

Competence, Regulation and Political Factors on Local Government Performance in Rembang Regency: The Role of Financial Report Quality as Mediation

Ika Rahmadiningsih, Marita Kusuma Wardani

Faculty of Economics and Islamic Business, UIN Raden Mas Said Surakarta

Corresponding author: ikarhma5@gmail.com

Abstract

The aim of this study is to identify the impact of competence, regulation, and political factors on performance through the quality of financial report. The approach used in this research is a quantitative method, collecting data through the use of questionnaires. The research object is the Regional Work Units (SKPD) of Rembang Regency. To test the hypotheses, the researcher employed Structural Equation Modeling (SEM) using Smart PLS version 3.0 software. The analysis includes external models, internal models, as well as hypothesis testing and mediation. The findings of the research show that competence, and regulation have a good influence on performance. But political factors, and financial report quality do not, it has an insignificant positive effect. Furthermore, rules and politics have a favorable impact on the quality of financial statements, but competence has an insignificant positive impact on the quality of financial statements. Furthermore, the quality of financial statement presentation has a positive but insignificant influence between talent, rules, and political factors in achieving performance results.

Keywords: Local Government, Financial Report Quality.

INTRODUCTION

Since the public has not yet completely benefited from the results attained, the issue of local government performance is still a recurring one that is being addressed (Widajatun & Kristiastuti, 2020). The administration is supposed to perform its functions as a member of the public sector in an efficient manner in order to establish responsible and transparent regional autonomy (Binawati & Badriyah, 2022). Nevertheless, the long-standing regional autonomy pattern has not yet substantially improved local communities' standard of living, even when it comes to improving local governments' performance (Nirwana & Haliah, 2018).

Data from Kompas.id indicates that Indonesia's 2022 regional autonomy implementation is still seen as subpar. The large number of corruption cases involving local government money (APBD), the limited use of regional budgets, and a variety of problematic regional legislation all reflect this. The public has expressed their worries and demanded that the government do better in fulfilling its responsibilities in accordance with the principles of regional autonomy as a result of this circumstance. After all, performance is the yardstick by which decentralisation initiatives are judged to have been successful (Pratama & Setiawan, 2024).

The constant rise in public demand for a transparent and accountable government (good governance) necessitates the development and implementation of a Performance Accountability System for Government Institutions (SAKIP) (Dariana & Harrie, 2020). The purpose of SAKIP is to establish, evaluate, gather, categorize, consolidate, and present the effectiveness of public organizations. This framework is designed to enhance the efficacy of current government agencies and ensure accountability (Ramadhania & Novianty, 2020). SAKIP reports are mandated for all government institutions, and the Ministry of Administrative and Bureaucratic Reform (PANRB) will assess their findings. The rankings that reflect the character of each institution's performance are derived from the evaluation results. These rankings range from AA (Very Satisfactory), BB (Very Good), B (Good), CC (Adequate), C (Insufficient), and D (Very Insufficient) (<https://www.menpan.go.id>).

As evidenced by the local government's struggles to achieve optimal performance objectives, Rembang Regency is a district that shows shortcomings in the execution of SAKIP. As a result, this may impact the quality of the financial statements that are generated.

Table 1. SAKIP Scores of Rembang Regency from 2018 to 2022

No	Rated components	Weight	Value 2018	Value 2019	Value 2020	Value 2021	Value 2022
1	Performance Planning	30	19,92	19,94	22,33	22,77	23,33
2	Performance Measurement	26	14,11	14,15	15,02	15,63	19,01
3	Performance Reporting	25	10,20	10,20	10,20	10,34	10,91
4	Internal Performance Accountability Evaluation	10	5,29	5,29	5,39	5,84	10,90
5	Capaian Kinerja	20	9,12	9,12	9,16	9,24	-
	Performance Achievements	-	58,64 CC	58,70 CC	62,10 B	63,82 B	64,15 B

Source: Rembang Regency Development Planning Document (RKPD) 2024

According to the 2024 Regional Development Planning Document (RKPD) of Rembang Regency, the SAKIP score of Rembang has improved from a CC rating in 2020 to a B rating by 2022. However, the SAKIP scores achieved by Rembang Regency from 2018 to 2022 reveal that several performance components remain below the established standards, indicating unfulfilled expectations. Challenges in implementation and management have adversely impacted the local government's performance in areas such as accountability, transparency, and public trust, as reflected in the suboptimal scores.

The below-average SAKIP performance of Rembang Regency is largely attributed to ineffective budget utilization. Based on the 2022 audit conducted by the Indonesian Supreme Audit Agency (BPK RI), the anticipated surplus (SILPA) of IDR 171 billion was only realized at IDR 28.5 billion, resulting in a deficit of IDR 101 billion and an overall budget shortfall of IDR 143 billion (<https://lingkarjateng.id>). This underscores the ongoing inefficiencies in budget allocation and utilization within Rembang Regency, necessitating improvements in governance and financial management practices.

One of the key factors influencing government performance is competence. As noted by Imaniyati et al. (2024), the effectiveness and efficiency of governmental functions are significantly shaped by the competence of its personnel. Sumaryati et al. (2020) observed that employees with higher levels of competence tend to achieve superior performance, while lower competence is directly associated with diminished outcomes. This perspective is further backed by research carried out by Ahmad et al. (2020), Dariana and Harrie (2020), and Ramadhania and Novianty (2020), which affirm the positive impact of competence on local government performance. However, contrasting findings by Nirwana and Haliah (2018) suggest no significant correlation between competence and local government performance.

Another critical factor influencing government performance is regulation, particularly adherence to established rules and policies. Compliance with these regulations has a crucial function in guaranteeing the effective execution of work programs. When the government effectively adheres to these rules, it supports efforts to enhance organizational performance (Umam & Setiyowati, 2023). Conversely, when individuals prioritize personal interests over professional responsibilities, the risk of authority misuse increases, leading to non-compliance with regulations. Such deviations can adversely affect local government performance, hindering the achievement of optimal outcomes (Pertwi & Utami, 2020). A study by Dariana and Harrie (2020) verifies that policies positively influence the performance of regional administrations. On the other hand, research by Nirwana and Haliah (2018) and Umam and Setiyowati (2023) propose that regulatory elements do not exert a significant influence on performance outcomes.

