

Influence Good Governance on the Quality of Financial Statements with SIMDA as Variables Moderating Government in Pati Regency

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Abstract:

This study aims to determine how much influence the good governance has on the quality of financial statements and to find out how much SIMDA in moderating the effect of good governance on the quality of financial statements. Quality financial statements will narrow down actions to commit corruption or other fraud. Every year the financial statements will be audited by the Supreme Audit Board and the issuance of opinions on the financial statements that have been audited. The method used in this study is quantitative with primary data from questionnaires. The sample used is probability sampling. The results of the study obtained that good governance has a positive and significant effect on the quality of financial statements. This is evidenced from the significance of $0,000 < 0,05$ and $t_{count} > t_{table}$ ($5.475 > 1.679$). Whereas SIMDA can "strengthen" the effect of good governance on the quality of financial statements. These results are proven from the interaction test graph which illustrates if SIMDA becomes a moderating variable the effect of good governance on the quality of financial statements.

Introduction

Background

At present the accounting of public institutions is more closely supervised and taken seriously, so that financial information can be more accountable than in the past (Rizqiani & Yulianto, 2020; A. R. Sari, Prasetyoningrum, & Hartono, 2020; Suhadak, 2019). Public institutions today are more focused on effective information, pay attention to the economic value, and the impact resulting from activities that have been carried out by these public institutions (Fitriana, Yulianto, & Solikhah, 2019; Junusi, 2020). Community demands for the government to organize good governance must be responded by the government by making changes that lead to the realization of good governance (D. Sari, 2012).

Based on the statement delivered by the Chairman of the Regional Management of Muhammadiyah Region (PWM) of West Sulawesi, Dr. Wahyun Mawardi hoped that Jokowi-Ma'ruf must protect the sovereignty of the country from foreign and domestic countries which resulted in Indonesia's wealth being unable to be utilized for the prosperity of the people. He also said that Jokowi-Ma'ruf must also be able to create good governance so that the government is clean and the government is in the interest of the people (Tribun-Timur.com, 2019). One way to realize good governance is that a government can produce good and quality financial reports (Budiyono & Arum, 2020; Istiariani, 2020; Istifadah & Senjani, 2020). To produce quality financial reports the government is required to follow applicable accounting standards (Republik Indonesia, 2010). To produce quality financial reports the government is required to follow applicable accounting standards. finance on The Regional Work Unit (SKPD) will certainly improve the quality of financial statements (Sihite & Holiawati, 2017).

One way to realize good governance is that a government can produce good and quality financial reports (Yang & Suartana, 2017). To produce quality financial reports the government is required to follow applicable accounting standards (Wahyuni & Azmi, 2019; Zahra & Wijayanti, 2019). The principle applied by accounting standards in good regional financial governance is a must that is applied in all countries in the world including Indonesia. The application of correct government accounting standards and a good understanding of regional financial accounting by financial managers in the Regional Work Unit (SKPD) will certainly improve the quality of financial reports (Sihite & Holiawati, 2017).

At the beginning of the year, the Supreme Audit Board (BPK) will carry out an examination of the financial statements of the regional government, especially the requirements in the suitability of the data collected. The examination is very important for the government because with the audit the state can find out what activities are carried out by local organizations in using the state budget.

Table 1: Results of Examination of Regional Government Financial Statements

No	Entity	TA 2012	TA 2013	TA 2014	TA 2015	TA 2016	TA 2017	TA 2018
1	Boyolali District	WTP	WTP	WTP	WTP	WTP	WTP	WTP
2	Brebes Regency	WDP	WDP	WDP	WDP	WDP	WDP	WDP
3	Pati District	WDP	WDP	WDP	WTP	WTP	WTP	WTP
4	Rembang District	WDP	WDP	WDP	WDP	WDP	WDP	WTP
5	Blora District	WDP	WTP	WTP	WTP	WTP	WTP	WTP

Source: <https://semarang.bpk.go.id/>

Opinion expressed on The LKPD (Regional Financial Report) of the 2014 IHPS II (Badan Pemeriksa Keuangan, 2014) is an illustration of the quality of financial accountability in implementing the APBD. The increase in the percentage of unqualified opinions (WTP) is due to the renewal of financial accountability by regional governments in preparing financial reports in accordance with established guidelines. LKPD who have not obtained WTP opinion (still WDP and TMP) in 2013 in general, financial statements still have weaknesses. An increase in opinion occurred only in the last four years (2015-2018) Pati District Government received the title of WTP (Fair Without Exception).

The implementation of SIMDA was introduced by the BPKP (Financial and Development Supervisory Agency) to assist regional financial management at the level of the Regional Apparatus Organization (OPD) as an accounting entity, and is expected to provide more benefits to local governments in implementing regional financial management (Azzindani, Pituringsih, & Irwan, 2019). The implementation of the SIMDA application program has the first goal, providing a database of conditions in the regions in a manner integrated starting from the aspects of staffing, regional assets, finance to public services. Second, obtain comprehensive, accurate and accurate information to local government management that can be used as a reference for decision making. Third, preparing regional apparatuses to be able to master and utilize information technology, and fourth, to strengthen the basis of regional government in implementing regional autonomy (Wibisono, 2017).

