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Analysis of Internal Factors in Improving Perceptions of the Quality of Financial Reports at DPMPD Kediri Regency

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Abstract

Main Purpose - This research aims to analyze the internal factors that influence the perception of the quality of financial reports in the Regional Work Unit of the Community Empowerment and Village Government Service (DPMPD) of Kediri Regency.

Method - This research uses a qualitative approach with data collection techniques through interviews, observation, documentation, and Focus Group Discussion (FGD). Data analysis was carried out using a qualitative descriptive approach to interpret the meaning of field findings.

Main Findings - Consistent implementation of Government Accounting Standards (SAP) is the main basis for improving the perception of the quality of financial reports. Human resource competency, internal control systems and independent audit results also strengthen confidence in the accountability of financial reports. The main obstacles were found to be the lack of continuous training and weak implementation of comprehensive internal control.

Theory and Practical Implications - This research provides important recommendations for increasing human resource capacity through regular training and strengthening the internal control system to achieve transparency and accountability. These results can also be used as a reference for policy makers in determining public financial management strategies.

Novelty - This research offers a new perspective regarding the perception of the quality of financial reports based on internal factors of local government organizations in depth through a qualitative approach.

Keywords: Financial Reports, Government Accounting Standards, Internal Control, Transparency, Accountability

Abstrak

Tujuan Utama - Penelitian ini bertujuan untuk menganalisis faktor internal yang memengaruhi persepsi kualitas laporan keuangan pada Satuan Kerja Perangkat Daerah Dinas Pemberdayaan Masyarakat dan Pemerintahan Desa (DPMPD) Kabupaten Kediri

Metode - Penelitian ini menggunakan pendekatan kualitatif dengan teknik pengumpulan data melalui wawancara, observasi, dokumentasi, dan Focus Group Discussion (FGD). Analisis data dilakukan dengan pendekatan deskriptif kualitatif untuk menginterpretasikan makna dari temuan lapangan..

Temuan Utama - Penerapan Standar Akuntansi Pemerintahan (SAP) yang konsisten menjadi landasan utama dalam meningkatkan persepsi kualitas laporan keuangan. Kompetensi sumber daya manusia, sistem pengendalian internal, dan hasil audit independen turut memperkuat keyakinan terhadap akuntabilitas laporan keuangan. Hambatan utama ditemukan pada rendahnya pelatihan berkelanjutan dan lemahnya implementasi pengendalian internal yang menyeluruh.

Implikasi Teori dan Kebijakan - Penelitian ini memberikan rekomendasi penting untuk meningkatkan kapasitas SDM melalui pelatihan reguler serta memperkuat sistem pengendalian internal guna mencapai transparansi dan akuntabilitas. Hasil ini juga dapat dijadikan acuan bagi pembuat kebijakan dalam menetapkan strategi pengelolaan keuangan publik.

Kebaruan Penelitian - Penelitian ini menawarkan perspektif baru mengenai persepsi kualitas laporan keuangan berdasarkan faktor internal organisasi pemerintah daerah secara mendalam melalui pendekatan kualitatif .

Kata Kunci: Laporan Keuangan, Standar Akuntansi Pemerintahan, Pengendalian Internal, Transparansi, Akuntabilitas.

INTRODUCTION

Financial reports published by public organizations have a very strategic role in supporting good governance (*good governance*). The main objective of preparing and publishing public sector financial reports is to provide transparent, accountable and reliable information regarding the financial position, performance and cash flow of government entities. Having financial reports prepared in accordance with government accounting standards can assess the extent to which the government manages public resources effectively, efficiently and responsibly, government financial reports are also a means of building and maintaining public trust. The principles of accountability, openness (transparency), integrity and good financial governance are the main pillars. (Muhammad, 2019) Accountability requires that every budget used can be openly accounted for to the public. Openness allows people to access financial information easily and clearly. Integrity emphasizes honesty and consistency in reporting, so that there is no manipulation or concealment of data.

