the value of the standardized beta effectiveness of public sector accounting in the second equation of 0.309 and significance at 0.035. This means that the effectiveness of public sector accounting affects good governance.

The magnitude of the effect of variable effectiveness of public sector accounting to variable good governance can be seen from the coefficient determination. The coefficient of determination obtained from squaring the path coefficient value, so the coefficient of determination effectiveness of public sector accounting to variable quality of accounting information is calculated using the following formula. $R^2_{Y1} = (PYX)^2 = (0.309)^2 = 0.096$. Based on the above calculations obtained R^2 of 0.096 or 9.6%. Thus it can be concluded that the effectiveness of the Public Sector Accounting Implementation give effect to good governance by 9.6% and the remaining 90.4% the other is the influence of other variables not examined. Thus, the structure of the second sub-path equation is obtained as follows: $Y = 0,309X + 0.904$.

Furthermore, to prove whether the effectiveness of public sector accounting effect on good governance, the hypothesis that there would be tested. Based on the results obtained by processing the results of calculation of the t value of 2.160 and significance value of 0.035. The t value will be compared with the value in the table t distribution, where as the significant value will be compared with $\alpha = 0.05$. With $\alpha = 0.05$ and degrees of freedom (db) obtained by 52 t table value of ± 2.009 . Due to the t value (2.160) is greater than t table (2.009) then H_0 is rejected and H_1 is accepted. This is in line with a significance value of 0.035 is the result of the calculation is smaller than $\alpha = 0.05$. This suggests that the effectiveness of the Public Sector Accounting Implementation significant effect on Good Governance. The influence of these variables can be categorized as low. The coefficient of determination (R^2) indicates that the effectiveness of public sector accounting is less able to influence good governance on the municipal office in Medan.

Findings indicate that the effectiveness of public sector accounting in Municipal offices in the city of Medan has been very good, but there are some indicators that need to be improved so that the implementation of

public sector accounting can be run more effectively. While the findings indicate the field of good governance in Municipal offices the city of Medan also showed a very good condition. It can be seen from the results of descriptive statistics which have an average score of 82.72%. Although the average score is high but in fact one of the indicators of good governance has a score below 80% is an indicator of the transparency which has a score of 79.64%. This situation shows that transparency in government departments in the city include: the mechanisms that ensure system openness and standardization of all processes of public service, a mechanism that facilitates public questions about the various policies and public services, as well as the processes in the public sector, and mechanisms that facilitate the reporting and dissemination of information as well as irregularities in the actions of public officials serving activities still need to be on the increase again, so that transparency in Municipal offices in Medan can be run in line with expectations.

Based on the results generated data processing variables that influence the effectiveness of the implementation of public sector accounting to good governance is low, at only 9.6%. This condition may occur due to the effectiveness of the implementation of public sector accounting is only one factor that can affect good governance, while the factors that can affect pretty much good governance, while these factors not examined in this study. The results of this study are consistent with the research of Richard (2001) which states that financial accounting is a key ingredient in the process of governance. Similarly, studies Eugene (2003) which states that the accounting and auditing system is a component of a broader corporate governance and can't be "fixed" in any way, without substantive change in the overall governance process. Furthermore Mardiasmo (2002) who stated good governance and public sector accounting has a strong relationship, in which the public sector accounting as a tool to do a good elaboration governance to order more real. Similarly, Shil (2008), Kelkar (2009), and Santoso and Pambelum (2008) which implicitly states that the application of accounting can affect good governance.

3. Effect of Implementation Effectiveness Public Sector Accounting on the Quality of Accounting Information

Based on SPSS output gives the standardized beta value of accounting information quality in the third equation of 0.303 and significance at 0.039. This means that the quality of accounting information affects good governance.

The magnitude of the effect of the variable quality of accounting information on the variables of good governance can be seen from the coefficient determination. The coefficient of determination obtained from squaring the path coefficient value, so the coefficient of determination of accounting information quality on good governance variable is calculated using the following formula: $R^2_{YI} = (P_{yi})^2 = (0.303)^2 = 0.092$. Based on the above calculations obtained R^2 of 0.092 or 9.2%. Thus it can be concluded that the quality of accounting information gives effect to good governance by 9.2% and the remaining 90.8% the other is the influence of other variables not examined. Thus, the third equation of the sub-structure lines were obtained as follows: $Y = 0,303I + 0.908$.

Furthermore, to prove whether the quality of accounting information affects the good governance, the hypothesis that there would be tested. Based on the results obtained by processing the results of calculation of the t value of 2.116 and significance value of 0.039. The t value will be compared with the value in the table t distribution, where as the significant value will be compared with $\alpha = 0.05$. With $\alpha = 0.05$ and degrees of freedom (db) obtained by 52 t table value of ± 2.009 . Due to the t value (2.116) is greater than t table (2.009) then H_0 is rejected and H_1 is accepted. This is in line with a significance value of 0.035 is the result of the calculation is smaller than $\alpha = 0.05$. This suggests that the quality of accounting information significant effect on Good Governance. The influence of these variables can be categorized as low. The coefficient of determination (R^2) indicates that the quality of information is less able to influence good governance on the Municipal offices in Medan.

Findings indicate that the quality of accounting information on the sectors in the City based on descriptive statistics has a high score that is equal to 87.73%, and all the indicators to measure the quality of accounting information has a score above 80%. It is therefore expected sectors in the city of Medan while maintaining pre-existing conditions so that the quality of accounting information is maintained. Furthermore, good governance in government departments in Medan also has a high score. This suggests that the quality of accounting information will enhance good governance. While the accounting information quality will ultimately lead to poor quality of good governance (Byard et.al, 2006).