Political factors also play a pivotal role in shaping local government performance. Indonesia's political climate is heavily influenced by the public sector, making political support a crucial

determinant (Nirwana & Haliah, 2018). Robust political backing enables regional leaders to formulate and implement policies more effectively, resulting in improved government performance. Conversely, weak political support can create obstacles for regional leaders, such as difficulties in securing approval for budget policies, thereby impeding program implementation and diminishing performance efficiency (Pratama & Setiawan, 2024). Research by Del Sol (2013) and Yudistira and Rohman (2022) demonstrates a favorable connection between political backing and governmental effectiveness. Nevertheless, Nirwana and Haliah (2018) discovered that political elements have little to no significant impact on the performance of local administrations.

The quality of financial reporting is another influential factor, serving as a mediating variable between competence, regulations, political factors, and government performance. High-quality financial reporting reflects the effective interaction of these elements, thereby enhancing performance. Research by Yunia and Muttaqin (2022) identified an advantageous connection between the quality of financial disclosures and governmental effectiveness. Similarly, Nirwana and Haliah (2018) demonstrated that competence, regulations, and political support positively influence performance through the intermediary function of financial statement quality. In contrast, Wulandari and Yuliati (2023) found no significant link among the quality of financial disclosures and governmental effectiveness.

Competent personnel contribute to the improvement of financial reporting quality, which subsequently enhances local government performance (Nirwana & Haliah, 2018). However, frequent regulatory changes may diminish the direct impact of competence on performance, further emphasizing the importance of financial reporting quality as a mediating factor (Nirwana & Haliah, 2018). Political factors, while capable of fostering transparency in financial reporting, often play a symbolic role aimed at securing legitimacy (Fardian, 2014). Thus, the quality of financial reporting is essential as an intermediary connecting competence, regulations, political factors, and overall performance.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Teori Stewardship

The stewardship theory clarifies the connection between the state and its citizens, placing the government as a guardian responsible to the public (Awwaliyah et al., 2019). Within public sector organizations, the government assumes the role of a resource manager, while the public acts as the principal owner of these resources (Pertwi & Utami, 2020). According to the stewardship theory, a steward is committed to prioritizing the principal's interests over their own (Laka, 2020). This commitment stems from the steward's understanding that collective interests take precedence over the organization's primary objectives. As a result, the government endeavors to embody this principle to attain its primary objective of enhancing community well-being (Awwaliyah et al., 2019).

Performance

Performance is the degree of achievement in implementing policies aimed at achieving the targets, goals and purpose of an organization, as defined in its strategic plan (Binawati & Badriyah, 2022). Performance evaluation plays a pivotal role as it serves as a standard for evaluating the achievement of an organization in achieving its objectives (Saputra et al., 2024). Within the governmental context, performance evaluation facilitates the assessment of the extent to which objectives have been achieved, providing valuable insights for planning in subsequent periods (Karnoto et al., 2023). As outlined by Mustika and Veronica (2021), performance can be assessed through various crucial measures: (1) quantity, (2) quality, (3) punctuality, (4) effectiveness, (5) independence, (6) commitment.

Competence

Competence includes the capabilities and expertise an individual possesses, which are essential for effectively carrying out tasks and responsibilities within work management (Saputra, 2022). Furthermore, as outlined in Article 1(10) of the 2003 Labor Law and Government Regulation No. 13, competence is described as "an individual's capacity to perform work, comprising elements of understanding, abilities, and work attitudes aligned with established guidelines. Based on the criteria

set by Herachwati and Dinita S. (2012), competence can be assessed using five main factors: (1) understanding, (2) abilities, (3) self-image, (4) character traits, and (5) drive/ motivation.

Regulation

Regulations or norms are established guidelines designed to govern interactions among individuals within the community or the government (Nirwana & Haliah, 2018). Legislation acts as a foundational framework for actions aimed at fulfilling the responsibilities of the central government while addressing the needs of the public (Pertiwi & Utami, 2020). The primary goals of such regulations is to prevent situations that might pose risks to individuals in positions of authority. As outlined by Idris (2012), legislation is assessed through four key indicators: (1) the regulatory formulation process, (2) the ease of regulation implementation, (3) the coherence between regulations, including the alignment of local government support with central policies, and (4) the process of regulation evaluation.

Political Factors

Politics refers to the system and processes involved in formulating and implementing policies related to the state and its citizens. This encompasses the distribution and transmission of societal values, as well as the dynamics of power and decision-making (Eviany, 2019). Political factors often influence the creation of regulations, with key government roles frequently shaped by political dynamics that can either streamline or complicate certain processes (Nirwana & Haliah, 2018). As stated by Fardian (2014), political elements can be evaluated through four key factors: (1) dependency on the central government, (2) compliance with legal frameworks, (3) influence of political officials, and (4) public awareness regarding transparency.

Quality Financial Report

The standard of financial reporting is evaluated based on how effectively the information aligns with applicable accounting standards, enabling stakeholders to make accurate and informed decisions (Nirwana & Haliah, 2018). Financial reporting quality extends beyond numerical accuracy; it also embodies organizational transparency, accountability, and integrity, which significantly influence overall performance (Saputra et al., 2024). The importance of understanding accounting information is emphasized in Government Regulation No. 71 of 2010 to ensure that the objectives of financial reporting are fulfilled. According to Susanto and Rambano (2022), high-quality financial reporting can be evaluated using four key indicators: (1) applicability, (2) dependability, (3) consistency, and (4) clarity.

