Research Article

Improving Financial Report Quality Through Good Governance and Government Accounting Standards in Berau Regency

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Abstract: This research explored the influence of Good Governance and Government Accounting Standards on the quality of financial reports Management Agency and Regional Assets of Berau Regency. Primary data were collected through questionnaires distributed to 60 respondents who were employees of the BPKAD of Berau Regency and used as research samples. "The analysis, which included several statistical tests, yielded significant insights and conclusions about the study's focus. 1) Good governance significantly enhances financial report quality in Berau Regency's financial management 2) Government Accounting Standards significantly impact financial report quality in Berau Regency. 3) Good governance and SAP, when implemented together, substantially improve financial reporting quality.

Keywords: Financial reports; Good governance; Government accounting standards
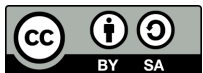
1. Introduction

Good governance in local government financial management requires a change in approach, competent officials, and a robust accounting system to produce high-quality financial reports. The local government financial report complies with the Indonesian Government Accounting Standards (SAP) as outlined in Government Regulation No. 71 of 2010, Transparency and accountability in local financial management are achieved when financial reports are reliable, relevant, comparable, and understandable (Mahmudi, 2016:19).

The quality of regional financial reports is measured by the opinion of the Audit Board of Indonesia (BPK) each year. The Audit Board of Indonesia, as stipulated in Law No. 15 of 2004, provides four distinct opinions on the financial reports it examines, including: Reasonable Unqualified Opinion (WTP), Qualified Opinion (WDP), Unqualified Opinion is not suitable here so it is better to use Adverse Opinion (TW), and Disclaimer of Opinion.

The Regional Financial Accounting System (SKAD) is a vital component of regional financial management, used by local governments to ensure transparency and accountability in the use of public funds. As mandated by Government Regulation No. 71 of 2010 on Government Accounting Standards and Government Regulation No. 58 of 2005 on Regional Finance, the SKAD provides a framework for financial reporting and accountability, enabling stakeholders to assess the government's financial performance and accountability.

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The implementation of good governance is critical for promoting sustainable development and ensuring that government functions are carried out in a responsible and efficient manner. Good governance practices help prevent corruption, ensure budget discipline, and create a conducive environment for business growth (Mardiasmo, 2018: 18). According to Bastian (2014: 4), good governance refers to the effective management of government functions, including structure, function, personnel, and rules, with a focus on promoting transparency, accountability, and good governance principles.

According to the Islamic perspective, the meaning of governance is contained in Surah Al-Hajj verse 41, which reads:

$$ ٱلَّذِينَ إِن مَّكَّنَّٰهُمْ فِى ٱلْأَرْضِ أَقَامُواْ ٱلصَّلَوٰةَ وَءَاتَوُاْ ٱلزَّكَوٰةَ وَأَمَرُواْ بِٱلْمَعْرُوفِ وَنَهَوْاْ عَنِ ٱلْمُنكَرِ ۗ وَلِلَّهِ عَٰقِبَةُ ٱلْأُمُورِ ۝ $$

Meaning: "(namely) those people who, if We established their position on the face of the earth, would surely offer prayers, pay zakat, command good deeds and prevent evil deeds; and to Allah all affairs will return" (QS. Al-Hajj, 22:41).

In the verse above there are three aspects of governance , namely spiritual governance, economic governance, and political governance . To be able to realize good governance in these three aspects, several values are needed and from these values, several principles of good governance can be found.

The study by Saprudin and Rahman (2020) examines the relationship between good governance, government accounting standards, and the quality of financial information at the Gorontalo Provincial Finance Agency. While the results indicate that good governance has a positive but non-significant impact on financial information quality, the implementation of government accounting standards is found to have a positive and significant effect, highlighting the crucial role of standardized accounting practices in enhancing financial reporting quality.

The study conducted by Stirilita and Andayani (2021) investigates the impact of implementing government accounting standards (SAP) and good governance on the quality of financial reports. The findings of this research reveal that the implementation of SAP has a positive influence on the quality of financial reports in city governments, underscoring the importance of standardized accounting practices in enhancing financial reporting quality. Furthermore, the study demonstrates that good governance also has a positive effect on the quality of financial reports, highlighting the crucial role of effective governance in promoting transparency and accountability in financial management.