Based on the results generated data processing variables that influence the quality of accounting information to good governance is low, at only 9.2%. This condition may occur due to the quality of accounting information is only one factor that can affect good governance, while the factors that can affect pretty much good governance, while these factors not examined in this study. The results of this study in line with the research of Bushman and Smith (2001) who found results that the quality of accounting information has relationships with corporate governance, because the accounting information is a tool used in the process of governance. Wang

(2008) also analyze some of the factors, which influence the corporate governance of the direction of the quality of accounting information and accounting information quality result that affect corporate governance. This study is also in line with research conducted by Arvanitidou Virginia, et.al (2007); Richard (2001); Mardiasmo (2002); (2006), Santoso and Pambelum (2008).

4. Influence Effectiveness of the Implementation of International Public Sector Accounting Through Good Governance on Accounting Information Quality.

Based on SPSS output gives the value of the standardized beta effectiveness of public sector accounting in the fourth equation of 0.571 and 0.000 and the significance of the standardized beta value of 0.303 accounting information quality and significance of 0.039.

Much influence the effectiveness of the implementation of public sector accounting to good governance in Municipal offices in the city of Medan. Directly influence the effectiveness of the implementation of public sector accounting to good governance = $(PYX) 2 = (0.309) (0.309) = 0.096 = 9.6\%$. Indirectly influence the effectiveness of the application of accounting to the public sector through good governance of accounting information quality = $PIX. P_{yi} = (0.571) \times (0.303) = 0.173 (17.3\%)$. So the total effect of the effectiveness of the implementation of public sector accounting to good governance = $9.6\% + 17.3\% = 26.9\%$ with a positive direction. That means the effectiveness of the application of good accounting sector will improve the quality of accounting information, and the quality of information that will either increase good governance.

Furthermore, to prove whether the effectiveness of public sector accounting effect on good governance through the quality of accounting information, the hypothesis that there would be tested. Based on the processing t values obtained calculation results for the variable effectiveness of the public sector accounting for 2.160 and significance value of 0.035, while for the variable quality of accounting information for 2,116 with a significance value of 0.039. With $\alpha = 0.05$ and degrees of freedom (db) obtained by 52 t table value of ± 2.009 . Due to the t value (2.160) and (2.116) is greater than t table (2.009) then H_0 is rejected and H_1 is accepted. This is in line with the results of calculation of significant value (0.035) and (0.039) which is smaller than $\alpha = 0.05$. This suggests that the effectiveness of the Public Sector Accounting Implementation significant effect on good governance through the Quality of Accounting Information. This means that the variable quality of accounting information is an intervening variable. The amount of direct influence the effectiveness of the implementation of public sector accounting to good governance is at $0.096 = 9.6\%$. While not directly influence the effectiveness of the application of accounting to the public sector through good governance of accounting information quality is amounted to 0.173 or 17.3%. So the total effect of the effectiveness of the implementation of public sector accounting to good governance is $9.6\% + 17.3\% = 26.9\%$.

Based on these results it can be concluded that the effectiveness of public sector accounting either directly or indirectly affect the quality of good governance through accounting information. This indicates that the quality of accounting information is an intervening variable between the effectiveness of the application of accounting with good governance. The implementation of effective public sector accounting will produce quality accounting information. This is in line with the revelation Hanpuwadal and Ussahawanitchakit (2010) which states the effectiveness of the application of accounting will produce quality accounting information. The quality of accounting information that will lead to good governance quality. In line with the opinion of Byard et.al (2006) which states that the accounting information quality will lead to poor quality of good governance.

Findings indicate that the implementation of public sector accounting in Municipal offices in the city of Medan has been running effectively. This is indicated by the score of each indicator have the high score. The implementation of effective public sector accounting in municipal offices of the Medan City produce quality accounting information. This condition is indicated also by the score of each indicator has a high score as well. Quality of accounting information will provide quality at good governance. This is indicated by a score of good governance in Municipal offices in the city of Medan give a high score. This means that good governance in the sectors in the city of Medan has been going well.

The results of this study are consistent with the allegations of researchers that the quality of accounting information is an intervening variable between the effectiveness of public sector accounting with good governance. It can be shown from the scale directly with the indirect influence. Where the magnitude of the direct effect of having the value 0.096 or 9.6% while the magnitude of the indirect effect of 17.3%. Because the value of the direct effect is smaller than the indirect effect, the actual effect is the indirect effect. This means that the quality of accounting information is an intervening variable in the relationship between the effectiveness of public sector accounting and good governance

V. Conclusion

Based on the results of research and discussion in the previous chapter, it can be concluded that:

1. The effectiveness of the implementation of public sector accounting has a significant influence on the quality of accounting information on the sectors in the city of Medan. The amount of influence that is given in the

- medium category. This suggests that the effectiveness of public sector accounting is a factor that can produce quality accounting information.
2. The effectiveness of the implementation of public sector accounting has a significant influence on good governance in government departments in the city of Medan. The magnitude of the effect is given in the low category. This condition may occur due to the effectiveness of the implementation of public sector accounting is only one factor that can affect good governance, while the factors that can affect not only the good governance of the effectiveness of public sector accounting application but there are other factors that are not included in the study.
 3. The quality of accounting information has a significant influence on good governance in Municipal offices in the city of Medan. The magnitude of the effect is given in the low category. This condition can occur only quality of accounting information is one of the factors that can affect good governance, while the factors that can affect not only the good governance of accounting information quality but there are other factors that are not included in the study.
 4. The quality of accounting information is an intervening variable between the effectiveness of public sector accounting with good governance in Municipal offices in the city of Medan. The magnitude of the direct effect given smaller than the indirect effect, therefore, the actual effect is the indirect effect. This means that the quality of accounting information is an intervening variable or mediating variable in the relationship between the effectiveness of public sector accounting and good governance.

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