The preparation of financial reports by government entities must be guided by Government Accounting Standards (SAP) which have been established as the basic framework for presenting public sector financial information. Non-compliance with SAP can have various serious consequences, both technical and strategic. (Adelia & Rusmina, 2023) If financial reports are not prepared in accordance with SAP, then the quality of the information presented is questionable, because it does not meet the basic principles of financial reporting such as accountability, transparency, relevance and reliability. This will have a direct impact on the credibility of financial reports in the eyes of stakeholders, including the legislature, the public, and external supervisory institutions such as the Supreme Audit Agency (BPK). Incompatibility with SAP has the potential to cause financial reports to be inaccurate and difficult to understand. Information that should be used as a basis for decision making, budget planning and monitoring of public finances is uninformative or even misleading. The impact that will occur will give rise to findings in the audit process carried out by the BPK. These findings can include recording errors, incomplete reporting, and discrepancies in the recognition and measurement of financial transactions. A further impact that will be caused is a decrease in the quality of the audit opinion provided by the BPK. (Yulian, 2022).

Financial reports that are deemed not to present information fairly in all material respects, the BPK may provide an "unfair" opinion (*adverse opinion*) or even "refusal to provide an opinion" (*disclaimer of opinion*). Both types of opinions reflect the entity's failure to prepare reliable financial reports and will be very detrimental to the image of government institutions. Compliance with SAP is a must in maintaining the integrity of financial reports, increasing public trust, and strengthening accountability in state financial management. To produce good financial reports, it requires support from various other supporting factors, including the existence of an effective internal control system and the availability of competent human resources (HR). These two aspects play an important role in strengthening the financial reporting process so that it not only complies with regulations, but is also able to reflect actual financial conditions accurately and reliably.

This research focuses on the Kediri Regency Community Empowerment and Village Government Service (DPMPD), the object of this research was chosen because the Kediri Regency DPMPD consistently obtained an Unqualified Opinion (WTP) from the Financial Audit Agency (BPK) eight times in a row. This reflects that this entity is considered to have presented financial reports that are free from material misstatement, in accordance with applicable accounting principles and regulations, and has demonstrated good performance of accountability and transparency in regional financial management. (News, 2022) This condition is interesting to study further, especially when compared with the audit findings that occurred in Jember Regency in 2019 and 2020, where BPK RI provided an opinion *Disclaimer* to the regional government's financial reports. Opinion *Disclaimer* given by the auditor because he was unable to obtain sufficient and appropriate audit evidence to

provide a basis for an opinion. (BPK RI, 2020) The existence of differences or audit opinion gaps between the two regions indicates significant variations in the quality of regional financial governance, even though both are in the same province and subject to the same national regulations. This gap is the main focus of the research because it can provide in-depth insight into the internal factors that influence the perception of the quality of local government financial reports.

The results of a study conducted by (Supriyanto, 2019) and (Nilam Sari, 2016) show different research gaps. Supriyanto emphasized that the implementation of Government Accounting Standards (SAP) and Internal Control Systems (SPI) has a strategic role in encouraging accountability in government financial reports, although their implementation still faces various obstacles such as limited human resources (HR), information technology, and resistance to change. However, this finding is different from the results of Nilam Sari's research which shows that the implementation of SAP does not have a significant effect on the quality of local government financial reports. These differences in results indicate inconsistencies that need to be studied further, especially in the context of SAP implementation. Apart from that, HR capacity has been proven to have a significant positive effect on the quality of financial reports, Nilam's research actually found that understanding accounting has a significant negative effect, which raises questions about what aspects of competence are actually needed in public sector financial reporting.

This research takes an in-depth approach to the internal factors that influence the quality of financial reports of local government entities. This study specifically highlights the role of Government Accounting Standards (SAP), Internal Control Systems (SPI), HR capacity, and audit results as variables that interact with each other in forming perceptions of the quality of financial reports. The research aims to determine factors in improving the perception of the quality of financial reports in the regional work units of the Community Empowerment and Village Government Service (DPMPD) of Kediri Regency.