HYPOTHESIS DEVELOPMENT

Stewardship theory asserts that an organization's success is achieved through the implementation of effective and efficient performance strategies (Tiarno & Budiwitjaksono, 2023). Accordingly, local governments, as public trustees, must ensure the presence of competent human resources to provide quality services to the community and achieve organizational goals. Sumaryati et al. (2020) highlighted that employees with higher levels of competence tend to exhibit better performance, whereas those with lower competence levels are directly associated with decreased performance outcomes. This connection arises from the reality that top-tier services are usually provided by proficient staff. Research conducted by Ahmad et al. (2020), Dariana & Harrie (2020), and Ramadhania & Novianty (2020) indicates a positive relationship between competence and performance, wherein an increase in employee talent directly enhances their performance results.

H1: Competence has a positive impact on performance.

According to stewardship theory, a significant connection exists between owner contentment and the success of the organization (Pertiwi & Utami, 2020). In stewardship theory, resource holders, serving as principals, entrust government administrators as accountable representatives to manage operations (Hidayati & Kinasih, 2023). Therefore, possessing skilled human resources is crucial for producing financial reports that adhere to superior quality standards. Research by Hidayati & Kinasih (2023), Maro et al. (2024), and Samsiah et al. (2023) highlight a favorable connection between expertise

and the quality of financial reporting. In other words, skilled personnel are more likely to produce superior financial reports.

H2: Competence has a positive impact on the quality of financial reporting.

Umam and Setiyowati (2023) assert that government officials, as public trustees under stewardship theory, are required to follow established regulations in order to act in the best interests of the organization. Adhering to these regulations clearly reflects the connection between stewardship theory and regulatory compliance. When regulations are effectively enforced, it is expected that performance can be accomplished effectively. The greater the adherence of officials to regulations, the fewer cases of misconduct arise, enabling programs to proceed efficiently and enhancing governmental performance (Pertiwi & Utami, 2020). Studies by Dariana & Harrie (2020) and Asmawanti et al. (2020) show that regulations have a beneficial effect on the performance of regional administrations. As the enforcement of regulations strengthens, government performance improves.

H3: Regulations have a positive impact on performance.

Stewardship theory asserts that the government serves as a manager for the common good (Maro et al., 2024). In the preparation of financial reports, regulations serve as guidelines that must be followed by government agencies, and these reports must adhere to accounting principles to ensure accountability to the public (Goo et al., 2019). With the proper implementation of regulations, the information provided to the public will be accurate (Kuasa et al., 2016). Research by Kuasa et al. (2016) and Goo et al. (2019) shows a favorable link between regulations and the standard of financial reports. It can be inferred that increased adherence to regulations by local governments results in the creation of more refined financial reports.

H4: Regulations have a positive impact on the quality of financial reporting.

Based on stewardship theory, the state, as the steward, is responsible for prioritizing the public good as part of its accountability (Pertiwi & Utami, 2020). Leaders who adhere to stewardship principles tend to make choices that prioritize the welfare of the community. For instance, in circumstances with conflicting interests, a steward is more likely to prioritize collaboration with the principal to resolve conflicts in order to attain shared objectives. (Yaya & Suprobo, 2019). The performance of local governments can be enhanced through a blend of accountable leadership and robust political backing, leading to more responsive and efficient public services. Political support positively impacts the effectiveness of local governments, as evidenced by research from Del Sol (2013) and Yudistira & Rohman (2022). Government performance can be significantly improved when political factors are leveraged effectively.

H5: Political factors have a positive impact on performance.

Stewardship theory explains that government officials, as stewards, view it as their responsibility to uphold the trust placed in them by the public (Umam & Setiyowati, 2023). In this framework, the political dimension plays a crucial role in shaping the development of relevant regulations (Fardian, 2014). This political influence drives organizations to adopt transparent financial reporting practices (Davici, 2018). The creation of a cohesive political policy can promote the improvement of exemplary financial reporting benchmarks. Studies by Baber & Sen (1984) and Nirwana & Haliah (2018) suggest that the political aspect positively influences the caliber of financial reporting. It is clear that the more effectively political factors are integrated into government regulations, the higher the quality of financial reports produced.

H6: Political factors have a positive impact on the quality of financial reporting.

Stewardship theory emphasizes that the administration functions in alignment with the welfare of the public (Maro et al., 2024). The standard of financial statements mirrors this alignment, enabling stakeholders to assess the organization's performance through the financial statements provided (Ridzal, 2020). Detailed financial reports are a key measure of the effectiveness of government

financial management. Consequently, it is crucial to assess the caliber of these reports and convey them efficiently and educate the public on the execution of government activities (Wiguna et al., 2021). Studies by Yunia & Muttaqin (2022) and Nirwana & Haliah (2018) discovered that the quality of financial reports positively impacts performance.

H7: The quality of financial reporting has a positive effect on performance.

Stewardship theory posits that there is a significant connection between owner satisfaction and organizational success (Pertiwi & Utami, 2020). Within this framework, the government, acting as a steward, is entrusted by the principal with overseeing current operations (Hidayati & Kinasih, 2023). Achieving organizational goals requires a workforce that is both skilled and possesses a strong sense of integrity. Individuals with extensive knowledge and expertise are vital to the overall success of the organization (Maro et al., 2024). Therefore, a high level of proficiency in managing natural resources will contribute to the quality of financial reporting, which consequently will favorably influence overall outcomes. The study by Nirwana & Haliah (2018) reveals that the quality of financial reports strengthens the connection between expertise and performance outcomes.

H8: The quality of financial reports positively mediates the impact of competence on local government performance.

Guardians (government) are urged to prioritize the public interests ahead of their own, according to stewardship theory (Laka, 2020). To accomplish the organization's goals, stewards will work together (Rizal & Hermanto, 2019). Strict laws allow for the effective execution of financial management processes, which facilitates the creation of high-quality financial reports and, in turn, enhances government performance (Kuasa et al., 2016). According to a research by Nirwana & Haliah (2018), performance and regulation might be linked to the quality of financial reports. The conclusion is that higher performance is reflected in the calibre of financial reports when rules are implemented more effectively.

H9: The quality of financial reports positively mediates the impact of regulation on local government performance.