The research conducted by Aminy, Pituringsih, and Widiastuty (2021) examines the relationship between good governance, government accounting standards, agency accounting systems, and the quality of financial reports, with a specific focus on the General Election Commission in West Nusa Tenggara. The study's results indicate that the implementation of

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government accounting standards and agency accounting systems are crucial factors that contribute to the quality of financial reports, emphasizing the need for standardized accounting practices and robust accounting systems. However, the findings also suggest that the implementation of good governance does not have a significant influence on financial reporting quality, highlighting the complexity of the relationship between good governance and financial management.

This research focuses on the Regional Financial and Asset Management Agency (BPKAD) of Berau Regency, which is responsible for managing regional finances and preparing high-quality financial reports that promote transparency and accountability.

The research objectives are outlined as follows, based on the background explanation provided above:

a. To investigate the relationship between good governance implementation and financial report quality at the Regional Financial and Asset Management Agency of Berau Regency.

b. To analyze the effect of government accounting standards on the quality of financial reports produced by the Berau Regency's financial management agency.

c. To analyze the influence of good governance and government accounting standards on the quality of financial reports produced by the Regional Financial and Asset Management Agency of Berau Regency.

2. Theoritical review

2.1. Government Accounting

The discipline of accounting encompasses the processes of recording, classifying, and summarizing financial transactions and events in a significant and monetary manner, with the ultimate goal of interpreting the results to inform decision-making (Belkaoui, 2011:50). In a similar vein, Pontoh (2013:1) conceptualizes accounting as an essential information system that measures business activities, processes the data into reports, and effectively communicates the findings to stakeholders, thereby facilitating informed decision-making.

According to Sujarweni (2015:18), government accounting is accounting related to the state finances, from the budget to its implementation and reporting, including all the impacts it causes. Government accounting also includes accounting for non-profit institutions or institutional accounting, specializing in the recording and reporting of transactions from government units and other non-profit organizations, such as: mosques, charities, foundations, hospitals and educational institutions.

Regional Financial Report

Halim and Kusufi (2013:43) define regional financial accounting as a comprehensive process that encompasses the identification, measurement, recording, and reporting of

financial transactions within regional government entities. This process is essential for providing stakeholders with accurate and timely financial information, enabling them to make informed economic decisions

The concept of public accountability in local governments revolves around the fundamental principle of providing stakeholders with access to financial information and disclosure of performance, thereby ensuring transparency and accountability in governance (Public Sector Accounting Lecturers Forum, 2014:32).

The Minister of Home Affairs Regulation No. 64 of 2013 provides a comprehensive framework for financial reporting, outlining the general objective of financial reports as presenting a detailed picture of a reporting entity's financial position, budget realization, and other key financial metrics, including budget surplus, cash flow, operating results, and changes in equity, with the ultimate goal of providing stakeholders with useful information for informed decision-making and resource allocation (Minister of Home Affairs Regulation No. 64/2013, 2014:15).

a. Budget Execution Report

The LRA report provides stakeholders with insights into the actual budget performance, highlighting the differences between actual revenues, expenditures, transfers, surplus/deficit, and financing, and the corresponding budgeted amounts for a given period.

b. Statement of Changes in Budget Balance

The Statement of Changes in Budget Surplus Balance (LPSAL) presents a detailed analysis of the movements in the budget surplus balance, including the initial balance, changes during the year, and final balance, for the reporting period.

c. Balance Sheet

The balance sheet or financial position report is a list that provides an overview of the assets (wealth), liabilities (debts), and capital (equity) owned by an entity at a certain time which can indicate the financial condition of the entity (Jusup, 2011:27).

d. Operational Report

The Operational Report (LO) presents a summary of a reporting entity's financial operational activities, including revenues, expenses, and operational surplus/deficit, and compares the results with the previous period to facilitate analysis and decision-making.

e. Cash Flow Statement

The Cash Flow Statement (CAS) presents a summary of a reporting entity's cash inflows and outflows, classified by operating, investing, financing, and transitory activities, and provides information on the entity's cash and cash equivalent position at the reporting date.

f. Statement of Changes in Net Assets

The LPE report presents information on changes in equity, comprising the initial equity, operational surplus/deficit, corrections, and final equity balance.

g. Cash Flow Statement Explanations

The CaLK report provides detailed explanations and analysis of financial statement items, supporting a comprehensive understanding of the financial reports, including LRA, LPSAL, LO, LPE, Balance Sheet, and LAK.

2.2 Quality of Financial Reports

The financial reports generated by local governments play a pivotal role in informing decision-making processes among stakeholders, underscoring the imperative of ensuring that the information contained therein is not only accurate and reliable but also relevant and useful for the diverse needs of its users (Sukmaningrum, 2012).