LITERATURE REVIEW

Government Accounting Standards (SAP) are a set of principles, procedures and rules used as guidelines in the preparation and presentation of government financial reports. SAP aims to create consistency, transparency and accountability in state or regional financial management. This standard regulates how government financial transactions must be recorded, recognized, measured and reported, so that the resulting financial reports can provide reliable, relevant and comparable information. SAP covers various aspects, such as presentation of financial reports, recognition of income and expenditure, management of assets, liabilities and equity, as well as disclosure of information required to meet accountability and decision-making objectives.

According to (Tanjung, 2015), government accounting standard indicators include several Government Accounting Standard Statements (PSAP) which regulate various aspects of preparing financial reports. PSAP 01 regulates the presentation of general financial reports on an accrual basis to increase comparability between periods and entities. PSAP 02 focuses on cash-based Budget Realization Reports to fulfill accountability in accordance with statutory regulations. PSAP 03 regulates the Cash Flow Report which classifies cash flows based on operating, investing, financing and transitory activities. PSAP 04 regulates Notes to Financial Reports to increase transparency and understanding of financial information. PSAP 05 regulates inventory accounting, while PSAP 06 regulates investment accounting and disclosure of important information. PSAP 07 regulates the accounting treatment of fixed assets, including recognition and revaluation. PSAP 08 regulates accounting for construction in progress, and PSAP 09 regulates the accounting treatment of liabilities, including recognition and amortization. PSAP 10 addresses correction of errors, changes in accounting

estimates, and discontinued operations. PSAP 11 regulates the preparation of consolidated financial reports to improve the quality and completeness of financial reports. Finally, PSAP 12 regulates the presentation of Operational Reports to fulfill government administration accountability, with a focus on income, expenses and operational surplus/deficit. Overall, this standard aims to increase transparency, accountability and the quality of government financial reports.

Internal control is a set of policies and procedures designed to protect company assets from misuse, ensure the accuracy of accounting information, and ensure compliance with legal regulations and management policies by all employees. According to ([PERMENDAGRI No. 60 of 2008](#)), the elements of the Internal Control System (SPI) in government include: (1) Control Environment, where agency leaders are obliged to create an environment that supports integrity, competence and an effective organizational structure; (2) Risk Assessment, which includes identification and analysis of risks to determine their impact on achieving agency goals; (3) Control Activities, which are adapted to the complexity of the agency's tasks and functions; (4) Information and Communication, which ensures information is recorded and communicated appropriately and effectively; and (5) Internal Control Monitoring, which is carried out through continuous evaluation and follow-up on audit recommendations. Apart from that, according to [Mulyadi, \(2016\)](#), SPI measurement indicators include: (1) Organizational structure that clearly separates responsibility and authority; (2) Authorization System and Recording Procedures that regulate the authority to approve transactions; (3) Healthy Practices in carrying out functional responsibilities; and (4) Competent and Honest Employees, who are key elements in running an effective internal control system. By implementing these elements and indicators, agencies can increase accountability, transparency and reliability of financial management.

Accounting staff competency, according to [Moeheriono \(2009\)](#), is defined as a person's basic characteristics that reflect the way of thinking, behaving and acting, as well as the ability to draw conclusions that can be maintained over a certain period. A competent person will work with sufficient knowledge, skills and experience, so that they can work efficiently, quickly and intuitively, while minimizing errors. Human resources (HR) are a key element in an organization, and their management must be optimal in order to contribute optimally to achieving organizational goals. Competence, as a characteristic underlying high performance, is very important because employees who lack knowledge will face many obstacles, causing waste of time, energy and resources. HR, as an organizational driver, is a non-material asset that can be realized in the form of physical and non-physical potential to realize the existence of the organization. Competency includes the ability to carry out work which is supported by skills, knowledge and work attitudes that are in accordance with job demands. In the context of regional apparatus, accounting staff must have experience in finance, an accounting educational background, and frequently attend training to ensure good financial management and proper understanding of accounting logic. If HR is unable to understand and apply accounting well, the quality of financial reports will decrease and will not be in accordance with established standards. Accounting staff indicators include: (1) Knowledge, such as understanding accounting principles, taxation and accounting standards; (2) Skills/Expertise, such as the ability to prepare financial reports, analyze data, and operate accounting software; and (3) Attitudes, such as professionalism, integrity, discipline, and commitment to continuing to learn. Comprehensive measurement of these three indicators ensures that accounting staff have the competence and work ethic needed to support the organization's financial functions effectively and maintain the quality of financial reports ([Nazrin, 2017](#)).