Stewardship theory states that a steward is driven to put the interests of the principal ahead of their own (Laka, 2020). According to this view, independent public sector organisations ought to be able to provide society the greatest services available (Pernando et al., 2023). The government must disclose its performance via open and accountable financial reports as it is the custodian of public information (Umam & Setiyowati, 2023). Politics has a significant role in this, since it motivates public officials to take measures that promote financial transparency initiatives. According to research by Nirwana and Haliah (2018), the correlation between political considerations and performance might be mitigated by the quality of financial reporting. Increased political backing improves the caliber of financial statements, which enhances overall results.

H10: The quality of financial reports positively mediates the impact of political factors on local government performance.

METHODS

Research Types and Data Sources

This research utilizes original data and a quantitative research methodology. Information was gathered through questionnaires, which were distributed to employees of regional government work units (SKPD) who met the criteria as research samples.

Population and Research Sample

All 27 members of the Rembang Regency Government's Regional Government Work Units (SKPDs) make up the study's population. 104 respondents were chosen for this research via the use of purposive sampling based on the following criteria:

1. Heads of departments or agencies

2. Secretaries
3. Heads of divisions or sections related to finance and planning
4. Heads of sub-divisions or sub-sections related to finance and planning

Data Collection Methods

Questionnaires were used in this research as a means of gathering data, and those who satisfied the requirements received them directly. To guarantee strong level of participation, the information was collected 7 days afterward. The survey employed a 5-point Likert scale, offering the following choices: (1) strongly disagree, (2) disagree, (3) neither agree nor disagree, (4) agree, and (5) strongly agree.

Data Analysis Techniques

In this research, the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method was utilized to examine the data, including mediation factors. The analysis was performed using the Smart PLS version 3.0 application.

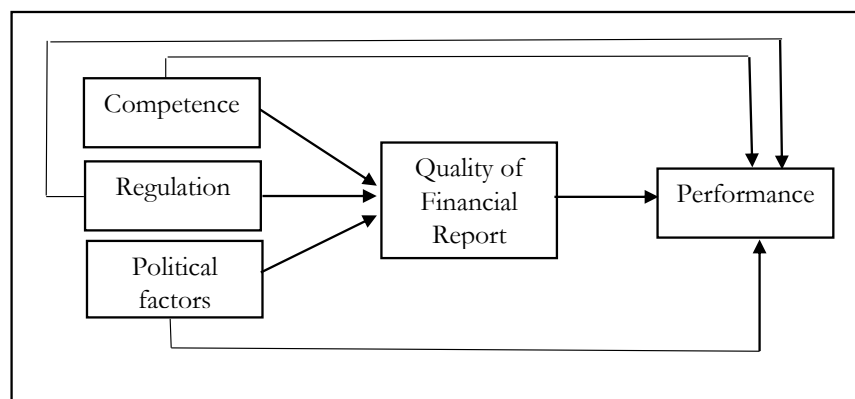


Figure 1. Conceptual Framework

RESULT AND DISCUSSION

Outer Model Analysis

Convergent Validity

Table 3. Outer loading value

Variable	Indicators	Outer Loading
Competence (X1)	X1.6	0.802
	X1.7	0.771
	X1.12	0.729
	X1.13	0.784
Regulation (X2)	X2.1	0.730
	X2.2	0.816
	X2.3	0.797
	X2.4	0.837
	X2.5	0.789
Political Factors (X3)	X3.2	0.863
	X3.3	0.773
	X3.4	0.868

Variable	Indicators	Outer Loading
Performance (Y)	Y1	0.795
	Y2	0.723
	Y5	0.754
	Y6	0.805
	Y7	0.821
	Y8	0.736
	Y9	0.773
	Y10	0.766
Quality of Report (Z)	Z1	0.801
	Z2	0.768
	Z3	0.794
	Z4	0.879
	Z5	0.854
	Z6	0.862
	Z7	0.905
	Z8	0.888

Source: Primary data processed, 2024

When the outer loading value is more than 0.7, convergence is deemed to be legitimate. Table 3 shows that every indicator has outside loading values greater than 0.7. As a result, every indication in the table is considered legitimate for this research and is suitable for use in further investigation.

For a more thorough evaluation of convergent validity, the AVE (Average Variance Extracted) value might also be a helpful indication. The AVE values for each variable are listed below:

Table 4. AVE Values (*Average Variance Extracted*)

Variable	AVE (<i>Average Variance Extracted</i>)	Explanation
Competence (X1)	0.596	Valid
Regulation (X2)	0.631	Valid
Political Factors (X3)	0.698	Valid
Performance (Y)	0.596	Valid
Quality of Report (Z)	0.714	Valid

Source: Primary data processed, 2024

If the Average Variance Extracted (AVE) value is more than 0.5, it is regarded as valid in the sense of convergent validity. The study's AVE scores for competence (0.596), regulation (0.631), political considerations (0.698), performance (0.596), and report quality (0.714) are all higher than 0.5. In light of this, it may be said that the variables in this research have discriminant validity.

Reliability Test

Table 5. Reliability Test

Variable	Composite Reliability
Competence (X1)	0.855
Regulation (X2)	0.895
Political Factors (X3)	0.874
Performance (Y)	0.922
Quality of Report (Z)	0.952

Source: Primary data processed, 2024

The composite reliability values for all research variables in the table exceed 0.7. This suggests that each variable has a high degree of dependability and satisfies the composite reliability criteria.

Cronbachs Alpha

Table 6. Cronbachs Alpha

Variable	<i>Cronbachs Alpha</i>
Competence (X1)	0.773
Regulation (X2)	0.854
Political Factors (X3)	0.783
Performance (Y)	0.903
Quality of Report (Z)	0.942

Source: Primary data processed, 2024

The Cronbach's alpha values for all research variables, as shown in the table, exceed 0.7. Therefore, all constructs are reliable, as the Cronbach's alpha coefficients satisfy the necessary standard.