2.3 *Good Governance*

The concept of governance is an extension of the concept of government because in governance , there is an understanding that government is not only organized by the government itself but also together with actors outside the government, namely the wider community as stakeholders. This is because of the assumption that the government itself is felt to be inadequate, considering the complexity of people's lives that demand a change in government practices from those originally dominated by the government to a governance system that divides authority between the government and the community proportionally (Dwiyanto, et al., 2013:3-4).

The concept of good governance is often broadly interpreted as the effective and responsible administration of government, encompassing a range of essential elements, including a well-structured organizational framework, transparent and accountable decision-making processes, and a commitment to integrity and ethical behavior (Bastian, 2014:4).

Good governance, as defined by the World Bank and cited by Mardiasmo (2018:17), involves the implementation of sound development management practices that are aligned with democratic principles and efficient market mechanisms, ensuring transparency, accountability, and responsible allocation of resources, and creating a supportive legal and political framework for business activities to thrive.

The concept of good governance, according to the State Administration Institute (2013), emphasizes the importance of effective and responsible state administration, characterized by a strong emphasis on constructive synergy between the state, private sector, and society, and ensuring that governance practices are efficient, effective, and beneficial to all stakeholders.

2.4 Public Sector Accounting Standards

Government Accounting Standards (SAP), as defined in Government Regulation (PP) Number 71 of 2010, are a critical component of government financial reporting, providing a

set of accounting principles that guide the preparation and presentation of financial reports, and ensuring that government entities maintain high standards of transparency, accountability, and financial management.

The government accounting standards encompass a set of accounting principles that guide the preparation and presentation of financial reports in government organizations, providing a standardized framework for financial reporting and ensuring that government entities adhere to established accounting standards (Mahmudi, 2016:15).

2.5 *Agency* Theory

The agency relationship is a legally binding arrangement between two parties, wherein one party, known as the agent, is entrusted with the authority to act on behalf of and under the supervision of the other party, referred to as the principal. This relationship is characterized by the principal's delegation of authority to the agent to perform specific actions, while also exercising oversight and control over the agent's activities. Meanwhile, a third party is an external entity that engages in transactions with the agent, thereby establishing a contractual relationship with the principal through the agent's actions (Santoso, 2015:5-6).

2.5 Empirical Study

Musdalifah, Yusuf, and Monoarfa (2020) A research investigation was carried out to analyze the influence of internal control systems and good governance on the quality of regional financial management in Gorontalo Regency, with a view to informing policy and practice improvements.

Aminy, Pituringsih, and Widiastuty (2021) A research study was carried out to assess the influence of good governance, government accounting standards, and agency accounting systems on the quality of financial reports, with a particular emphasis on the General Election Commission in West Nusa Tenggara, aiming to identify areas for improvement and develop recommendations for enhanced financial reporting practices.

Setyarini (2022) A research study was carried out under the title 'Analysis of Financial Report Presentation Based on Home Affairs Ministerial Regulation Number 64 of 2013' at the Manpower and Transmigration Service of Berau Regency, with the objective of examining the extent to which financial reporting practices align with the standards and guidelines set forth in the regulation.

Siti (2022) A research study was carried out to assess the influence of the application of accrual-based government accounting standards and the government's internal control system on the performance accountability of government agencies, with a particular emphasis on the National Unity and Politics Agency of Banjarmasin City, aiming to provide insights into best practices for accountability and performance improvement.

Alfarizi (2022) A research study on the implementation of good governance in family card services in Coblong District, Bandung City, concluded that the current governance

framework was not operating effectively, although the community served was generally satisfied with the services provided, highlighting the need for targeted improvements to enhance the overall quality and efficiency of service delivery
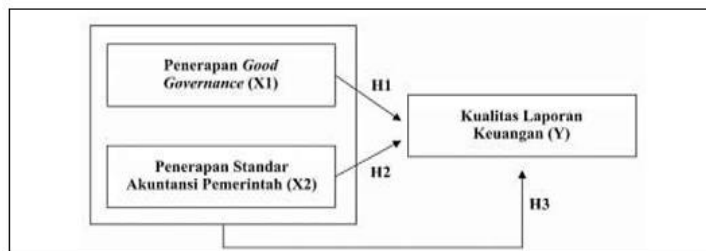
2.6 Research Framework

Figure 1.1 Research Framework

Hypothesis

H1 = It is hypothesized that good governance practices significantly influence the quality of financial reporting at the Regional Financial and Asset Management Agency of Berau Regency.