Even though the government in Pati Regency has obtained a fair opinion without exception from the BPK, the existence of problems regarding the financial statements is a serious concern because it shows a lack of goodwill from the central government, local government and public sector accounting practitioners to create good local government financial management (good governance) and clean government so that the government's credibility is decreasing, both in the eyes of the people and in the eyes of investors which are expected to advance the regional economy of (Herawati & Nopianti, 2017). Chronic problems that lead to poor governance and governance are caused by mental breakdown and morality of the state apparatus and weak governance control systems due to the lack of certainty in law (Dong, 2017).

Financial reports that have good quality is by looking at the opinions given by the Supreme Audit Board. There are strata of the assessment of financial statements from the results of the Financial Examiner (Pujanira & Taman, 2017). The Regional Government Financial Report (LKPD) is submitted to the Financial Supervisory Agency (BPK) which as an independent auditor will audit the financial statements of the government in order to determine the level of quality of information held by the LKPD (Armel, Nasir, & Devi, 2017). Based on the description above, the researcher took the title "The Effect of Good Governance on the Quality of Financial Statements with SIMDA as a Moderating Government Variable in Pati Regency".

Formulation of the problem

Based on the background and description of the problem, the problem formulation obtained, namely:

1. Does good governance affect the quality of financial statements?
2. Does good governance affect the quality of financial statements with SIMDA as a moderating variable?

Research purposes

Based on the description above, the purpose of this study are:

1. To analyze the effect of good governance on the quality of financial statements.
2. To analyze SIMDA as a moderating variable between good governance and the quality of financial statements.

Benefits of Research

Based on the background description above, the benefits of this research are:

1. For writers
As research material on Islamic accounting contained in the Regional Apparatus Organization and for the development of knowledge and insights owned by the author.
2. For Institutions
Provide more information about good governance by providing knowledge about the verses that are in accordance with the attitudes and rules of preparation of financial statements.
3. For Education
As a contribution of thought to enrich theories and concepts as well as knowledge about Islamic Accounting. The science is specifically about the preparation of financial statements on the part of government in pati regency.

Literature Reviews

Good governance

All financial practices and institutional management are only based on trust (Trust Agency) without having a system to realize that trust in the community (Afif & Nawirah, 2020). Governance can be interpreted as a way to manage public affairs (Warno, 2016).

The definition of good governance is a management of affairs in public institutions. World Bank conveyed the definition of governance as "the way state power is used in managing economic and social resources for the development of society". Meanwhile, the United Nations Development Program (UNDP) defines governance as "the exercise of political, economic, and administrative authority to manage a nation's affair at all levels". As such, the World Bank is inclined to how the government manages social and economic resources for the purposes of community development, while UNDP is leaning on the political, economic and administrative angle to manage a country. If guided by the World Bank and UNDP, the public sector aims to give birth to good governance (Mardiasmo, 2002). There are at least nine indicators used in achieving good governance according to UNDP:

1. *Participation*. The community is involved in determining policies both directly and indirectly through representative institutions that can channel their aspirations. Participation is built on the basis of freedom of association and speech and participative constructive.
2. *Rule of law*. Guided by a fair law and carried out indiscriminately.
3. *Transparency*. Freedom of information. Information that is related to the public interest and is obtained directly by those in need.
4. *Responsiveness*. Reactive government agencies in providing services to stake holders.
5. *Consensus orientation*. Prioritizing stronger community needs.
6. *Equity*. Equal opportunity for every community to get prosperity and justice.
7. *Efficiency and effectiveness*. In managing public sector finances it must be able to choose the right way with minimal resources but produces quality data.
8. *Accountability*. Local governments have the responsibility for each activity carried out.
9. *Strategic vision*. Government and community organizers must have a vision far ahead.

Based on the nine characteristics above, there are at least three characteristics that can be applied to public sector accounting, namely creating transparency, public accountability, and value for money (economy, efficiency, and effectiveness) (Mardiasmo, 2002)

The nature of good governance in the view of fiqh, has not found an appropriate legal basis (Baihaqi, n.d.). However, there are verses that explain the problem of good governance in Islamic teachings. It can be seen in the word of Allah in surah al-Hajj / QS. 224: 41: i.e.;

الذِينَ إِن مَكْنَهُمْ فِي الْأَرْضِ أَقَامُوا الصَّلَاةَ وَأَتَوْا الزَّكَاةَ وَأَمَرُوا بِالْمَعْرُوفِ
وَنَهَوْا عَنِ الْمُنْكَرِ وَاللَّهُ عَاقِبَةُ الْأُمُورِ

Translation: "(That is) those who if we affirm their position on the earth they would establish prayers, perform zakat, order to do ma'ruf and prevent from unjust acts; and to Allah is the return of affairs "

The verse indicates the existence of good governance issues in fiqh view, because the use of authority authority to manage development oriented to (1) creating a conducive atmosphere for the community to fulfill

their spiritual and spiritual needs can be integrated with prayer enforcement, (2) creation of prosperity and economic prosperity can symbolized by the act of paying zakat, (3) the creation of political stability can be inspired by the actions of amar ma'ruf nahi munkar. Thus the paragraph formulates good governance with three aspects, namely; (1) spiritual governance, (2) economic governance, (3) political governance (Mardiasmo, 2002).