Inner Model Analysis Goodness of Fit Test

Table 7.R-Square Values

Variable	R-Square	R-Square Adjusted
Quality of Report (Z)	0.604	0.592
Performance (Y)	0.682	0.669

Source: Primary data processed, 2024

Based on Table 7, the R-squared value for variable Z is 60.4%. This indicates a moderate relationship. Additionally, the R-squared value for variable Y is 0.682, or 68.2%, also showing a moderate relationship. This R-squared statistic is employed to evaluate the degree to which the factors of competence, regulation, and political elements influence financial report quality and performance.

Hypothesis Testing Indirect Effect

Table 8.Path Coefficients (Direct Effect)

	Hypothesis	Original Sample	t- Statistics	P- Values	Explanation
Competence (X1) -> Performance (Y)	H1	0.410	5.796	0.0000	Significant Positive
Competence (X1) -> Quality of Report (Z)	H2	0.017	0.220	0.826	Positive is not significant
Regulation (X2) - > Performance (Y)	H3	0.360	4.453	0.000	Significant Positive
Regulation (X2) - > Quality of Report (Z)	H4	0.344	4.404	0.000	Significant Positive
Political Factors (X3) -> Performance (Y)	H5	0.068	0.890	0.376	Positive is not significant
Political Factors (X3) -> Quality of Report (Z)	H6	0.475	4.862	0.000	Significant Positive
Quality of Report (Z) -> Performance (Y)	H7	0.140	1.429	0.156	Positive is not significant

Source: Primary Data Processed, 2024

It is known that the significance level 0.05, and T-statistic is 1.960. If the T-value exceeds 1.960 and the p-value falls below 0.05, then the impact is considered significant and vice versa. Based on the research findings in Table 8, the interpretation is as follows:

1. The results for hypothesis test 1 indicate that competence has a T-value of 5.796, an initial sample value of 0.410, and a p-value of 0.000, signifying a significant positive effect on performance. Consequently, H1 is supported.
2. The results for hypothesis test 2 indicate that competence has an insignificant positive influence on the standard of financial statements, with a T-value of 0.220, an initial sample value of 0.017, and a p-value of 0.826. Therefore, H2 is not supported.
3. The results for hypothesis test 3 demonstrate that regulation exerts a favorable and substantial impact on performance, as demonstrated by a T-value of 4.453, an initial sample value of 0.360, and a p-value of 0.000. As a result, H3 is supported.

4. The results for hypothesis test 4 reveal that regulation has a constructive and substantial effect on the standard of financial statements, with a T-value of 4.404, an initial sample value of 0.344, and a p-value of 0.000.. Therefore, H4 is supported.
5. The results for hypothesis test 5 indicate and suggests that political factors have a favorable yet insignificant influence on performance, with a T-value of 0.890, an initial sample value of 0.068, and a p-value of 0.376. Therefore, H5 is not supported.
6. The results for hypothesis test 6 show that political factors have a significant favorable influence on the standard of financial statements, reinforced by a T-value of 4.862, an initial sample value of 0.475, and a p-value of 0.000. Therefore, H6 is supported.
7. The results for hypothesis test 7 demonstrate that the standard of financial statements has a beneficial and notable impact on performance, with a T-value of 1.429, an initial sample value of 0.140, and a p-value of 0.156. Therefore, H7 is not supported.

Indirect Effect (Mediation Test)

Table 9. Indirect Effect Test

Inderect Effect	Original Sample	t- Statistics	P- Values	Explanation
Competence (X1) -> Quality of Report (Z) -> Performance (Y)	0.002	0.187	0.852	Positive is not significant
Regulation (X2) -> Quality of Report (Z) -> Performance (Y)	0.052	1.325	0.188	Positive is not significant
Political Factors (X3) -> Quality of Report (Z) -> Performance (Y)	0.066	1.325	0.188	Positive is not significant

Source: Primary Data Processed, 2024

The following outcomes were derived from the above table:

1. The findings of hypothesis test 8 demonstrate that financial reports have a favourable but negligible effect on moderating the link between competence and performance. The p-value of 0.852 shows that it is more below 0.05, with the T-value being 0.187, which is lower than 1.96. H8 may be regarded as unsupported.
2. The results of hypothesis test 9 reveal that the relationship between the regulatory factor and performance is positively influenced by the quality of financial statements. The T-value is 1.325, which is below the 1.96 threshold. With a p-value of 0.188, the outcomes surpass the significance level of 0.05. H9 can be considered unsupported.
3. The results of hypothesis test 10 indicate that the relationship between political factors and performance is positively influenced by the quality of financial statements. Given that it falls below the 1.96 criterion, the T-statistic value of 1.325 denotes an unimportant outcome. Additionally, the p-value is not significant at 0.188, above the 0.05 upper limit. Since there is a positive correlation between the two variables, and it is not statistically significant, hypothesis H10 may be deemed unsupported.

DISCUSSION

Impact of Competence on Performance

Performance and competence have a strong positive relationship, according to test findings for H1. Effective and efficient performance has a significant impact on an organization's success, according to stewardship theory (Tiarno & Budiwitjaksono, 2023). Thus, if a worker is very competent, their performance will increase. This aligns in studies carried out by Ahmad et al. (2020), Dariana & Harrie (2020), and Ramadhania & Novianty (2020), it is stated that a positive connection exists between competence and performance.

Impact of Competence on the Quality of Financial Reports

The data for H2 testing shows that the competence factor has a minor positive effect on performance. According to stewardship theory, there is a strong correlation between owner contentment and organizational achievement (Pertiwi & Utami, 2020). The more skilled employees are, the better the financial reports they produce. Not in line research conducted by Hidayati & Kinasih (2023), Maro et al. (2024), and Samsiah et al. (2023) have demonstrated a favorable connection between competence levels and quality of financial reports.

Impact of Regulation on Performance

Performance is positively and significantly impacted by the regulating variable, according to the findings of hypothesis test H3. According to stewardship theory, government representatives have a duty to uphold current laws while acting on behalf of the public trust in order to benefit the organisation (Umam & Setiyowati, 2023). Therefore, the government will function better the more it complies with relevant legislation. This aligns with research by Asmawanti et al. (2020) and Dariana & Harrie (2020), which show a favourable relationship between performance and regulation.