H2 = It is hypothesized that the use of government accounting standards significantly influences the quality of financial reporting at the Regional Financial and Asset Management Agency of Berau Regency.

H3 = It is hypothesized that The implementation of good governance and government accounting standards is believed to have a substantial combined impact on the quality of financial reports at the Regional Financial and Asset Management Agency of Berau Regency.

3. Methodology

3.1. Operational Definition

This research explains the indicators of the variables used, in this operational definition it is divided into three, namely, (1) Quality of Financial Reports as the dependent variable (Y), (2) Implementation of Good Governance as the independent variable (X1), and (3) Implementation of Government Accounting Standards as the variable (X2) .

3.2. Unit of Analysis, Population and Sample

The unit of analysis for this research is the Office of the Regional Financial and Asset Management Agency (BPKAD) of Berau Regency, situated at Jl. APT Pranoto, Karang Ambun Village, Tanjung Redeb District.

The research population comprised 60 employees of BPKAD Berau Regency, and a census approach was employed, where all population members were surveyed individually.

3.3. Data Types and Sources

The research requires qualitative data, which is obtained from respondents' statements or responses to questionnaires. The data is derived from both primary sources, namely the questionnaires, and secondary sources, including books, literature, and other relevant sources.

3.4. Method of collecting data

The research methodology includes three data collection approaches: (1) direct observation, (2) a review of relevant literature, and (3) a closed-ended questionnaire administered to BPKAD employees. The questionnaire collects primary data on the influence of good governance and government accounting standards on financial report quality, with responses evaluated using the Likert Scale formula:

Table 1 Scrolling of Respondents' Answer Results

Statement	xx
Strongly agree (SA)	**5**
Agree (A)	**4**
Neutral (N)	**3**
Disagree (D)	**2**
Strongly disagree (SD)	**1**

3.5. Analysis Tools

The study employs multiple linear regression analysis, facilitated by the SPSS program, to examine the simultaneous impact of good governance implementation and government accounting standards on financial report quality.

4. Results And Discussion

4.1 . Research Result Data

4.1.1 Respondent Overview

Table 2 Respondents by Gender

No	Statement	Number of people)	Percentage (%)
1	**Man**	**34**	**57**
2	**Woman**	**26**	**43**
	Total	60	100

Source: Questionnaire Data, 2023

The study's respondents were mostly comprised of males, namely 34 people (57%) and the rest were female respondents, namely 26 people (43%).

Table 3 Respondents by Age

No.	Age	Number of people)	Percentage (%)
1	**< 18 years**	**-**	**-**
2	**18-20 years**	**1**	**2**
3	**21-25 years**	**12**	**20**
4	**26-30 years**	**14**	**23**

5	>30 years	33	55
	Total	60	100

Source: Questionnaire Data, 2023

The table reveals that the majority of respondents were above 30 years old, namely 33 people (55%), while the fewest were aged 18-20 years, namely 1 person (2%).

Table 4 Respondents Based on Last Education

No	Last education	Number of people)	Percentage (%)
1	High School/Vocational School	12	20
2	Diploma	9	15
3	Bachelor	28	47
4	Master	11	18
	Total	60	100

Source: Questionnaire Data, 2023

The majority of respondents' highest level of education was who were sampled in this study had was Bachelor's degree (S2), namely 28 people (47%) and the lowest level of education was Diploma (D3), namely 9 people (15%).

4.1.2 Respondents' Answer Results

The tables below present a summary of respondents' answers to the questionnaire, which evaluates each variable in this study.

Table 5 Results of Answers Regarding the Quality of Financial Reports

Statement	Answer Options					Amount
	SS	S	KS	TS	STS	
Item - 1	9	42	9	-	-	60
Item - 2	9	42	8	1	-	60
Item - 3	10	42	7	1	-	60
Item - 4	9	39	11	1	-	60
Amount	37	165	35	3	-	240
Percentage %	15	69	15	1	-	100

Source: Questionnaire Data, 2023

The table reveals that the highest number of responses was "Agree" with 165 answers (69%), in addition to "Strongly Agree" as many as 37 answers (15%), "Disagree" as many as 35 answers (15%), the answer "Disagree" as many as 3 answers (1%). Meanwhile, no respondents gave the answer "Strongly Disagree" to the statement about this variable.