An audit is a series of data collection and testing activities by a competent and independent party to assess the conformity of information with established standards, then convey the results to interested parties ([Sekolah Tinggi Akuntansi Negara, 2007](#)). According to [Hayes et al., \(2014\)](#), an audit is a systematic process for objectively obtaining and evaluating evidence regarding assertions about

economic actions and events in order to determine the conformity between the assertions and established criteria. In the public sector, audit is known as an examination, which according to [Peraturan Pemerintah Nomor 12 Tahun 2017](#), is a process of identifying problems, analyzing and evaluating evidence independently, objectively and professionally based on audit standards to assess the truth, accuracy, credibility, effectiveness, efficiency and reliability of information on the implementation of government agencies' duties. [Mulyadi, \(2016\)](#) added that the inspection aims to assess the conformity between evidence of economic activity and the established criteria, with the results presented to interested parties. Types of state financial audits according to [\(Undang-Undang Republik Indonesia Nomor 15 Tahun 2004 tentang Pemeriksaan Pengelolaan dan Tanggung Jawab Keuangan Negara\)](#) include: (1) Financial Audits, which assess the fairness of financial reports and provide opinions; (2) Performance Inspection, which evaluates economic aspects, efficiency and effectiveness of financial management; and (3) Inspections with Specific Purposes (PDTT), such as compliance and investigative inspections. Based on [\(Peraturan Badan Pemeriksa Keuangan Republik Indonesia Nomor 1 Tahun 2017 tentang Standar Pemeriksaan Keuangan Negara\)](#), elements of state financial audit include the relationship between three parties (auditor, responsible party, and report user), main matters, criteria, evidence, audit results report, and follow-up monitoring. The audit results, according to [\(Peraturan Badan Pemeriksa Keuangan Republik Indonesia Nomor 2 Tahun 2017 tentang Pemantauan Pelaksanaan Tindak Lanjut Rekomendasi Hasil Pemeriksaan Badan Pemeriksa Keuangan\)](#), are an assessment of the truth, compliance and reliability of state financial data/information as outlined in the audit results report (LHP) as a BPK decision. LHP is used to improve state financial management and can be accessed by the public. Audit result indicators according to [Zamzami, \(2017\)](#) include: (1) Professional Expertise, which includes auditor skills in the fields of accounting, law, information technology, and others; (2) Independence, namely the auditor's freedom from personal, external or organizational interference that could affect objectivity; (3) Professional Skills Carefully and Thoroughly, which requires auditors to be skeptical, collect evidence objectively, and use knowledge and experience; and (4) Adequate Quality Control System, which ensures that the auditor organization complies with applicable audit standards and policies, and is reviewed by a competent external party at least once every five years.

The quality of Regional Government Financial Reports is the level or degree of a financial management accountability report which provides information about the financial position and transactions carried out by the regional government during one period, as explained in [\(Peraturan Pemerintah Nomor 71 Tahun 2010 tentang Standar Akuntansi Pemerintahan \(Government Accounting Standards\)\)](#). According to [\(Siregar, 2015\)](#), financial report quality indicators include: (1) Relevant, namely information that can influence user decisions by helping evaluate past and present events, predict the future, and correct past evaluation results, which includes feedback benefits, predictive value, and timeliness; (2) Complete, namely financial information presented as completely as possible, including all accounting information that can influence decision making; (3) Reliable, namely information that is free from material error, presented honestly and can be verified, with characteristics of honest presentation, verifiability and neutrality; (4) Comparable, namely information that allows comparison with previous period financial statements or other entities, both internally and externally; and (5) Understandable, namely information that is expressed in forms and terms that are within the user's limits of understanding, assuming the user has adequate knowledge about the reporting entity's activities and operating environment and is willing to study the information.

