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## **EFFECTS OF GOVERNMENT ACCOUNTING STANDARDS, HUMAN RESOURCE COMPETENCE, AND EMPLOYEE PERFORMANCE ON FINANCIAL REPORT QUALITY**

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### **Abstract**

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*Financial reporting quality is an important aspect of public sector accountability and transparency. High-quality financial reports provide relevant, reliable, comparable, and understandable information for stakeholders in evaluating government performance. This study aims to examine the effects of Government Accounting Standards (SAP), Human Resource Competence, and Employee Performance on Financial Reporting Quality at the Ministry of Religious Affairs Office of Bima Regency. This study employed a quantitative research approach using primary data collected through questionnaires distributed to employees involved in financial management and reporting activities. A total of 77 respondents participated in the study. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. The results indicate that Government Accounting Standards (SAP) have a positive and significant effect on Financial Reporting Quality. Employee Performance also has a positive and significant effect on Financial Reporting Quality. However, Human Resource Competence does not have a significant effect on Financial Reporting Quality. These findings suggest that compliance with accounting standards and strong employee performance play a more important role in improving financial reporting quality than individual competence alone. The study contributes to the public sector accounting literature by providing empirical evidence on the determinants of financial reporting quality within government institutions. The findings also provide practical implications for policymakers and public sector managers in strengthening financial reporting practices through effective implementation of accounting standards and performance enhancement initiatives.*

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## INTRODUCTION

Good governance in the public sector requires transparency, accountability, and responsible management of public resources. These principles are essential for ensuring public trust and improving the effectiveness of government administration (OECD, 2023). In this context, financial reporting serves as a critical mechanism for demonstrating accountability in the management of public funds. Government Accounting Standards (SAP) are one example of the ongoing efforts by the Indonesian government to enhance the credibility of public financial reporting and management (Kristiana et al., 2024). In order to ensure that the financial information provided is relevant, trustworthy, and accountable, these standards serve as the primary guidelines for the preparation and presentation of financial reports at both the central and local government levels (Peraturan Menteri Keuangan Nomor 231/PMK.05/2022 Tentang Kebijakan Akuntansi Pemerintah Pusat, 2022).

Because they allow stakeholders to make informed strategic decisions and hold the government to account, high-quality financial reports play an essential role in the public sector (Amalia, 2023). According to the public sector accounting framework, high-quality financial statements should be methodical in their presentation of financial data and should also adhere to the two primary qualitative criteria of relevance and truthful representation (Anwar et al., 2025). The inability of financial reports to meet these characteristics can undermine public trust and hamper the effectiveness of state financial management.

As a government agency that manages public funds, the Bima Regency Ministry of Religious Affairs Office has a strategic responsibility to ensure that the budget received is managed and reported in a transparent and accountable manner (Anggareka, 2024). The financial management performance of this work unit has shown a positive trend in the last two years. The 2023 budget realization report data recorded a budget absorption rate of 97.07 percent, while in 2024 the budget allocation was successfully realized to reach 100 percent (Ministry of Finance of the Republic of Indonesia, 2024). This achievement reflects an increase in efficiency and effectiveness in budget planning and implementation, while also demonstrating success in minimizing budget surplus (SilPA) in accordance with SAP principles.

Although budget realization is an important indicator of financial performance, it alone is insufficient to guarantee high-quality financial reporting. Concerns about data discrepancies between the two primary systems, SIMAK-BMN and the Institutional Financial Accounting System (SAKTI), continue to be major issues with financial reporting processes. The absence of organized inventory recording administration and officers' limited grasp of fixed asset depreciation accumulation are the major causes of these errors in recording (Schmidhuber & Hofmann, 2020). Report users, such as auditors and financial managers, may find it more difficult to make informed decisions due to this condition's possible impact on the dependability of financial information.

It is possible to misunderstand the financial situation of agencies due to the discrepancy between SAKTI and SIMAK-BMN reporting (Hale et al., 2024). This incident demonstrates that budget absorption is just one factor affecting the quality of financial reports; other important factors include the adherence to accounting standards, the expertise of human resources, and the output of personnel engaged in financial reporting and administration. So, it's crucial to find out what makes government financial reports good or bad (I. Malau, 2024).