Table 6 Results of Answers Regarding the Implementation of Good Governance

Statement	Answer Options					Amount
	SS	S	KS	TS	STS	
Item - 1	18	37	4	1	-	60
Item - 2	12	41	7	-	-	60

Item - 3	**4**	**25**	**15**	**14**	**2**	**60**
Item - 4	**19**	**35**	**5**	**1**	**-**	**60**
Item - 5	**13**	**35**	**11**	**1**	**-**	**60**
Item - 6	**19**	**35**	**6**	**-**	**-**	**60**
Item - 7	**18**	**36**	**6**	**-**	**-**	**60**
Item - 8	**20**	**37**	**3**	**-**	**-**	**60**
Item - 9	**18**	**34**	**7**	**1**	**-**	**60**
Item - 10	**11**	**45**	**4**	**-**	**-**	**60**
Item - 11	**13**	**41**	**5**	**1**	**-**	**60**
Item - 12	**14**	**40**	**6**	**-**	**-**	**60**
Amount	179	441	79	19	2	720
Percentage %	25	61	11	3	0.3	100

Source: Questionnaire Data, 2023

The table above shows that the largest number of answers is "Agree" with 441 answers (61%), besides "Strongly Agree" with 179 answers (25%), "Disagree" with 79 answers (11%), "Disagree" with 19 answers (3%), and "Strongly Disagree" with 2 answers (0.3%).

Table 7 Results of Answers Regarding SAP Implementation

Statement	Answer Options					Amount
	SS	S	KS	TS	STS	
Item - 1	**15**	**39**	**5**	**1**	**-**	**60**
Item - 2	**14**	**41**	**3**	**2**	**-**	**60**
Item - 3	**2**	**36**	**3**	**1**	**-**	**60**
Item - 4	**10**	**44**	**4**	**2**	**-**	**60**
Item - 5	**10**	**44**	**5**	**1**	**-**	**60**
Item - 6	**11**	**44**	**4**	**1**	**-**	**60**
Item - 7	**20**	**36**	**3**	**1**	**-**	**60**
Item - 8	**10**	**44**	**4**	**2**	**-**	**60**
Amount	110	328	31	11	-	480
Percentage	23	68	6	2	-	100

Source: Questionnaire Data, 2023

There were 328 "Agree" answers (68%) which were the most answers as presented in the table above. Other answers such as "Strongly Agree" answers were 110 answers (23%), "Less Agree" answers were 31 answers (6%), "Disagree" answers were 11 answers (2%), and no respondents gave a "Strongly Disagree" answer to the statement given about this variable.

4.2 Analysis

4.2.1 Validity Test

The validity test criteria state that items are valid if the Pearson correlation value in the SPSS output is greater than the r-value in the statistical table. The results of the validity test using SPSS are outlined below:

a.   Validity of Financial Report Quality Statement (Y)

Table 8 Results of Answers Regarding SAP Implementation

Statement Items	r-count	r-table	Information
Y - 1	**0.863**	**0.254**	**Valid**
Y - 2	**0.842**	**0.254**	**Valid**
Y - 3	**0.858**	**0.254**	**Valid**
Y - 4	**0.789**	**0.254**	**Valid**

Source: Processed data, 2023

The table reveals that the r-calculated values for statement items on financial report quality are greater than the r-table values, confirming the validity of all statement items for the variables.

b.   Good Governance Implementation Statement (X_1)

Table 9 Validity of Good Governance Implementation Statement

Statement Items	r-count	r-table	Information
X_1 - 1	**0.742**	**0.254**	**Valid**
X_1 - 2	**0.652**	**0.254**	**Valid**
X_1 - 3	**0.499**	**0.254**	**Valid**
X_1 - 4	**0.818**	**0.254**	**Valid**
X_1 - 5	**0.821**	**0.254**	**Valid**
X_1 - 6	**0.766**	**0.254**	**Valid**
X_1 - 7	**0.746**	**0.254**	**Valid**
X_1 - 8	**0.831**	**0.254**	**Valid**
X_1 - 9	**0.874**	**0.254**	**Valid**
X_1 - 10	**0.667**	**0.254**	**Valid**
X_1 - 11	**0.768**	**0.254**	**Valid**
X_1 - 12	**0.726**	**0.254**	**Valid**

Source: Processed data, 2023

The table confirms that the r-calculated values for good governance implementation statement items exceed the r-table value, thereby validating all items for measuring this variable.

c.   Validity of SAP Implementation Statement (X_2)