أخبرنا أبو الحسن علي بن محمد المقرئ، أنا الحسن بن محمد بن إسحاق، نا يوسف بن يعقوب، نا أبو الربيع، نا حماد بن زيد، عن أيوب، عن نافع، عن ابن عمر قال: قال رسول الله ﷺ: «كلكم راع وكلكم مسؤول عن رعيته، فالأمير راع على الناس وهو مسؤول، والرجل راع على أهله وهو مسؤول، والمرأة راعية على بيت زوجها وهي مسؤولة، والعبد راع على مال سيده وهو مسؤول، فكلكم راع وكلكم مسؤول عن رعيته» أخبرنا أبو عبد الله الحافظ، أنا أبو عبد الله محمد بن عبد الله الصفار، نا إسماعيل بن إسحاق القاضي، نا عارم، نا حماد بن زيد، فذكره بإسناده نحوه، رواه مسلم في الصحيح، عن أبي الربيع، ورواه البخاري، عن عارم

Meaning: "It is told from Abu Hasan Ali ibn Muhammad al-Muqri', I am Hasan bin Muhammad bin Ishaq, I am Yusuf bin Ya'qub, I am Abu Robi', I am Hamad bin Zaid, from Ayyub, from Nafi', from Ibn Umar said: Rasulullah peace be upon him. said: "Each of you is a leader and will be held accountable for his leadership, a ruler (head of government) is a leader for his people who will be held accountable, a man is a leader for his family and will be held accountable, a woman is a leader for her husband's house and will be held accountable, a slave is the leader of the property of his master and will be held accountable, then each of you all are leaders who will be held accountable." Narrated by Abu Abdullah al-Hafidz,

Regional management information system (SIMDA)

Management Information System (MIS) can be interpreted as a system that can assist management in collecting data, processing and analyzing data evaluations and presenting into the boundaries of valuable information and finally to the decision making where this information is useful to support the functions of management operations (Wibisono, 2017).

Guided by Government Regulation No. 56/2005 concerning Regional Financial Information Systems, local governments have the obligation to develop and use information technology developments for the sake of ease and speed in managing and compiling financial reports in making decisions at an agency. Therefore, the application of management information systems is needed by local organizations because it can improve financial performance (Riawan, 2016).

The application of the Regional Management Information System (SIMDA) aims to make it easier to manage and prepare financial reports on the Regional Work Unit (SKPD). The SIMDA application is implemented so that the local government is able to carry out its performance easily and efficiently to prepare the Regional Budget (APBD). The SIMDA application aims to support regional governments when carrying out local financial performance assessment activities (Riawan, 2016). The indicators in the Regional Management Information System (SIMDA) include:

1. Accurate, the accuracy of the process of collecting, processing, presenting data as well as, the accuracy of the information generated (Nugraha & Astuti, 2013).
2. Ease, understanding about the ease of operation means someone believes if using the SIMDA application is easy and does not require more effort for the user. Basic ease of use of the SIMDA application includes easy learning, easy working, improving skills, easy to operate.

Expediency, a form of one's belief that using the SIMDA application will provide improved performance. Taking the basic benefits of the system the existence of a connection with computer technology in a person can be predicted from the attitude of attention to the technology such as the desire to add supporting software, motivation to keep using, and the desire to motivate other users (Budiman & Arza, 2013).

Financial statements

Definition

Financial statements prepared by management. Therefore, the agency theory, revealed that management has more information about the company. Indirectly, a manager has a broad opportunity to take action to obtain accounting decisions corresponding necessity the company (Megarani, Warno, & Fauzi, 2019). Accounting can be seen as an art, science, or technology. The most important component in an organization is the result of financial statements. The state expects local governments to maximize accountability to the public, but this causes a linkage for management in the public sector to deliver this information to the public in the form of financial reports (Mardiasmo, 2002).

Institute of Management Accountants (IMA), a USA-based professional management accountant organization, in 1981 meant management accounting was a process of identifying, summarizing, accumulating, analyzing, preparing, interpreting, and delivering financial information used by management for planning, evaluating and controlling organization and to guarantee the use of resources in an appropriate and accountable manner (Mahmudi, 2016).