Although numerous studies have examined the determinants of financial reporting quality in public sector organizations, the findings remain inconclusive. Several studies have reported that the implementation of Government Accounting Standards, Human Resource Competence, and Employee Performance significantly improve financial reporting quality. However, other studies have found inconsistent or insignificant relationships, particularly regarding the role of Human Resource Competence in enhancing financial reporting outcomes. These inconsistencies indicate that the determinants of financial reporting quality remain an open area for further investigation.

Furthermore, previous studies have predominantly focused on local governments, regional work units, and other public sector entities. Empirical evidence regarding the determinants of financial reporting quality within the Ministry of Religious Affairs remains limited, particularly at the regional office level. This limitation creates a contextual gap because the Ministry of Religious Affairs operates under unique administrative structures, financial management procedures, and reporting systems that differ from those of local governments.

In addition, despite achieving a budget realization rate of 97.07 percent in 2023 and 100 percent in 2024, the Ministry of Religious Affairs Office of Bima Regency continues to face challenges related to financial reporting quality, including discrepancies between financial management systems, inventory administration issues, and difficulties in asset depreciation procedures. These conditions suggest that high budget absorption does not necessarily guarantee high-quality financial reporting. Therefore, this study aims to address the existing empirical, contextual, and practical gaps by examining the effects of Government Accounting Standards implementation, Human Resource Competence, and Employee Performance on Financial Reporting Quality at the Ministry of Religious Affairs Office of Bima Regency.

Accordingly, this study aims to examine the effects of Government Accounting Standards (SAP) implementation, Human Resource Competence, and Employee Performance on Financial Reporting Quality at the Ministry of Religious Affairs Office of Bima Regency. By investigating these relationships, the study seeks to contribute to the public sector accounting literature and provide practical recommendations for improving financial reporting quality, accountability, and transparency in government institutions.

Therefore, identifying the determinants of financial report quality remains an important issue in public sector financial management (Yasman et al., 2025). The dependability, correctness, and precision of financial reports are enhanced when human resource competences are met, including knowledge of government accounting, technical abilities in running financial information systems, and relevant job experience (Anggraini *et al.*, 2024). Government accountants who have completed training and certification programs have been shown to reduce audit findings while increasing report quality, according to recent empirical study (Din et al., 2022)

This study adds to the existing literature by examining how the Bima District Ministry of Religious Affairs Office, a vertical work unit of the ministry, has improved the quality of its financial reports through the application of Government Accounting Standards, human resource competence, and employee performance. Theoretically, this study will add to the growing body of literature on public sector accounting; practically, it will help government agencies enhance the reliability of their financial reports by bolstering HR practices, standards, and staff output (Grossi *et al.*, 2023).

Agency Theory explains that government institutions act as agents responsible for providing reliable and transparent financial information to the public as principals. The implementation of Government Accounting Standards (SAP) ensures that financial statements are prepared consistently, comparably, and in accordance with applicable regulations. Proper implementation of SAP improves the relevance, reliability, and comparability of financial reports. Previous studies have reported that compliance with government accounting standards significantly enhances financial reporting quality (Peilouw et al., 2023; Yasman et al., 2025). Therefore, higher levels of SAP implementation are expected to improve the quality of financial statements.

H<sub>1</sub>: The implementation of Government Accounting Standards positively affects the quality of financial statements.

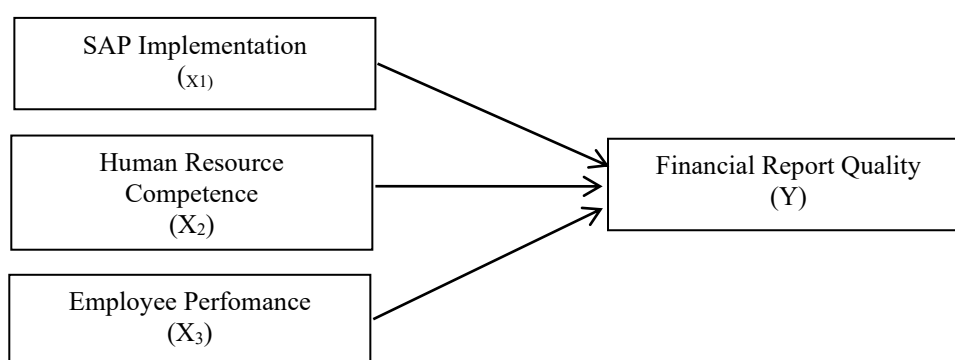
Human resource competence plays a crucial role in public sector financial management. Employees who possess adequate accounting knowledge, technical skills, and experience are more capable of preparing accurate and reliable financial statements. Competent personnel can also reduce reporting errors and ensure compliance with accounting standards. Previous research has demonstrated that human resource competence positively influences the quality of government financial statements

(Hale et al., 2024; Kristiana et al., 2024). In addition, Siwambudi et al. (2017) found that human resource competence contributes to improving financial reporting quality, particularly when supported by organizational commitment and effective internal control systems. Therefore, higher levels of employee competence are expected to improve financial reporting quality.