Table 10 Validity of SAP Implementation Statement

Statement Items	r-count	r-table	Information
X_2 - 1	**0.892**	**0.254**	**Valid**
X_2 - 2	**0.880**	**0.254**	**Valid**
X_2 - 3	**0.888**	**0.254**	**Valid**
X_2 - 4	**0.871**	**0.254**	**Valid**
X_2 - 5	**0.877**	**0.254**	**Valid**
X_2 - 6	**0.870**	**0.254**	**Valid**

X $_2$ - 7	0.888	0.254	Valid
X $_2$ - 8	0.871	0.254	Valid

Source: Processed data, 2023

The table indicates that the calculated r-values for SAP implementation statement items exceed the r-table value, confirming their validity.

4.2.2 Reliability Test

Table 11 Results of Statement Reliability Test

Variables	Cronbach's Alpha	Criteria	Information
Financial reporting quality	0.856	0.60	Reliable
Implementation of *Good Governance*	0.916	0.60	Reliable
SAP Implementation	0.958	0.60	Reliable

Source: Processed data, 2023

4.2.3 Multiple Linear Regression Analysis

Table 12 Multiple Linear Regression Analysis (Coefficients a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**Std.Error**	**Beta**		
1	**(Constant)**	1,133	0.462		2,452	0.017
	Implementation of *Good Governance*	0.446	0.145	0.420	3,076	0.003
	Government Accounting Standards	0.253	0.125	0.275	2,015	0.049

a. Dependent Variable: Quality of Financial Reports

Source: SPSS Output, 2023

This study uses multiple linear regression analysis to assess the relationship between independent variables (good governance implementation and SAP implementation) and the dependent variable (financial report quality). The regression coefficient values from the table are used to construct a multiple linear regression equation:

$$Y = 1.133 + 0.446X1 + 0.253X2$$

The regression equation indicates that: (1) the constant is 1.133 and positive; (2) the coefficient for good governance implementation is 0.446 and positive; and (3) the coefficient for SAP implementation is 0.253 and positive.

The multiple linear regression analysis shows that good governance implementation (X1) is the most significant factor influencing financial report quality, with a regression coefficient of 0.446, which is the highest among the variables.

4.2.4 Correlation Coefficient

Table 13 Correlation and Determination Coefficients (Model Summary)

Model	R	R *Square*	*Adjusted* R *Square*	*Std. Error of the Estimate*
1	,637 a	0.406	0.385	0.38823

a. **Predictors: (Constant), Government Accounting Standards, Implementation of**
Good Governance

Source: SPSS Output, 2023

The table presents the correlation analysis between independent variables (good governance implementation and SAP implementation) and the dependent variable (financial report quality), using the Pearson product moment correlation formula. The correlation coefficient (R) of 0.637 indicates a fairly high level of relationship between the variables.

4.2.5 R-squared value

The R Square value in Table 3.12 shows the proportion of variance in financial report quality that is explained by good governance implementation and SAP implementation.

The table reveals that the coefficient of determination (R Square) is 0.406, indicating that good governance implementation and SAP implementation account for 40.6% of the variation in financial report quality, while the remaining 59.4% is attributed to other variables outside this study.

4.2.6 t-test

Table 14 T test (Coefficients a)

	Model	*Sum of Squares*	Df	*Mean Square*	F	Sig.
1	*Regression*	5,879	2	2,939	19,501	,000 b
	Residual	8,591	57	0.151		
	Total	14,470	59			

a. **Dependent Variable: Quality of Financial Reports**

b. **Predictors: (Constant), Government Accounting Standards, Implementation of**
Good Governance

Source: SPSS Output, 2023

The t-test analysis, as shown in the table, assesses the individual significance of good governance implementation and SAP implementation on financial report quality. Using SPSS, the results indicate that the t-count values for good governance implementation (3.076) and SAP implementation (2.015) exceed the t-table value (2.003) at $\alpha = 0.05$ and df = 57. The significance of research variables is determined by the following criteria:

a. Ho: β = 0 (meaning there is no significant influence)

b. Ha :β ≠ 0 (meaning there is a significant influence)

c. Ho is rejected if: -2.003 > t-count > 2.003 73

d. Ho is accepted if: t-count < 2.003 or t-count > -2.003

e. Analysis results:

1) Implementation of good governance

   The t-test results indicate that the t-count value (3.076) surpasses the t-table value (2.003), leading to the rejection of Ho and suggesting that good governance implementation plays a significant role in determining financial report quality.