RESEARCH METHOD

This research uses a qualitative descriptive method to analyze internal factors that influence the perception of the quality of financial reports in the Regional Work Unit of the Community Empowerment and Village Government Service (DPMPD) of Kediri Regency. Researchers collected data through interviews, observation and documentation, with the research location chosen because of the obligations of each SKPD in preparing public sector financial reports. The number of informants that researchers chose was 7 people, where these informants had authority in preparing and using regional financial reports. Research data sources consist of primary data obtained directly from DPMPD employees and secondary data such as village financial reports and regulatory documents. Data analysis is carried out through data presentation, data reduction, and drawing conclusions in narrative or chart form, and verification to ensure the validity of research results, including credibility, transferability, dependability and confirmability tests. *Focus Group Discussion (FGD)* used to dig deeper into the obstacles, challenges and corrective steps in improving the quality of financial reports, with the hope of increasing accountability and transparency in financial management in the Kediri Regency DPMPD. The choice of research location was due to the openness of the informants in giving them time to carry out the interview process.

RESULTS

The Kediri Regency Community Empowerment and Village Government Service (DPMPD) Financial Report has achieved good quality based on five main indicators. First, the report is considered relevant because it presents accurate and timely information that can influence crucial decisions, as stated by the source, the report meets complete criteria by covering all mandatory components such as the Budget Realization Report, Balance Sheet and Notes to Financial Reports, which increases accountability. Reports are reliable because they are prepared based on Government Accounting Standards (SAP) and supported by a good internal control system, so they are free from material errors. Reports can be compared between years thanks to consistent formatting and preparation standards, making performance evaluation easier. Fifth, the report is easy to understand thanks to the use of simple language and a clear structure, making it accessible to various stakeholders.

Table 1. Conclusions on Government Accounting Standards in Improving the Quality of Financial Reports

No.	Department	Short Conclusion
1	Head of Department	SAP increases transparency, accountability and quality of financial information.
2	Production Assistant Treasurer	SAP provides standard standards that improve the clarity and structure of reports.
3	Production Assistant Treasurer	SAP ensures transparency, accuracy and makes the audit process easier.
4	Production Assistant Treasurer	SAP as a standard guide increases the relevance and reliability of reports.
5	PPTK General Secretariat	SAP unifies an "accounting language" that makes it easier to understand and compare reports.

	and Personnel	
	PPTK for	
6	Village Community Sector	SAP guarantees transparency, accuracy and ease of evaluation of financial reports.
7	Financial department	SAP ensures that transactions are recorded systematically, transparently and easily traced.

Government Accounting Standards (SAP) function as a common language that makes it easier to prepare, understand and evaluate financial reports consistently. This helps in more accurate decision making, effective budget control, and increased performance accountability. Meanwhile, for external parties (such as the community, central government, or supervisory institutions), SAP guarantees transparency and reliability of financial reports, thereby increasing public trust in regional financial management.

Table 2. Conclusions from Internal Control System (SPI) Interviews in Improving the Quality of Financial Reports

No.	Department	Short Conclusion
1	Head of Department	SPI supports accurate and transparent financial reports.
2	Production Assistant Treasurer	SPI increases the reliability and accountability of reports.
3	Production Assistant Treasurer	SPI strengthens the basis for correct decision making.
4	Production Assistant Treasurer	SPI adds transparency and reduces risk.
5	PPTK General Secretariat and Personnel	SPI supports the accuracy and transparency of reports.
6	PPTK for Village Community Sector	SPI improves the reliability and compliance of reports.
7	Financial department	SPI strengthens financial transparency and accountability.

The Internal Control System (SPI) has an important role in improving the quality of financial reports. A clear organizational structure and specific division of tasks enable financial processes to be monitored effectively, thereby reducing the risk of errors and misuse. SPI ensures that financial transactions are recorded accurately, transparently and according to procedures, thereby supporting accountability and trust in financial reports. The interviewee's explanation emphasized that SPI also contributes to supporting appropriate decision making through presenting valid and relevant financial information. A strict authorization system and documented recording procedures strengthen the reliability of reports.