Aim

In general, government sector financial statements have the same objectives, namely:

1. Delivering information to users of financial statements that are used as views on the formation of economic, social and political policies;
2. Shows public involvement and accountability;
3. Deliver information as material for consideration of managerial and organizational performance.

Local government financial report (LKPD)

Similar to the central government, financial reports for the scope of regional governments include financial reports of regional work units and consolidated reports of all financial statements of Regional Work Units (SKPD) which are then compiled in the form of Regional Government Financial Reports (LKPD). The LKPD includes a Balance Sheet, Budget Realization Report, Operational Report, Changes to the Budget Over Balance Report, Report on Changes in Equity, cash flow, and Notes to Financial Statements. Whereas the financial information compiled by SKPD includes the Balance Sheet, Budget Realization Report, Operational Report, and Notes to Financial Report (Mahmudi, 2016).

Legal basis

يا ايها الذين آمنوا اذا تداينتم بدين الى اجل مسمى فاكتبوه وليكتب بينكم كاتب بالعدل ولا ياب كاتب ان يكتب كما علمه الله فليكتب وليملل الذي عليه الحق وليتق الله ربه ولا يبخس منه شيئا فان كان الذي عليه الحق سفيها او ضعيفا او لا يستطيع ان يمل هو فليمل وليه بالعدل واستشهدوا شهيدين من رجالكم فان لم يكونا رجلين فرجل وامراتن ممن ترضون من الشهداء ان تضل احدهما فتذكر احدهما الاخرى ولا ياب الشهداء اذامادعوا ولا تسنموا ان تكتبوه صغيرا او كبيرا الى اجله ذلكم اقسط عند الله واقوم للشهادة وادنسالترتابوا الا ان تكون تجارة حاضرة تديرونها بينكم فليس عليكم جناح الاتكبتوها واشهدوا اذا تبايعتم ولا يضار كاتب ولا شهيد وان تفعلوا فانه فسوق بكم واتقوا الله ويعلمكم الله والله بكل شيء عليم (282)

Meaning:

"O believers! If you owe debts for the allotted time, write it down. And let a writer among you write it correctly. Let the writer refuse to write it as God has taught him, so let him write it. And let the one who owes it dictates, and let him fear Allah, his god, and let him not reduce the slightest of it. If the person who owes it is someone who is ill-fated or weak (his condition), or unable to dictate himself, then his guardian should dictate it correctly. And check with two male witnesses among you. If there are no (witnesses) two men, then (may be) a man and two women among those whom you like from the witnesses (who are there), so that if one forgets one will remind him. And the witnesses refuse if called. And do not be bored writing it down, for the time limit both (debt) small or large. That being the case, it is fairer with God, more able to strengthen testimony, and closer to you with impunity, except if it is a cash trade that you run among you, then there is no sin for you if you don't write it down. And take a witness when you sell and buy, and the number of writers is complicated and witnesses too. If you do (that is), then really, it is an ungodliness to you. And fear Allah,

The above verse explains that we are instructed to spend wealth in the way of Allah, an appeal to give alms and abstinence from usury, then humans are required to try to care for and spread their possessions, not neglect it so it is in accordance with the provisions given by God. This treasure is not material that Allah dislikes and is not condemned by Islam either. Allah has stated the command in that matter, also conveyed a guide and determined general provisions and the basics of a rule that are ways to find, maintain, use, and spend wealth in the way of Allah. Thus, the best assets are assets that are in accordance with the provisions of Allah, in accordance with the words of the Prophet:

نِ عَمَّا الْمَالِ الصَّالِحِ (رواه أحمد والطبراني عن عمر و بن عاص)

Meaning: *"The best treasure is the property of the righteous."* (History of Ahmad and at-Tabrani from 'Amr bin' Ās).

Guided by the Qur'an and its interpretation vol. I juz! -3 verses above means that God hates wrong ways and will denounce possessions that are wrong and not according to God's provisions and property that comes from those who make yourself as a slave to treasure. All his life, effort and thoughts are devoted to accumulating wealth and enriching oneself. therefore arises greed, greedy, mischievous, and miserly in him, so he does not heed the poor and abandoned.

Quality of financial statements

Guided by PP No. 71 of 2010 (Republik Indonesia, 2010) explains if the financial statements have good quality, then automatically the information contained in the financial statements will be useful for the wearer. Normative prerequisites needed so that government financial reports can meet the desired quality that is relevant, reliable, comparable and can be understood (Azlim, Darwanis, & Bakar, 2012). The indicators and explanations regarding normative prerequisites in Government Regulation No. 71 of 2010 namely:

1. Relevant, it is said to be relevant if a financial statement is able to influence the user's decision making so that it can contribute to the SKPD when conducting evaluation activities in the past or present and to estimate the future.
2. Reliable, a financial statement can be said to be reliable if the contents of a financial report are protected from fraud and material misstatement, displaying evidence properly and can be justified.
3. Can be compared, a financial statement is said to be able to compare if a financial statement can be compared with the previous period and can be compared with the financial statements of other entities in general. Comparison of a financial statement with other financial statements can be done if applying the same policy.
4. Understandable, a financial statement is said to be understood if the information contained in the financial statements is easily understood for those who are interested or users for ease of decision making.