Impact of Regulation on the Quality of Financial Reports

The outcomes of the H4 test show a robust positive connection between the quality of financial reports and regulation. Based on stewardship theory, the government has a duty to put the public interest first in its capacity as a steward (Maro et al., 2024). As a result, the standard of financial statements will improve in tandem with stringent rules on their creation. In line with research by Goo et al. (2019) and Kuasa et al. (2016), which demonstrate a positive connection between the quality of financial reports and regulation.

Impact of Political Factors on Performance

Political considerations and performance have a positive but negligible association, according to the findings of the H5 test. Stewardship theory asserts that the administration should prioritize the interests of all citizens first as a steward in order to be held accountable (Pertiwi & Utami, 2020). Therefore, the development and execution of policy initiatives will go more easily as political backing increases, which will boost organisational performance. This result is inconsistent with studies by Yudistira & Rohman (2022) and Del Sol (2013), which demonstrate a favourable correlation between political matters and performance.

Impact of Political Factors on the Quality of Financial Reports

H6's findings demonstrate a strong positive correlation between politics and financial report quality. Therefore, it will be simpler to execute financial reporting laws if regional administrators have more political backing. According to stewardship theory, government personnel feel obligated to uphold the public's faith in them (Umam & Setiyowati, 2023). This is consistent with studies by Yudistira & Rohman (2022) and Del Sol (2013), which highlight the significant connection between political issues and financial report quality.

Impact of Financial Report Quality on Performance

According to the data study for H7, performance is positively but marginally impacted by the calibre of financial statements. According to stewardship theory, the administration functions in the best interests of the people (Maro et al., 2024). This is shown by the calibre of the financial reports, which allow stakeholders to evaluate the organization's performance using the financial records that are accessible (Ridzal, 2020). The performance that follows will be more ideal if the financial reports are better. These findings is different with studies by Nirwana & Haliah (2018) and Yunia & Muttaqin (2022), which indicates a favourable relationship between performance and the standard of financial disclosures.

Impact of Competence on Performance Mediated by Financial Report Quality

The outcomes from evaluating H8 indicate that both competence and performance exhibit a positive, albeit modest, relationship with the standart of financial reports. Stewardship theory proposes that a significant relationship exists between organizational performance and owner contentment (Pertiwi & Utami, 2020). In this context, the principal delegates the responsibility of managing current operations to the government, which serves as the steward (Hidayati & Kinasih, 2023). Consequently, the organization's performance will benefit from having skilled human resources responsible for preparing financial statements. This inconsistent with studies by Nirwana & Haliah (2018) showed that the standard of financial disclosures positively impacts the connection between competence and performance.

Impact of Regulations on Performance Mediated by Financial Report Quality

The findings from evaluating H9 suggest that both the regulatory factor and the performance factor have a positive impact on the standard of financial disclosures, although the impact is not significant. According to stewardship theory, a steward (the government) is driven by the duty to prioritize the principal's interests over personal gain (Laka, 2020). The steward collaborates to achieve the organization's objectives (Rizal & Hermanto, 2019). When financial reports are meticulously prepared, optimal performance is attained. This is inconsistent with the findings of Nirwana & Haliah (2018), which show a favorable connection between the standard of financial disclosures in facilitating the link between regulation and performance.

Impact of Political Factors on Performance Mediated by Financial Report Quality

The findings of testing H10 reveal that both the political factor and the performance variable have a favourable but non-significant influence on financial reporting quality. Stewardship theory states that a steward is driven to prioritise the principal's interests above personal motives (Laka, 2020). Based on stewardship theory, independent public sector organizations should be able to deliver optimal services to the society (Pernando et al., 2023). It is not in line with the research by Nirwana and Haliah (2018), which discovered that the standard of financial disclosures had a beneficial influence on the mediation of the link between political variables and performance.

CONCLUSION

This investigation concluded that competence, and regulation have a favorable influence on performance. However, political factors, and financial reports quality have an insignificant positive impact on performance. Furthermore, regulations and politics have a favorable impact on the quality of financial statements, but competence has a positive and insignificant impact on the quality of financial statements. Furthermore, the quality of financial statement presentation has a positive but insignificant influence between talent, rules, and political considerations in achieving performance results. The study's shortcoming is that it only covered one area. Drawing from the findings of the study and the constraints outlined above, the researcher suggests: Rembang Regency's Regional Apparatus Organisation (SKPD) should concentrate on enhancing local government performance. Future research might broaden the scope of the issue by looking at additional municipal governments

or taking the study to the provincial level. Future research might also incorporate more independent elements that are considered to affect the effectiveness of regional governments.