Table 3. Conclusions from Accounting Staff Competency System Interviews in Improving the Quality of Financial Reports

No.	Department	Short Conclusion
1	Head of Department	SPI supports accurate and transparent financial reports.
2	Production Assistant Treasurer	SPI increases the reliability and accountability of reports.
3	Production Assistant Treasurer	SPI strengthens the basis for correct decision making.

4	Production Assistant Treasurer	SPI adds transparency and reduces risk.
5	PPTK General Secretariat and Personnel	SPI supports the accuracy and transparency of reports.
6	PPTK for Village Community Sector	SPI improves the reliability and compliance of reports.
7	Financial department	Staff competency supports accountability and credibility of reports.

Accounting staff competency, knowledge and technical skills of accounting staff are considered quite good, thanks to regular participation in training and outreach regarding applicable government accounting regulations and standards. The interviewee stated that competent accounting staff are able to prepare financial reports with a high level of accuracy and transparency. This supports more appropriate decision making and increases accountability and credibility of agency finances. Continuous training is a major highlight, considering the dynamic development of accounting standards. Several interviewees also highlighted the importance of providing adequate resources so that staff can participate in training without disrupting their main duties.

Table 4. Interview Conclusions from BPK Audit Results in Improving the Quality of Financial Reports

No.	Department	Short Conclusion
1	Head of Department	Audits increase the accuracy, transparency and credibility of reports.
2	Production Assistant Treasurer	Audits increase the efficiency and effectiveness of report preparation.
3	Production Assistant Treasurer	Audits increase trust and accountability in financial reports.
4	Production Assistant Treasurer	Audits support the accuracy and transparency of financial reports.
5	PPTK General Secretariat and Personnel	Audits improve the quality and transparency of financial reports.
6	PPTK for Village Community Sector	Audits support the accuracy and transparency of financial reports.
7	Financial department	Audits increase accountability and credibility of financial reports.

Audit results have a very significant role in improving the quality of financial reports. Audits carried out competently can guarantee that every financial transaction is recorded accurately and transparently, in accordance with applicable accounting standards. Apart from that, the audit results also provide useful recommendations for improving and improving the internal control system, which has a direct impact on increasing the accuracy, credibility and reliability of financial reports.

DISCUSSION

The implementation of Government Accounting Standards (SAP) increases the reliability and relevance of financial information, becomes the basis for more effective policy making and minimizes the risk of fraud, data manipulation or budget misuse, so that state financial governance becomes better. SAP also supports the effectiveness of audits by the Financial Audit Agency (BPK) because financial reports prepared based on this standard are easier to audit and analyze. SAP facilitates

comparison of financial performance between periods and agencies, enables objective evaluation based on valid data, and assists leaders in making strategic decisions and improving financial management. SAP provides clear guidelines for measuring, recognizing and presenting financial transactions, producing reports that reflect actual financial conditions and can be accounted for. For preparers of financial reports at the operational level, SAP makes the recording and reporting process easier, systematic and consistent, reducing errors and increasing work efficiency. This standard also ensures that financial reports are easier to understand by stakeholders, including auditors and the public, thereby increasing confidence in the transparency and accountability of regional financial management. Thus, SAP not only supports financial accountability but also strengthens the integrity and credibility of government financial reports.

The results of this research are not in line with research carried out by [Setiyawati & Hermawan, \(2018\)](#) where this research examined the quality of financial reports in MSMEs with the finding that even though MSME actors have prepared financial reports, the quality of these reports is still relatively low due to limited accounting knowledge they have. This is not in line with the results of the Kediri Regency DPMPD research, which shows that the financial reports produced meet high quality standards and are in accordance with SAP. This difference reflects differences in financial reporting and the level of maturity in the application of accounting between the government sector and MSMEs.

The results of this study are not in line with research by [Amalia et al., \(2020\)](#) where research reveals differences in perceptions between preparers and users of financial reports regarding the implementation of an accrual-based accounting system. This is slightly inconsistent with the findings of the Kediri Regency DPMPD, where there was no indication of misalignment of perceptions between preparers and users of financial reports. At the Kediri Regency DPMPD, the implementation of SAP is expected to guarantee relevant and trustworthy reports, indicating a more uniform understanding between preparers and users.