H<sub>2</sub>: Human resource competence positively affects the quality of financial statements.

Employee performance reflects the effectiveness with which personnel carry out their assigned duties and responsibilities. High-performing employees are more likely to prepare financial reports accurately, promptly, and in accordance with established procedures. Effective performance contributes to better accountability and transparency in financial reporting. Several studies have found that employee performance has a significant positive effect on financial reporting quality (Nurliani et al., 2025; Mahfuz & Hanum, 2023). Therefore, better employee performance is expected to improve the quality of financial statements.

H<sub>3</sub>: Employee performance positively affects the quality of financial statements.



Source: Research Data, 2025

**Figure 1. Research Model**

Based on Agency Theory and previous empirical studies, this research proposes a model in which Government Accounting Standards implementation, human resource competence, and employee performance serve as exogenous variables affecting financial report quality as the endogenous variable. The proposed framework is tested using Partial Least Squares Structural Equation Modeling (PLS-SEM).

## RESEARCH METHOD

This study employed a quantitative research approach using a survey method. Primary data were collected through structured questionnaires distributed to employees responsible for financial management, budgeting, administration, and financial reporting at the Ministry of Religious Affairs Office of Bima Regency (Ika & Falikhatun, 2026). Providing a group of people with a predetermined set of written statements or questions and asking them to fill them out is known as a questionnaire (Ghanad, 2023). The research instrument employed a five-point Likert scale to measure respondents' perceptions regarding each research variable. The scale ranged from 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree. The Likert scale was selected because it is widely used in behavioral and social science research to capture attitudes, perceptions, and opinions quantitatively. For both quantitative and qualitative data, researchers often turn to the tried-and-true Likert scale. Opinions, perspectives, or attitudes on the occurrence are formed using this knowledge (Ghanad, 2023).

Staff members of the Office of the Ministry of Religious Affairs in the Bima District made up the study's population. A total of 126 individuals were included in this investigation. This research used a purposive sample strategy to choose participants who were specifically responsible for financial management, budget planning, administration, and reporting. In order to collect data, 77 questionnaires were sent out to people who were eligible for the sample.

**Table 1.**  
**Variables and Indicators**

Variable	Variable Definition	Variable Measurement
Implementation of Government Accounting Standards (SAP)	Level of implementation of accrual-based reporting principles, procedures and standards in accordance with Government Regulation No. 71 of 2010 in government agency financial reporting	1. Compliance with SAP 2. Application of accrual basis 3. Preparation of reports in accordance with SAP format 4. Understanding of SAP (Likert scale 1-5)
Human Resources (SDM)	The capacity of individuals handling financial reports in terms of technical competence, experience, and understanding of financial regulations	1. Financial knowledge 2. Work experience 3. Education/training 4. Understanding of regulations 5. Ability to use the system (Likert scale 1-5)
Employee Performance	Individual performance based on quantity, quality, timeliness, discipline, and responsibility in preparing financial reports.	1. Quantity of work 2. Quality of work 3. Punctuality 4. Discipline 5. Responsibility (Likert scale 1-5)
Quality of Financial Statements	The degree to which financial statements fulfil qualitative characteristics such as relevance, reliability, understandability and comparability.	1. Relevance 2. Reliability 3. Timeliness 4. Comparability 5. Understandability (Likert scale 1-5)

*Source:* Research Data, 2025

The questionnaire items were adapted from previous studies on public sector accounting, government financial reporting quality, and organizational performance. Several modifications were made to ensure the suitability of the indicators with the context of the Ministry of Religious Affairs Office. Prior to data collection, the instrument was reviewed to ensure clarity and relevance to the research objectives. Before distribution, the questionnaire was evaluated for content validity through consultation with academic experts and practitioners involved in government financial management. A pilot assessment was also conducted to ensure that all questionnaire items were understandable and relevant to the respondents.

Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. PLS-SEM was selected because it is appropriate for predictive research, can accommodate relatively small sample sizes, and does not require strict multivariate normality assumptions. The analysis consisted of two stages. First, the measurement model (outer model) was evaluated through indicator reliability, convergent validity, discriminant validity, Composite Reliability (CR), and Average Variance Extracted (AVE). Second, the structural model (inner model) was evaluated using path coefficients, coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), predictive relevance ( $Q^2$ ), and bootstrapping procedures to test the research hypotheses.

The proposed research model was tested using a structural equation model in which Government Accounting Standards implementation, human resource competence, and employee

performance function as exogenous constructs influencing financial report quality as the endogenous construct.

## RESULTS AND DISCUSSION

**Table 2.**  
**Descriptive Statistics Results**

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	44	57.14
	Female	33	42.86
Age	< 25 years	4	5.19
	25–35 years	19	24.68
	36–45 years	32	41.56
	> 45 years	22	28.57
Educational Background	High School/Vocational School	7	9.09
	Diploma (D1–D3)	4	5.19
	Bachelor's Degree (S1)	63	81.82
	Postgraduate Degree (S2/S3)	3	3.90
Length of Service	< 1 year	5	6.49
	1–5 years	7	9.09
	6–10 years	14	18.18
	> 10 years	48	62.34
Position	Missing Data	3	3.90
	Staff	31	40.26
	Head of Section/Subdivision	1	1.30
	Structural Officer	2	2.60
	Others	43	55.84

*Source:* Research Data, 2025

Table 2 presents the demographic characteristics of the respondents. Of the 77 respondents, 57.14 percent were male and 42.86 percent were female. Based on age, the majority of respondents were between 36–45 years old (41.56 percent), followed by those aged over 45 years (28.57 percent) and 25–35 years (24.68 percent). In terms of educational background, most respondents held a Bachelor's Degree (S1) (81.82 percent), while the remaining respondents had completed high school/vocational education, diploma programs, or postgraduate studies.

Regarding work experience, most respondents had more than ten years of service (62.34 percent), indicating substantial experience in government financial management and reporting activities. Furthermore, the majority of respondents occupied positions categorized as “Others” (55.84 percent) and Staff (40.26 percent), while only a small proportion held managerial positions. These findings indicate that the respondents possessed adequate educational qualifications and professional experience, making them suitable sources of information for assessing the implementation of Government Accounting Standards, human resource competence, employee performance, and financial report quality.

Convergent validity was assessed by examining the outer loading values of each indicator. According to Hair et al. (2022), an indicator is considered valid when it has an outer loading value greater than 0.70. The results show that all indicators used in this study met the recommended threshold, indicating adequate convergent validity. For the SAP Implementation construct, the outer loading values ranged from 0.762 to 0.891. Human Resource Competence indicators exhibited outer loading values between 0.764 and 0.791. Employee Performance indicators ranged from 0.788 to 0.900, while Financial Report Quality indicators showed outer loading values between 0.780 and

0.858. Since all indicators exceeded the minimum criterion of 0.70, no indicators were removed from the model. These findings indicate that all measurement items are capable of explaining their respective latent constructs and possess satisfactory levels of convergent validity. Therefore, all indicators were retained for further analysis in the measurement model and structural model evaluation.

The measurement model was evaluated through convergent validity and reliability testing. Convergent validity was assessed using Average Variance Extracted (AVE), while reliability was evaluated using Cronbach's Alpha and Composite Reliability. According to Hair et al. (2022), a construct is considered valid if the AVE value exceeds 0.50 and reliable if the Cronbach's Alpha and Composite Reliability values exceed 0.70.

The results presented in Table 3 indicate that all constructs achieved AVE values above 0.50, ranging from 0.608 to 0.716. Furthermore, all Cronbach's Alpha values exceeded 0.70, ranging from 0.840 to 0.901, while Composite Reliability values ranged from 0.886 to 0.926. These findings confirm that all constructs satisfy the requirements of convergent validity and reliability and are therefore suitable for further analysis.