REFERENCES

- Ahmad, I., Mahfudnurnajamuddin, ., Mas'ud, M., & Suriyanti. (2020). Competencies of Apparatus and Internal Control System Effect on The quality of Financial Statement Information and Good Governance. *European Journal of Business and Management Research*, 5(4), 1–6. <https://doi.org/10.24018/ejbmr.2020.5.4.425>
- Asmawanti, D., Sari, A. M., Fitranita, V., & Wijayanti, I. O. (2020). Dimensi Akuntabilitas Kinerja Instansi Pemerintah Daerah. *Journal of Applied Accounting and Taxation*, 5(1), 85–94. <https://doi.org/10.30871/jaat.v5i1.1850>
- Awwaliyah, N. F., Agriyanto, R., & Farida, D. N. (2019). The Effect of Regional Original Income And Balance Funding on Regional Government Financial Performance. *Journal of Islamic Accounting and Finance Research*, 1(1), 25. <https://doi.org/10.21580/jiafr.2019.1.1.3745>
- Baber, W. R., & Sen, P. K. (1984). The Role of Generally Accepted Reporting Methods in The Public Sector: An Empirical Test. *Journal of Accounting and Public Policy*, 3(2), 91–106. [https://doi.org/10.1016/0278-4254\(84\)90002-4](https://doi.org/10.1016/0278-4254(84)90002-4)
- Binawati, E., & Badriyah, N. (2022). Pengaruh Pengawasan Keuangan Daerah, Akuntabilitas Dan Transparansi Pengelolaan Keuangan Daerah Terhadap Kinerja Pemerintah Daerah Pada Kabupaten Magelang. *Jurnal Riset Akuntansi Dan Bisnis Indonesia*, 2(1), 32–49. <https://doi.org/10.32477/jrabi.v2i1.419>
- Dariana, D., & Harrie, A. M. (2020). Pengaruh Penerapan Akuntabilitas Keuangan, Pemanfaatan Teknologi Informasi, Kompetensi Aparatur Pemerintah Dan Ketaatan Peraturan Perundangan Terhadap Kinerja Instansi Pemerintah (Good Governance) Pada Organisasi Perangkat Daerah Kabupaten Bengkalis. *Jurnal Akuntansi Syariah*, 4(1), 124–139. <https://doi.org/10.46367/jas.v4i1.224>
- Davici, N. (2018). Pengaruh Tekanan Eksternal, Komitmen Pimpinan Dan Faktor Politik Terhadap Transparansi Laporan Keuangan (Studi Empiris pada Organisasi Perangkat Daerah Kabupaten Agam). *Jurnal Akuntansi*, 6(1), 1–20.
- Del Sol, D. A. (2013). The Institutional, Economic and Social Determinants of Local Government Transparency. *Journal of Economic Policy Reform*, 16(1), 90–107. <https://doi.org/10.1080/17487870.2012.759422>
- Eviany, E. (2019). *Pengantar Ilmu Politik dan Ruang Lingkupnya*.
- Fardian, D. (2014). Pengaruh Faktor Politik, Ketidakpastian Lingkungan Dan Kompetensi Sumber Daya Manusia Terhadap Penerapan Transparansi Pelaporan Keuangan (Studi Empiris atas SKPD Pemerintah Kota Padang). *Jurnal Akuntansi*, 3(1), 1–18.
- Goo, K. M. G., Mulyadi, J., & Syam, M. A. (2019). Faktor-Faktor Yang Mempengaruhi Kualitas Laporan Keuangan Dengan Komitmen Organisasi Sebagai Variabel Moderating Pada Pemerintah Kabupaten Ende. *Ekobisman*, 4(2), 94–109.
- Herachwati, N., & Dinita S, A. D. S. (2012). Kompetensi Dan Kinerja Karyawan Bagian Pemasaran. *Jurnal Manajemen Teori Dan Terapan | Journal of Theory and Applied Management*, 5(1), 56–64. <https://doi.org/10.20473/jmtt.v5i1.2553>
- Hidayati, R., & Kinasih, H. W. (2023). Kompetensi Sumber Daya Manusia Dan Peran Audit Internal Sebagai Faktor Penentu Kualitas Laporan Keuangan Pemerintah Daerah Kabupaten Wonosobo. *Jurnal Akuntansi, Keuangan, Dan Auditing*, 4(1), 142–148. <https://doi.org/10.56696/jaka.v4i1.8291>
- Idris, A. (2012). *Di Provinsi Aceh*. 1(1), 11–21.

- Imaniyati, N., Ramdhany, M. A., Santoso, B., Hadijah, H. S., & Nurjanah, S. (2024). Impact of Staff Competencies And Organizational Culture on Service Performance of Local Government: Mediating Role of Organizational Innovativeness. *Cakrawala Pendidikan*, 43(1), 198–209. <https://doi.org/10.21831/cp.v43i1.68096>
- Karnoto, S. Bin, Almasyhari, A. K., & Budiarto, D. S. (2023). Declining Financial Performance of Local Governments In Indonesia: An Empirical Study During Covid-19. *Maksimum*, 13(1), 70. <https://doi.org/10.26714/mki.13.1.2023.70-84>
- Kuasa, Nadirsyah, & Abdullah, S. (2016). Pengaruh Kompetensi Pejabat Pengelola Keuangan, Regulasi dan Pengawasan Keuangan Daerah Terhadap Kualitas Laporan Keuangan SKPD di Lingkungan Pemerintah Kabupaten Simeulue. *Jurnal Magister Akuntansi*, 5(2), 47–56.
- Laka, M. D. L. M. W. (2020). Accountability, Information Technology and Village Performance. *International Research Journal of Management, IT and Social Sciences*, 7(2), 71–78. <https://doi.org/10.21744/irjmis.v7n2.874>
- Mustika, M., & Veronica, D. (2021). Analisis Pengaruh Kompetensi Terhadap Kinerja Auditor Internal. *Journal Development*, 9(2), 131–141. <https://doi.org/10.53978/jd.v9i2.178>
- Nirwana, & Haliah. (2018). Determinant Factor of The Quality of Financial Statements and Performance of The Government by Adding Contextual Factors: Personal Factor, System/Administrative Factor. *Asian Journal of Accounting Research*, 3(1), 28–40. <https://doi.org/10.1108/AJAR-06-2018-0014>
- Pernando, I., Hatta, M., Maria Simamora, A., Adi Putra, D., & Artikel, I. (2023). Accountability and Financial Reporting Quality Mediate Internal Control Systems and Performance of Public Organizations. *International Conference on Economy, Management, and Business*, 1, 1005–1017. <https://journal.trunojoyo.ac.id/icembus>
- Pertiwi, R. U., & Utami, E. R. (2020). Pengaruh Sistem Pengendalian Intern dan Ketaatan pada Peraturan Perundangan dengan Komitmen Organisasi sebagai Variabel Moderasi. *National Conference on Accounting and Finance*, 2, 98–118. <https://doi.org/10.20885/ncaf.vol2.art9>
- Pratama, F., & Setiawan, D. (2024). Pengaruh Gender dan Dukungan Politik terhadap Kinerja Pemerintah Daerah. *Jurnal Ilmiah Akuntansi dan Finansial Indonesia*, 8(1), 1–15.
- Ramadhania, S., & Novianty, I. (2020). Pengaruh Kompetensi Sumber Daya Manusia terhadap Peningkatan Akuntabilitas Kinerja Instansi Pemerintah. *Prosiding Industrial Research Workshop and National Seminar*, 11(1), 807–813. <https://jurnal.polban.ac.id/ojs-3.1.2/proceeding/article/view/2125>
- PANRP. Diakses pada 25 Oktober 2024 dari <https://www.menpan.go.id/site/reformasibirokrasi/tingkat-penilaian-akip-rating>
- PP No 13 Tahun 2003 pasal 1 (10) Tentang ketenagakerjaan
- PP No 71 tahun 2010 Tentang Standar Akutansi Pemerintah.
- Ridzal, N. A. (2020). Pengaruh Kualitas Laporan Keuangan Terhadap Akuntabilitas Kinerja Pada Badan Pengelolaan Keuangan Dan Aset Daerah (Bpkad) Kabupaten Buton. *Financial: Jurnal Akuntansi*, 6(1), 87–97. <https://doi.org/10.37403/financial.v6i1.135>
- Maro, M. R. M., Mitan, W., & Dilliana, S. M. (2024). Pengaruh Kompetensi Sumber Daya Manusia , Gaya Kepemimpinan dan Pemanfaatan Teknologi Informasi terhadap Kualitas Laporan Keuangan Gereja Paroki Wilayah Kota Maumere. *Jurnal Mutiara Ilmu Akuntansi*, 2(4), 280-309.
- Rizal, N. A. A., & Hermanto, S. B. (2019). The Role of Organizational Commitment Mediates the Effect of Leadership Style and Competence on Village Government Accountability. *Jurnal Ilmu Dan Riset Akuntansi*, 8(1), 2–16.