The results of this study are not in line with research [Santiago & Estiningrum, \(2021\)](#) where research conducted shows the importance of MSME actors understanding financial reports, but inadequate understanding still occurs, even though they know the importance of financial reports. This finding is not in line with the results of the Kediri Regency DPMPD research, which shows that the financial reports have been prepared comprehensively and can be understood by all relevant parties. At DPMPD Kediri Regency, the quality of financial reports is more guaranteed thanks to a more structured system and higher competency.

The results of this study are not in line with research by [Vadya et al., \(2024\)](#) where the results of this research state that business actors' perceptions of the purpose of financial reports and accounting knowledge influence the quality of financial reports in MSMEs. Although perception factors are also important in the Kediri Regency DPMPD research, the main focus in DPMPD is more on the implementation of SAP and internal control systems to improve the quality of financial reports. Both studies discuss the quality of financial reports, the approach is more focused on the government sector in DPMPD and the MSME sector.

The results of this study are not in line with research by [Sinurat et al., \(2023\)](#) where this research examines the application of accrual-based SAP in preparing financial reports in Labuhanbatu Regency, and finds that there are obstacles in its implementation, such as a lack of human resources and SOPs. This is somewhat inconsistent with the findings in the Kediri Regency DPMPD, which shows that the implementation of SAP in the DPMPD is running more effectively without any significant obstacles, with financial reports that are in accordance with applicable standards.

A strong Internal Control System (SPI) facilitates and increases the efficiency of the audit process carried out by the Financial Audit Agency (BPK) and internal auditors, because a good

documentation system allows for fast and accurate tracking of financial transactions. Good SPI also increases the efficiency and effectiveness of financial management, encourages work unit discipline in recording and reporting financial transactions, and strengthens professional, transparent and accountable financial governance, thereby increasing public trust in public sector financial management. To maintain healthy financial reports, government organizations need to strengthen SPI with clear separation of duties, strict transaction authorization, and compliance with Government Accounting Standards (SAP) to ensure the accuracy and relevance of financial reports. Transparency and accountability can be maintained through regular reporting, complete documentation and strong supervision, while improving the quality of human resources (HR) through financial training and certification is needed so that employees understand the principles of good financial management. Regular audits and evaluations also help identify and correct weaknesses in financial reports, ensuring high quality, efficiency and accountability in agency financial management.

The results of this study are not in line with research by [Ibrahim et al., \(2024\)](#) where this research shows that although an internal control system has been implemented at the Gorontalo District Court, its implementation is still minimal and needs further development. This finding is not in line with the research results of the Kediri Regency DPMPD, where SPI has been implemented well and effectively in ensuring the quality of financial reports. This difference shows that although both agencies use SPI, the level of implementation is different.

Good quality financial reports can be maintained by having accounting staff who continue to undergo training and competency development to stay updated with changes in regulations and best practices in the world of accounting, thereby increasing accuracy and efficiency in preparing financial reports and strengthening transparency and accountability in public financial management. Skilled and competent accounting staff will produce financial reports that are more reliable, accountable and reflect actual financial conditions, which ultimately increases public trust in the financial management of an organization or agency. Apart from strong technical knowledge, accounting staff are also required to have a professional attitude by upholding responsibility, integrity and discipline in their work, which is very important for maintaining transparency and accountability at every stage of preparing financial reports. The agency also strives to improve the quality of staff through regular training and socialization of new regulations so that staff understand changes in applicable regulations and standards, so that the agency's financial management becomes more reliable and able to increase public trust in the financial reports produced.

The results of this study are in line with research by [Ningsih, \(2023\)](#) where the research highlights the quality of the financial reports of the Pontianak Ministry of Health Polytechnic which meets relevant, understandable and reliable quality standards. This finding is in line with the Kediri Regency DPMPD, which also produces financial reports of very good quality, including relevance, reliability and comparability. Both studies show that HR competency and good information systems contribute to the quality of financial reports.

The results of this study are not in line with research ([Syah et al., 2023](#)) where research results found that the quality of services and financial accountability in village governments is still low, with financial reports that are not yet effective and efficient. This is different from the findings in the Kediri Regency DPMPD, which showed that the financial reports met applicable accounting standards and were of high quality. This difference may be caused by a more advanced level of management in the Kediri Regency DPMPD compared to the village government which was the object of research.