**Table 3.**  
**Construct Reliability and Validity**

Variable	Cronbach's Alpha	Composite Reliability	AVE
Government Accounting Standards Implementation	0.901	0.926	0.716
Human Resource Competence	0.840	0.886	0.608
Employee Performance	0.895	0.922	0.704
Financial Report Quality	0.880	0.913	0.677

*Source:* Research Data, 2025

The results indicate that all constructs achieved Cronbach's Alpha and Composite Reliability values above the recommended threshold of 0.70. Furthermore, all AVE values exceeded 0.50, demonstrating that the constructs explain more than half of the variance of their indicators. These findings confirm that the measurement model possesses adequate reliability and convergent validity, allowing further evaluation of the structural model. Discriminant validity was evaluated using the Fornell-Larcker criterion. According to Hair et al. (2022), discriminant validity is established when the square root of the Average Variance Extracted (AVE) of each construct is greater than its correlations with other constructs in the model.

The results indicate that all constructs satisfy the Fornell-Larcker criterion. The square root of AVE for SAP Implementation, Human Resource Competence, Employee Performance, and Financial Report Quality were 0.846, 0.780, 0.839, and 0.823, respectively. These values are greater than the correlations between each construct and the other constructs in the model. Therefore, each construct demonstrates adequate discriminant validity, indicating that the latent variables are empirically distinct and measure different concepts. The results confirm that the measurement model possesses satisfactory discriminant validity and is suitable for further structural model analysis.

The structural model was evaluated using the coefficient of determination ( $R^2$ ). The  $R^2$  value for Financial Report Quality was 0.759, indicating that Government Accounting Standards implementation, human resource competence, and employee performance collectively explain 75.9 percent of the variance in financial report quality. The remaining 24.1 percent is explained by factors outside the research model. Based on the criteria proposed by Hair et al. (2022), this value indicates substantial explanatory power.

**Table 4.**  
**Coefficient of Determination ( $R^2$ )**

Endogenous Variable	R <sup>2</sup>	Adjusted R <sup>2</sup>
Financial Report Quality	0.759	0.750

Source: Research Data, 2025

The effect size ( $f^2$ ) was assessed to determine the contribution of each exogenous construct to the endogenous construct. According to Hair et al. (2022),  $f^2$  values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects, respectively. The results show that SAP Implementation has an  $f^2$  value of 0.280, indicating a medium effect on Financial Report Quality. Similarly, Employee Performance demonstrates an  $f^2$  value of 0.297, which also represents a medium effect. These findings suggest that both SAP Implementation and Employee Performance contribute substantially to explaining variations in Financial Report Quality.

In contrast, Human Resource Competence has an  $f^2$  value of 0.018, which falls below the recommended threshold of 0.02. This result indicates a negligible effect on Financial Report Quality and is consistent with the hypothesis testing results, which revealed that Human Resource Competence does not significantly influence Financial Report Quality. Therefore, SAP Implementation and Employee Performance emerge as the primary factors influencing Financial Report Quality within the Ministry of Religious Affairs Office of Bima Regency.

Hypothesis testing was conducted using the bootstrapping procedure in SmartPLS. A hypothesis is accepted if the p-value is less than 0.05 and the t-statistic exceeds 1.96. The results show that the implementation of Government Accounting Standards has a positive and significant effect on financial report quality ( $\beta = 0.427$ ;  $p = 0.013$ ), thereby supporting H<sub>1</sub>. Employee performance also has a positive and significant effect on financial report quality ( $\beta = 0.416$ ;  $p = 0.028$ ), supporting H<sub>3</sub>. However, human resource competence does not significantly affect financial report quality ( $\beta = 0.113$ ;  $p = 0.493$ ), leading to the rejection of H<sub>2</sub>.

**Table 5.**  
**Hypothesis Testing Results**

Hypothesis	Path Coefficient	T Statistics	P Values	Decision
SAP Implementation → Financial Report Quality	0.427	2.484	0.013	Supported
Human Resource Competence → Financial Report Quality	0.113	0.686	0.493	Not Supported
Employee Performance → Financial Report Quality	0.416	2.202	0.028	Supported

Source: Research Data, 2025

The results of this study indicate that the implementation of Government Accounting Standards (SAP) has a positive and significant effect on the quality of financial reports. These findings demonstrate that the better the implementation of SAP within an organization, the higher the quality of financial reports produced. SAP provides a standardized framework for recording, measuring, presenting, and disclosing financial information, thereby ensuring consistency and accuracy in financial reporting. Through the application of SAP, financial reports become more relevant, reliable, comparable, and understandable, which are the fundamental qualitative characteristics of public sector financial reporting. Therefore, the implementation of SAP serves as an essential mechanism for improving accountability and transparency in government financial management.