- Samsiah, S., Putri, A. M., & Winarni, W. (2023). Faktor-Faktor Yang Mempengaruhi Kualitas Laporan Keuangan Pemerintah Provinsi Riau. *Jurnal Ilmiah Akuntansi*, 4, 2828–2715.
- Saputra, G. R. (2022). Influence of Human Resource Competence, Internal Control System, Participation in Budget Preparation, and Accounting Control on Performance Accountability of Local Government Agencies. *Proceedings of the International Conference on Sustainable Innovation Track Accounting and Management Sciences (ICOSLAMS 2021)*, 197–203. <https://doi.org/10.2991/aebmr.k.211225.028>
- Saputra, M. F., Hatta, M., & Salsabila, N. (2024). The Influence of Financial Reporting Quality and Organizational Culture as Mediation Variables on The Performance of Public Organizations. *Proceeding International Conference on Accounting and Finance*, 2, 37–50.
- Sumaryati, A., Novitasari, E. P., & Machuddah, Z. (2020). Accounting Information System, Internal Control System, Human Resource Competency and Quality of Local Government Financial Statements in Indonesia. *The Journal of Asian Finance, Economics and Business*, 7(10), 795–802. <https://doi.org/10.13106/jafeb.2020.vol7.n10.795>
- Susanto, Y., & Rambano, D. (2022). The Role of HRM Factors in Improving Performance Analysis of Local Government Financial Reports. *Golden Ratio of Human Resource Management*, 2(2), 98–107. <https://doi.org/10.52970/grhrm.v2i2.176>
- Tiarno, S. M., & Budiwitjaksono, G. S. (2023). Pengaruh Kompetensi Sumber Daya Manusia, Sistem Pengendalian Intern Pemerintah (Spip), Dan Penggunaan Siskeudes Terhadap Akuntabilitas Pengelolaan Dana Desa. *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi*, 7(2), 1596–1608. <https://doi.org/10.31955/mea.v7i2.3015>
- Umam, M. S., & Setiyowati, A. D. (2023). Pengaruh Akuntabilitas, Transparansi, Komitmen Aparatur, Kepatuhan Pada Regulasi Terhadap Kinerja Aparatur Daerah Kabupaten Bantul. *InFestasi*, 19(1), 91–102. <https://doi.org/10.21107/infestasi.v19i1.19551>
- Widajatun, V. W., & Kristiastuti, F. (2020). The Effect of Regional Financial Supervision, Accountability and Transparency of Regional Financial Management on Local Government Performance. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 3(4), 2966–2974. <https://doi.org/10.33258/birci.v3i4.1319>
- Wiguna, K. Y., Syafitri, A., & Putri, R. M. (2021). Pengaruh Kualitas Laporan Keuangan Terhadap Akuntabilitas Kinerja Pada Kantor Pengadilan Agama Lubuklinggau. *Jurnal Ilmu Sosial, Manajemen, Akuntansi Dan Bisnis*, 2(4), 106–125. <https://doi.org/10.47747/jismab.v2i4.509>
- Wulandari, A. D., & Yulianti, A. (2023). Pengaruh Penerapan Sistem Informasi Pemerintahan Daerah, Pengendalian Internal Dan Pemanfaatan Teknologi Informasi Terhadap Kualitas Laporan Keuangan (Studi Pada Badan Pengelolaan Keuangan Dan Aset Daerah Kabupaten Jember). *Journal of Economic, Bussines and Accounting (COSTING)*, 7(1), 637–649. <https://doi.org/10.31539/costing.v7i1.6217>
- Yaya, R., & Suprobo, H. S. (2019). Determinants of Weaknesses in Internal Control of Provincial Government in Indonesia. *Journal of Accounting and Investment*, 20(3). <https://doi.org/10.18196/jai.2003130>
- Yudistira, & Rohman, A. (2022). Pengaruh Karakteristik Pemerintah Daerah Terhadap Transparansi Pemerintah Daerah (Studi pada LKPD di Indonesia Tahun Anggaran 2018 dan 2019). *Diponegoro Journal of Accounting*, 11(1), 1–10. <http://ejournal-s1.undip.ac.id/index.php/accounting>
- Yunia, D., & Muttaqin, G. F. (2022). The Influence of The Quality of Financial Reports on The Performance of Public Sector Organizations. *JAK (Jurnal Akuntansi) Kajian Ilmiah Akuntansi*, 9(2), 205–216. <https://doi.org/10.30656/jak.v9i2.4606>