2) SAP Implementation

   The t-test results show that the t-count value (2.015) is greater than the t-table value (2.003), leading to the rejection of Ho and suggesting that SAP implementation significantly affects financial report quality.

4.2.7 F Test

Table 15 F Test (ANOVA)

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5,879	2	2,939	19,501	,000 b
	Residual	8,591	57	0.151		
	Total	14,470	59			

a. Dependent Variable: Quality of Financial Reports

b. Predictors: (Constant), Government Accounting Standards, Implementation of **Good Governance**

Source: SPSS Output, 2023

The table presents the F-test results, which assess the joint significance of good governance implementation and SAP implementation on financial report quality. With an F-count value of 19.501 and an F-table value of 3.16 (α = 0.05, df1 = 2, df2 = 57), the significance of the independent variables can be determined:

a. Ho: β1 = β2 = 0, meaning there is no significant influence.

b. Ha : β1≠ β2 ≠ 0, meaning there is a significant influence.

c. Ho is rejected if: F- count > F- table

d. Ho is accepted if: F- count < F- table

The F-test results show that F-count (19.501) > F-table (3.16), leading to the conclusion that good governance implementation and SAP implementation jointly have a significant influence on financial report quality.

5. Discussion

The multiple linear regression analysis yielded the following regression equation:

$$Y = 1.133 + 0.446X1 + 0.253X2$$

The interpretation of the regression equation above is as follows:

a. The positive constant value of 1.133 signifies that, assuming no impact from good governance implementation and SAP implementation, the quality of financial reports would still fluctuate by 1.133 units, highlighting an underlying baseline effect.

b. The positive coefficient of 0.446 for good governance implementation signifies a unidirectional and positive impact on the quality of financial reports. Specifically, for every 1-unit increase in good governance implementation, the quality of financial reports is expected to increase by 0.446 units, ceteris paribus. On the other hand, a decrease in good governance implementation would lead to a proportional decrease in the quality of financial reports, underscoring the importance of effective governance practices in maintaining high-quality financial reporting.

c. The positive coefficient of 0.253 for SAP implementation indicates a significant and positive relationship with the quality of financial reports. Specifically, a 1-unit increase in SAP implementation would lead to a 0.253-unit increase in the quality of financial reports, ceteris paribus. This highlights the importance of SAP implementation in enhancing the quality and efficiency of financial reporting processes, and suggests that organizations should prioritize SAP implementation to improve their financial reporting quality and decision-making capabilities.

The analysis reveals that good governance implementation has the highest regression coefficient value of 0.446, indicating that it is the most dominant variable influencing the quality of financial reports. This suggests that good governance implementation plays a vital role in determining the quality of financial reports, and its impact is more significant compared to other factors, highlighting the importance of good governance practices in ensuring the accuracy, reliability, and transparency of financial reports.

The t-test analysis results reveal that the calculated t-value for good governance implementation exceeds the critical t-table value (3.076 > 2.003), with a significance level of 0.003, which is below the 0.05 threshold. This implies that good governance implementation has a significant and substantial impact on the quality of financial reports at the Financial Management and Regional Asset Agency of Berau Regency. Therefore, the H1 hypothesis is accepted, underscoring the importance of good governance practices in enhancing financial reporting quality and promoting transparency and accountability in financial management.

The t-test analysis results show that the calculated t-value for SAP implementation is greater than the t-table value (2.015 > 2.003), with a probability value of 0.049, which is less than the 0.05 significance level. This indicates that SAP implementation has a statistically significant effect on the quality of financial reports at the Financial Management and Regional Asset Agency of Berau Regency. Consequently, the H2 hypothesis is accepted, suggesting that SAP implementation is a key driver of financial reporting quality and that effective SAP

implementation is essential for ensuring the accuracy, reliability, and timeliness of financial reports.

The F-test results show that the F-count value (19.501) is significantly greater than the F-table value (3.16), with a probability value of 0.000, which is less than the 0.05 significance level. This indicates that the implementation of good governance and SAP implementation collectively have a statistically significant effect on the quality of financial reports at the Financial and Regional Asset Management Agency of Berau Regency. Consequently, the H3 hypothesis is accepted, suggesting that the combined influence of good governance implementation and SAP implementation is essential for ensuring the accuracy, reliability, and timeliness of financial reports.