From the perspective of Agency Theory, SAP implementation functions as an instrument for reducing information asymmetry between government institutions as agents and the public as principals. The existence of standardized accounting procedures enables financial information to be communicated more accurately and transparently to stakeholders. Consequently, opportunities for misinterpretation, reporting bias, and information distortion can be minimized. The application of SAP also strengthens accountability because government entities are required to prepare financial reports

according to established accounting principles and regulations. As a result, public trust in government financial management can be enhanced through the production of credible and transparent financial statements.

The findings of this study are consistent with the research conducted by Munawaroh et al. (2025), which found that Government Accounting Standards significantly improve financial report quality in local government institutions. Their study emphasizes that SAP implementation contributes to the preparation of financial reports that meet accountability and transparency requirements, thereby supporting effective public financial management. Furthermore, the study highlights that standardized accounting practices enable government organizations to maintain consistency in financial reporting and facilitate better decision-making processes. These findings reinforce the argument that SAP is one of the most important determinants of financial reporting quality in public sector organizations.

The present findings are also supported by Yasis (2024), who reported that the implementation of Government Accounting Standards significantly influences the quality of government financial reports. According to the study, SAP adoption promotes structured financial management practices, enhances reporting accuracy, and improves the reliability of financial information. The study further argues that compliance with accounting standards contributes to greater transparency and accountability in public sector reporting. In addition, SAP implementation helps government institutions produce financial information that can be trusted by internal and external stakeholders. Therefore, the significant effect identified in this study confirms that strengthening SAP implementation remains a crucial strategy for improving the quality of financial reports within the Ministry of Religious Affairs Office of Bima Regency. The finding is particularly relevant to the Ministry of Religious Affairs Office of Bima Regency, where financial management relies heavily on compliance with SAP and the integration of SAKTI and SIMAK-BMN systems. Strong adherence to SAP can reduce reporting inconsistencies and improve the accuracy of financial information produced by the institution.

The results of this study indicate that Human Resource Competence does not have a significant effect on Financial Report Quality. Although the path coefficient shows a positive direction, the relationship is statistically insignificant. This finding suggests that improving employee competence alone may not necessarily lead to better financial reporting quality within the Ministry of Religious Affairs Office of Bima Regency. Financial reporting quality is influenced not only by employees' knowledge, skills, and experience but also by organizational systems, internal control mechanisms, regulatory compliance, and the effectiveness of financial information systems. Consequently, the contribution of individual competence may become less visible when reporting activities are highly standardized and system-driven.

From the perspective of Agency Theory, competent human resources are expected to reduce information asymmetry between government institutions as agents and the public as principals. Employees who possess adequate accounting knowledge and technical expertise should be better able to prepare reliable, transparent, and accountable financial reports. However, the insignificant result found in this study indicates that the quality of financial reports may depend more heavily on institutional mechanisms than on individual capabilities alone. The implementation of standardized reporting procedures, mandatory compliance with Government Accounting Standards (SAP), and the utilization of integrated financial applications such as SAKTI and SIMAK-BMN may reduce the direct influence of employee competence on reporting outcomes. As a result, financial reporting quality can still be maintained even when differences in individual competence levels exist among employees.

This finding may also be explained by the characteristics of the respondents. Most respondents possess relatively similar educational backgrounds, with the majority holding a bachelor's degree and having more than ten years of work experience. Such homogeneity reduces the variation in competence levels among respondents and may weaken the statistical influence of competence on

financial reporting quality. Furthermore, financial reporting activities within government institutions are generally conducted collectively through coordinated work processes involving multiple units. Under these circumstances, financial report quality is more likely to be determined by organizational coordination and compliance with established procedures rather than by individual competence alone.

The findings of this study differ from those reported by Akbar and Choiriah (2025), who found that Human Resource Competence significantly improves Financial Report Quality. Their study argued that employees with strong accounting knowledge, technical skills, and professional expertise are better able to prepare financial reports in accordance with applicable standards and regulations. Similarly, Bagis and Darmawan (2022) emphasized that training programs, competency development initiatives, and professional capacity building contribute positively to reporting effectiveness and organizational performance. These studies suggest that competence is an important determinant of reporting quality when employees play a dominant role in the financial reporting process.