The quality of information in bad financial statements will make it difficult for users to make decisions. In addition, the poor quality of reports as a result of the low competency of employees in government agencies has reduced public confidence in the performance of the government (Karsana & Suaryana, 2017).

Research Model, Hypotheses, and Method Framework for thinking

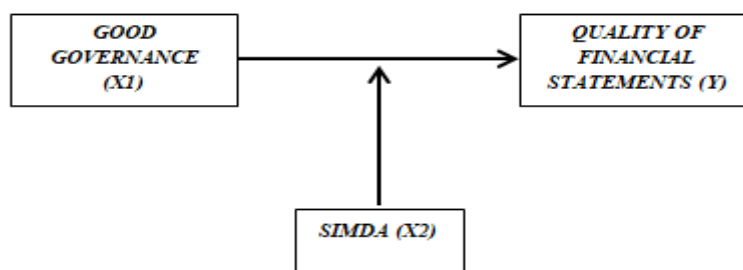


Figure 1: Framework

The role of the government as the manager of public money is obliged to show its responsibilities in the form of financial statements. To measure accountability, the financial statements must be checked first by the BPK as an external auditor (Herawati & Nopianti, 2017). Good governance is the first independent variable (X1) which has a positive influence on the quality of government financial statements. Where the quality of the financial statements referred to is the quality of financial reports produced by local governments and the quality of the financial statements is the dependent variable (Y).

SIMDA becomes a moderating variable that "strengthens" or "weakens the relationship of good governance to the quality of government financial statements. This is due to the importance of SIMDA in the SKPD in budgeting, where the regional accounting information system is able to create data accurately, encourage success in managing finances, has a beneficial value and is useful for printing information so as to produce good financial management and does not require a lot of costs, efficient and effective when comparing them manually. So it indicates if the local government utilizes the SIMDA application in an orderly manner it will become a "reinforcement" between the influence of good governance in advancing the quality of financial reports in government.

Research methods

This research is a quantitative study that uses primary data by distributing questionnaires to respondents. The questionnaire distributed was a list of written statements to respondents regarding the effect of good governance on the quality of financial statements with SIMDA as a moderating variable.

Population and sample

Population

Population is a fundamental thing that researchers must pay close attention to in order to obtain conclusions on accurate results on the area or object of research (Yusuf, 2014). The population in this research is the Regional Apparatus Organization (OPD) in Pati Regency government. The number of DPOs in Pati regency was 51 DPOs.

Sample

The sample is part of the population that has specific criteria or conditions used in the study. The sample can also be interpreted as an element of the population selected using a special method so that it is expected to represent the population (Martono, 2014). The sample used in this study was 15 OPD in Pati Regency. That is because of the 51 population that there are only 15 DPOs who have sufficient conditions to be sampled, that is DPOs who understand the economic, political, social, and cultural conditions of the Pati District residents. While the rest, namely 36 DPOs are small organizations at the sub-district level, so they do not meet the requirements to be sampled. Samples were taken at random (probability sampling) with simple random sampling, which is a method of collecting samples carried out randomly without regard to strata that exist in the population. Sampling in the accounting section at each OPD.

Determination of the sample size in this study using the Slovin formula, namely:

$$s = \frac{n}{1 + N \cdot e^2}$$

Information:

s = sample

N = population

E = degree of accuracy or critical value desired (Yusuf, 2014)

Thus, the sample calculation in this study is:

$$s = \frac{45}{1 + 45 \cdot 0,05^2}$$
$$= \frac{45}{1 + 45 \cdot 0,0025} = \frac{45}{1 + 0,1125} = \frac{45}{1,1125} = 40,4494 \approx 40$$

Based on the calculation of the Slovin formula above, it turns out the number of samples was 40 people.

Data analysis technique

Simple regression analysis

Simple regression analysis is intended to obtain mathematical interactions that are realized in the equation between the independent variable and the dependent variable and only based on one independent variable (Lupiyoadi & Ikhsan, 2015).

$$Y = a + b1X1 + e$$

Where:

Y = Quality of Financial Statements

a = Constant / parameter value *intercept*

b = Regression Coefficient

X1 = Good Governance

e = *Standard Error*

Analysis of the moderating variable interaction test

Moderated Regression Analysis (MRA) or interaction test is a special application of linear multiple regression where the regression equation contains interaction elements (multiplication of two or more independent variables) with the following equation formula (Liana, 2009):

$$Y = a + b1X1 + b2X2 + b3(X1X2) + e$$

Where:

Y = Quality of Financial Statements

a = Constant / parameter value *intercept*

b = Regression Coefficient

X1 = Good Governance

X2 = SIMDA

e = *Standard Error*

Simultaneous hypothesis test (test F)

The F statistical test is essentially to see whether each independent variable entered in the model has a simultaneous influence on the dependent variable. This test was carried out using a significance level of 0.05 ($\alpha = 5\%$) (Moha, Kalangi, & Warongan, 2017). The way to do the F test is as follows:

1. If the F value is above 4 then H0 can be rejected at a 5% confidence level, while the alternative hypothesis (H1) is accepted so that each independent variable is found to significantly influence the dependent variable.
2. Comparison between the calculated F value and the table F value: when the calculated F value > F table value, then the alternative hypothesis is accepted so that the conclusion that each independent variable simultaneously influences the dependent variable significantly (Kuncoro, 2018).

Partial hypothesis test (t test)

Partial test (t test) aims to show the extent of the influence of each independent variable in influencing the dependent variable. The test was carried out using a significance level of 0.05 ($\alpha = 5\%$) (Moha et al., 2017). The way to do the t test is as follows:

1. If the result of degree of freedom is 20 or more and the degree of trust is 5%, then H0 will be concluded that each independent variable simultaneously influences the dependent variable.
2. Comparison between t arithmetic with t table. When t-counts are obtained above the t-table value, then an alternative hypothesis is accepted so that the conclusion is that each independent variable simultaneously influences the dependent variable significantly (Kuncoro, 2018).

Results and Discussion

Data quality test

Validity test

Testing The validity of the instrument is used to assess the item statement with the aim of estimating the variable to be measured. Statement items on the questionnaire can be considered valid if $r_{\text{count}} > r_{\text{table}}$. The value of r_{table} 0.2845 was obtained from the calculation of $df = N - 2$ ($48 - 2$) = 46 with a significance level of 5%, so that the r_{table} value of 0.2845 was obtained (Awwaliyah, Agriyanto, & Farida, 2019).

Table 2: Instrument Validity Test Results

Variable	Item	count	rtable	Information
Good governance (X1)	X1.1	0.522	0.2845	Valid
	X1.2	.881	0.2845	Valid
	X1.3	0.762	0.2845	Valid
	X1.4	0.839	0.2845	Valid
	X1.5	0.574	0.2845	Valid
	X1.6	0.831	0.2845	Valid
	X1.7	.858	0.2845	Valid
	X1.8	0.838	0.2845	Valid
	X1.9	0.848	0.2845	Valid
SIMDA (X2)	X2.1	0.741	0.2845	Valid
	X2.2	.707	0.2845	Valid
	X2.3	0.710	0.2845	Valid
	X2.4	0.775	0.2845	Valid
	X2.5	0.763	0.2845	Valid
	X2.6	.887	0.2845	Valid
	X2.7	.893	0.2845	Valid
	X2.8	.906	0.2845	Valid
	X2.9	.881	0.2845	Valid
Quality of Financial Statements (Y)	Y.1	.896	0.2845	Valid
	Y.2	0.910	0.2845	Valid
	Y.3	0.939	0.2845	Valid
	Y.4	0.935	0.2845	Valid

Source: data processed, 2020

Based on table 2 which is the result of the validity test shows that all statement items on each variable have a positive correlation coefficient and are greater than r_{table} ($r_{\text{count}} > r_{\text{table}}$). So, it can be concluded that all items are valid statements and can be continued in the next analysis.

Reliability test

The criterion states if the correlation value is equal to or greater than 0.80, the items are reliable statements (Sarwono, 2006). If the value obtained from Cronbach's Alpha is above 0.80 then the variable is reliable.

Table 3: Reliability Test Results

Variable	Cronbach's Alpha	Limits of Reliability	Information
Good governance	0.911	0.80	Reliable
SIMDA	.909	0.80	Reliable
Quality of Financial Statements	0.939	0.80	Reliable

Source: data processed, 2020

Based on table 3 above, all variables consisting of good governance, SIMDA, and the quality of financial statements obtained Cronbach's Alpha results more than 0.80. Good governance variable obtained Cronbach's Alpha result of 0,911, SIMDA variable had Cronbach's Alpha value of 0,909, and financial report quality variable obtained Cronbach's Alpha result 0,939. So, it can be concluded that all variables are declared reliable.

Classic assumption test

Normality test

Kolmogrov-Smirnov test can be known by looking Asymp. Sig. (2-tailed) in the table

Table 4: Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		48
Normal Parameters ^a , b	The mean	0E-7
	Std. Deviation	1.31001278
Most Extreme Differences	Absolute	,119
	Positive	,119
	Negative	-.063
Kolmogorov-Smirnov Z		,828
Asymp. Sig. (2-tailed)		,500

a. Test distribution is Normal.
b. Calculated from data.

Source: data processed, 2020

Based on Normality test results in table 4 show that the Asymp value. Sig. (2-tailed) of 0.500 which means greater than 0.05, it can be concluded that all variables are normally distributed.