The study's findings demonstrate a significant correlation between the implementation of good governance and SAP and the quality of financial reports at the Financial and Regional Asset Management Agency of Berau Regency. The correlation coefficient test results, which yielded a value of 0.637, indicate a fairly high degree of relationship between these variables, falling within the 0.61-0.80 range. This suggests that the implementation of good governance and SAP has a notable impact on financial reporting quality, emphasizing the need for organizations to focus on effective governance practices and robust SAP implementation to enhance financial reporting quality and promote transparency and accountability.

The R Square value of 0.406, equivalent to 40.6%, suggests that good governance implementation and SAP implementation collectively have a notable impact on financial report quality at the Financial Management and Regional Asset Agency of Berau Regency, explaining about 40.6% of the variation. Nevertheless, according to Lind (2002) as cited in Suharyadi and Purwanto (2012:217), an R Square value of 0.406 is considered less good, indicating that there are other important factors that influence financial reporting quality beyond good governance implementation and SAP implementation. This underscores the complexity of financial reporting and the need for organizations to consider multiple factors when evaluating financial reporting quality

This study's findings also indicate that a significant proportion, 59.4%, of the variation in financial report quality at the Regional Financial and Asset Management Agency of Berau Regency is attributed to other factors not included in this study, such as competence, education, and other variables. This suggests that financial reporting quality is influenced by a multitude of factors, and that organizations should adopt a holistic approach to identify and address the various determinants of financial reporting quality.

This study's results are in line with the findings of Musdalifah, Yusuf, and Monoarfa (2020), which highlight the importance of good governance practices in regional financial management. In contrast, Aminy, Pituringsih, and Widiastuty (2021) found that SAP application, rather than good governance implementation, significantly influences financial

report quality. This variation in results may be attributed to differences in research contexts or methodologies, emphasizing the need for further research to explore the relationships between good governance, SAP implementation, and financial reporting quality in different settings.

6. Conclusion

Based on the thorough examination and deliberation of the research findings in the previous chapter, the following conclusions emerge, encapsulating the essential insights and takeaways from the study:

The results of this study indicate that good governance implementation is a key driver of financial reporting quality at the Financial Management and Regional Asset Agency of Berau Regency. The t-test analysis, which yielded a t-count value of 3.076, exceeding the t-table value of 2.003, with a significance level of 0.003, underscores the significance of good governance practices in promoting financial reporting quality. This suggests that organizations should focus on implementing effective governance practices to enhance transparency, accountability, and reliability in financial reporting.

The implementation of Government Accounting Standards (SAP) has a profound impact on the quality of financial reports at the Financial and Regional Asset Management Agency of Berau Regency, as substantiated by the results of the t-test analysis. Specifically, the calculated t-value for SAP implementation exceeds the critical t-table value (2.015 > 2.003), with a significance level of 0.049, which falls below the 0.05 threshold. This suggests that SAP implementation is a crucial factor in determining financial reporting quality, and that adherence to these standards plays a vital role in promoting transparency, accountability, and reliability in financial reporting.

The simultaneous implementation of good governance and Government Accounting Standards (SAP) has a profound and significant impact on the quality of financial reports at the Financial and Regional Asset Management Agency of Berau Regency. This is strongly evidenced by the results of the F-test, which show that the calculated F-value (19.501) far exceeds the critical F-table value (3.16), with a significance level of 0.000, which is substantially lower than the 0.05 threshold. This suggests that the combined effect of good governance implementation and SAP implementation plays a vital role in determining financial reporting quality, highlighting the importance of integrating effective governance practices with robust accounting standards to promote transparency, accountability, and reliability in financial reporting.

7. Suggestion

Based on the comprehensive analysis and conclusions that have been presented, the author recommends the following measures, which are intended to promote transparency, accountability, and reliability in financial reporting:

The author offers recommendations to the Regional Financial and Asset Management Agency of Berau Regency to consistently uphold and further enhance the implementation of good governance principles in the preparation and presentation of regional financial reports, thereby promoting transparency, accountability, and reliability.

The author recommends that the Regional Financial and Asset Management Agency of Berau Regency consistently uphold and further enhance the implementation of Government Accounting Standards (SAP) principles, which serve as the foundation and reference point for the preparation and presentation of regional financial reports, thereby ensuring accuracy, reliability, and transparency.

This study's findings highlight the importance of good governance implementation and SAP in determining financial reporting quality, but there are likely other factors that also play a significant role. Future research should consider exploring additional variables, such as competence, expertise, and education, to further elucidate the factors that influence financial reporting quality and to identify potential areas for improvement.

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