However, the present findings indicate that in highly regulated government institutions, the influence of Human Resource Competence may be overshadowed by the existence of standardized systems and formal reporting procedures. The Ministry of Religious Affairs Office of Bima Regency relies on integrated financial management systems and strict regulatory requirements that guide the preparation of financial reports. Consequently, the quality of financial reports may be maintained through procedural compliance and system controls even when differences in employee competence exist. Therefore, efforts to improve financial reporting quality should not focus solely on enhancing employee competence but should also strengthen organizational governance, internal control systems, and the effective implementation of financial management technologies.

The results of this study indicate that employee performance has a positive and significant effect on financial reporting quality. This finding suggests that higher levels of employee performance contribute to the production of more accurate, reliable, and timely financial reports. Employees who demonstrate strong work discipline, responsibility, and professional competence are more capable of performing financial management tasks in accordance with applicable accounting standards and organizational procedures. High-performing employees are also more likely to minimize reporting errors and ensure the completeness of financial information. Consequently, improved employee performance strengthens the organization's ability to produce high-quality financial reports that support transparency and accountability in public sector financial management.

From the perspective of Agency Theory, employee performance plays an important role in reducing information asymmetry between agents and principals. Employees who perform their duties effectively are more likely to provide accurate and transparent financial information, thereby enhancing stakeholders' trust in financial reporting outcomes. Furthermore, competent employees are able to comply with established regulations and reporting procedures, ensuring that financial statements reflect the actual financial condition of the organization. Effective employee performance also supports the implementation of internal controls and accounting systems, which are essential for maintaining financial reporting integrity. Therefore, organizations that invest in improving employee performance are more likely to achieve higher financial reporting quality.

The findings of this study are consistent with Hasaelvana et al. (2025), who found that employee performance has a positive and significant effect on financial reporting quality. Their study emphasized that employees with strong competencies, work discipline, and responsibility are better able to prepare financial reports that meet the principles of relevance, reliability, comparability, and understandability. The authors further argued that employee performance directly influences the effectiveness of financial reporting processes because employees are responsible for collecting, processing, and presenting financial information. As employee performance improves, the likelihood of reporting errors decreases, resulting in more reliable and credible financial statements. These findings support the present study, which confirms that employee performance is a critical determinant of financial reporting quality in public sector organizations.

This result is also supported by Odonkor et al., (2024), who argued that the quality of financial reports largely depends on the accuracy, responsibility, and competence of individuals involved in the reporting process. Employees who possess adequate technical skills and a strong understanding of accounting regulations are more capable of producing financial information that complies with government accounting standards. Moreover, high-performing employees contribute to organizational effectiveness by ensuring that financial data are processed correctly and reported in a timely manner. Their ability to perform tasks efficiently reduces the risk of inconsistencies and inaccuracies in financial reporting. Therefore, enhancing employee performance through training, professional development, and continuous evaluation can serve as an effective strategy for improving financial reporting quality in government institutions.

## CONCLUSION AND SUGESSTION

This study examined the effects of Government Accounting Standards (SAP) implementation, Human Resource Competence, and Employee Performance on Financial Report Quality at the Ministry of Religious Affairs Office of Bima Regency using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. The findings reveal that the implementation of Government Accounting Standards (SAP) has a positive and significant effect on Financial Report Quality. This result indicates that compliance with government accounting standards contributes to the preparation of financial reports that are more reliable, relevant, comparable, and understandable. Employee Performance was also found to have a positive and significant effect on Financial Report Quality, suggesting that employees who perform their duties effectively contribute to the production of high-quality financial reports. In contrast, Human Resource Competence was found to have a positive but statistically insignificant effect on Financial Report Quality, indicating that employee competence alone is insufficient to improve financial reporting quality without adequate organizational support, internal control mechanisms, and effective financial management systems. Furthermore, the structural model demonstrates substantial explanatory power, with the three independent variables collectively explaining 75.9 percent of the variance in Financial Report Quality.

The findings imply that public sector organizations should prioritize strengthening compliance with Government Accounting Standards and improving employee performance to enhance the quality of financial reporting. Although Human Resource Competence did not significantly influence Financial Report Quality, competency development remains important when supported by effective organizational systems and internal controls. This study was limited to the Ministry of Religious Affairs Office of Bima Regency and examined only three explanatory variables. Therefore, future studies are encouraged to include additional variables, such as internal control systems, information technology utilization, organizational commitment, and leadership effectiveness, while expanding the research setting to other government institutions to improve the generalizability of the findings.

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