Multicollinearity test

Multicollinearity test is needed to determine whether there is a correlation on each independent variable. Multicollinearity can be known by looking at the value of tolerance and the value of variance inflation factor (VIF). If a tolerance value > 0.10 or VIF value < 10 is obtained, multicollinearity does not occur. Following are the results of the simple regression coefficient:

Table 5: Multicollinearity Test Results

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Good governance	,661	1,512
	SIMDA	,661	1,512

a. Dependent Variable: Quality of Financial Statements

Source: data processed, 2020.

According to table 5 above, it shows that each variable has a tolerance number > 0.10 and has a VIF number < 10. The variable of good governance has a tolerance figure of 0.661 while the SIMDA variable has the same tolerance figure of 0.661. Good governance and SIMDA variables also have the same VIF value, which is 1.512. Therefore, it can be concluded that all variables do not occur multicollinearity.

Autocorrelation test

Autocorrelation test is needed to determine the regression equation in research. Autocorrelation occurs or does not occur if the value of Durbin-Watson (DW) is $-2 < DW < 2$.

Table 6: Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,763a	,582	,564	1.33881	1,420

a. Predictors: (Constant), SIMDA, Good Governance
b. Dependent Variable: Quality of Financial Statements
Source: data processed, 2020

Based on table 6, shows that the DW value of 1.420. So, it can be concluded that $-2 < DW < 2$ so that all variables do not occur autocorrelation.

Hypothesis testing

Simple regression analysis

Simple regression estimates of the coefficient numbers obtained from linear equations, linked to one independent variable, are used as predictors of the value of the dependent variable (Sarwono, 2006).

Table 7: Simple Regression Coefficients

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	6,469	2,073		3,120	,003
1 Good governance	,289	,053	,628	5,475	,000

a. Dependent Variable: Quality of financial statements
Source: data processed, 2020.

In table 7 shows the equation of the regression line equation can be obtained from the Unstandardized Coefficient (B) column

$$Y = 6,469 + 0,289X + e$$

Based on these equations can be described as follows:

1. The result of the constant is 6,469
2. The results of the coefficient X1 (good governance) of 28.9%. Thus, it means that if there is an increase in the variable of good governance by one level in participation, rule of law, transparency, responsiveness, consensus orientation, equity, efficiency and effectiveness, accountability, and strategic vision, then the dependent variable is the quality of financial statements will experienced an increase of 28.9%. A number is positive, it means a positive interaction between good governance and the quality of financial statements.

Analysis of the moderating variable interaction test

Testing Variable interactions *moderate* in this study using *Moderated Regression Analysis* (MRA).

Table 8: Test Results

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Change Statistics					
						R	Square	F Change	df1	df2	Sig.
						Change	Change	Change	Change	Change	Change
1	,628a	,395	,381		1.59388	,395	29,970	1	46	,000	
2	,763b	,582	,564		1.33881	,188	20,198	1	45	,000	
3	,770c	,593	,566		1,33533	,011	1,235	1	44	,273	

a. Predictors: (Constant), Good Governance
b. Predictors: (Constant), Good Governance, SIMDA
c. Predictors: (Constant), Good Governance, SIMDA, product
Source: data processed, 2020.

On Table 8 there are three types of models, while the explanation according to the three models are:

- a. Model 1 contains good governance variables, has an R Square value of 0.395 or 39.5%. F value of 0,000 ($p < 0.05$), which means that good governance can predict the quality of financial statements significantly.
- b. Model 2 contains SIMDA variables, has an R Square value of 0.582 or 58.2%. F value of 0,000 ($p < 0.05$), which means that SIMDA can significantly predict the quality of financial statements.
- c. Model 3 contains multiplication between good governance and SIMDA in the form of a product. The Product has an R Square value of 0.593 or 59.3%. F value of 0.273 ($p > 0.05$), so that means that the product can predict the quality of financial statements well and significantly seen because of an increase in the value of F.

Under is a continuation of the moderating interaction test which will produce a moderating regression equation.

Table 9: Interaction Test Results

Model		Coefficients ^a			T	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	6,469	2,073		3,120	,003
	Good governance	,289	,053	,628	5,475	,000
2	(Constant)	3,430	1,868		1,836	,073
	Good governance	,146	,055	,318	2,686	,010
	SIMDA	,218	,049	,533	4,494	,000
3	(Constant)	15,362	10,898		1,410	,166
	Good governance	-,164	,285	-,357	-,577	,567
	SIMDA	-,099	,290	-,243	-,343	,733
	Good Governance * SIMDA	,008	,007	1,295	1,111	,273

a. Dependent Variable: quality of financial statements
Source: data processed, 2020.