The results of this study are in line with research by [Ningsih, \(2023\)](#) where the research highlights the quality of the financial reports of the Pontianak Ministry of Health Polytechnic which meets relevant, understandable and reliable quality standards. This finding is in line with the Kediri Regency DPMPD, which also produces financial reports of very good quality, including relevance,

reliability and comparability. Both studies show that HR competency and good information systems contribute to the quality of financial reports.

Audit plays an important role in assessing the effectiveness of the internal control system (SPI) implemented by the agency, ensuring that financial transactions are recorded accurately and can be accounted for, as well as providing suggestions for improvement if weaknesses are found to reduce the risk of fraud or errors in preparing financial reports. Audit results not only increase the reliability and accuracy of financial reports, but also strengthen the accountability and transparency of financial management, thereby increasing stakeholder confidence in the integrity of the financial reports presented. To support audit quality, the agency ensures that the auditors involved have high credibility and adequate professional qualifications, are supported by a competent internal team, and present financial data in a transparent, complete, accurate and well-organized manner so that auditors can work independently and efficiently. Good collaboration between credible auditors, a competent internal team, and transparent financial data management ensures that the audit process runs smoothly, producing objective, valid and accountable evaluations, which ultimately increases public trust in the resulting financial reports.

The results of this study are in line with research by [Anamuli & Wijaya, \(2023\)](#) where this research examines the relationship between the quality of financial reports and audit opinions at the Regional Financial and Asset Agency of the Alor Regency Government, with the finding that transparent asset management improves the quality of financial reports. This is in line with research by the Kediri Regency DPMPD, which places greater emphasis on the application of SAP, SPI, HR and audit results in improving the quality of financial reports.

The results of this study are in line with research [Yulian, \(2022\)](#) where the results of this research place more emphasis on the relationship between the quality of financial reports and audit opinions and the factors that influence them. This is in line with the findings at the Kediri Regency DPMPD, which prioritizes the implementation of SAP and internal control systems, accounting staff compensation and audit results as the main factors that guarantee the quality of financial reports.

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The results of this study are in line with research by [Anamuli & Wijaya, \(2023\)](#) where this research examines the relationship between the quality of financial reports and audit opinions at the Regional Financial and Asset Agency of the Alor Regency Government, with the finding that transparent asset management improves the quality of financial reports. This is in line with research by the Kediri Regency DPMPD, which places greater emphasis on the application of SAP, SPI, HR and audit results in improving the quality of financial reports.

CONCLUSION

Based on the results of research regarding the analysis of internal factors in improving the perception of the quality of financial reports at the Kediri Regency DPMPD, it can be concluded that the implementation of Government Accounting Standards (SAP), a good internal control system, human resource competence, as well as the results of audits carried out by independent auditors have an important role in maintaining the quality of financial reports. The implementation of SAP provides clear guidelines in preparing financial reports, while a strong internal control system ensures that every financial transaction is properly monitored to minimize the risk of errors and misuse.

Continuously improving human resource competency through training and outreach contributes to ensuring compliance with applicable accounting standards, resulting in more accurate and transparent financial reports.

SUGGESTION

This research still has limitations in the regional scope and variables studied. Future research should compare directly and carry out comparative research on the quality of financial reports that have different opinions so that it is known what striking differences cause the quality of financial reports with a good WTP predicate and financial reports with an unfair predicate. It is necessary to carry out regular training of resources so that good quality financial reports and obtaining WTP opinions can be maintained continuously.

The Kediri Regency Community Empowerment and Village Government Service (DPMPD) is advised to routinely improve human resource competency through training and outreach regarding Government Accounting Standards (SAP) and financial management. In addition, the internal control system needs to be strengthened through clear separation of duties and tiered supervision to minimize the risk of errors and misuse. Audit results from independent auditors should be immediately followed up as a basis for continuous improvement, and SAP implementation must be carried out consistently so that financial reports are more accurate, transparent and accountable.

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