In table 9 it focuses on model 3, where in model 3 it contains all the variables. The regression equation obtained from the tabel are:

$$Y = 15,362 - 0,164 X1 - 0,099 X2 + 0,008 X1X2 + e$$

For prove the SIMDA variable to be a moderating variable between good governance to the quality of financial statements can be seen in the following graph:

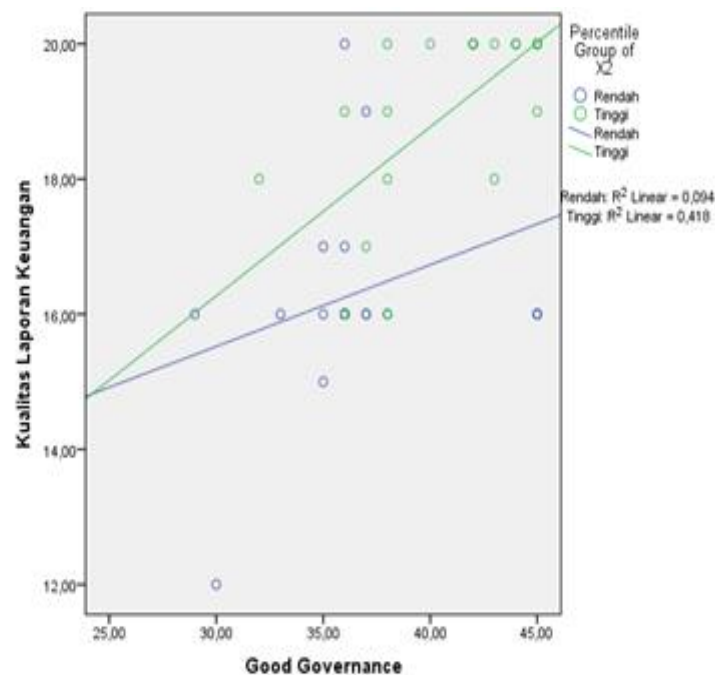


Figure 2: Interaction Test Graph
Source: data processed (2020)

Based on the graph in Figure 1 above, it is explained that the blue line shows the effect of low SIMDA, which means that if there is an increase in good governance, it is followed by an increase in the quality of the financial statements. While the green line shows the effect of high SIMDA, which means that if the implementation of good governance is carried out well it will be followed by an increase in the quality of the financial statements but not significantly. The statement proves that SIMDA is moderating variable. Thus, it was concluded that H_2 was accepted, namely SIMDA moderating the effect of good governance on the quality of financial statements.

Simultaneous hypothesis test (test F)

F test is needed to see the effect of the independent variable (X) together on the dependent variable (Y).

Table 10: Simultaneous Hypothesis Test Results (Test F)

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	76,139	1	76,139	29,970	.000 ^b
	Residual	116,861	46	2,540		
	Total	193,000	47			
2	Regression	112,342	2	56,171	31,338	.000 ^c
	Residual	80,658	45	1,792		
	Total	193,000	47			
3	Regression	114,543	3	38,181	21,413	.000 ^d
	Residual	78,457	44	1,783		
	Total	193,000	47			

a. Dependent Variable: quality of financial statements

b. Predictors: (Constant), Good Governance

c. Predictors: (Constant), Good Governance, SIMDA

d. Predictors: (Constant), Good Governance, SIMDA, Good Governance * SIMDA

Source: data processed, 2020

Based on table 10 above, there are two ways to do the F test. The ways that can be done are as follows:

1. Known acquisition of sig. is 0,000. Because the number sig. <0.05, so H₀ is rejected and alternative hypotheses are accepted.
2. Comparing the value of F calculation results with F table, where F table can be seen from table F that is presented and read using a formula.

$$df1 = k-1$$

$$df2 = nk$$

information:

k = total variable (independent + dependent)

n = total sample

Based on the formula, the following calculations can be made:

$$df1 = 3-1 = 2$$

$$df2 = 48-3 = 45$$

Test Statistics

$$F_{count} = 21,413$$

$$F_{table} = 3.20$$

Based on the above calculation, the Fcount number is 21.413 and the F table value is 3.20, so Fcount > F table, so that the alternative hypothesis is accepted. Thus, it can be stated that the variables of good governance and SIMDA simultaneously and significantly affect the quality of financial statements.

Partial hypothesis test (t test)

Partial hypothesis testing is needed to show how far the influence of the independent variables individually in explaining the dependent variable. Partial test is also needed to find out the significance of each independent variable with the dependent variable. How to find out the significance is achieved by looking at the numbers in the column of significance (sig.). Meanwhile, to see the magnitude of the influence of independent variables on the dependent variable can be known by comparing the results of t arithmetic in the table with a table that has known the magnitude. Partial test results can be seen in the following table:

Table 11: Partial Test Results

Model	Coefficients ^a			T	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
1	(Constant)	3,430	1,868	1,836	,073
	Good governance	,146	,055	,318	,010
	SIMDA	,218	,049	,533	,000

a. Dependent Variable: Quality of Financial Statements

Source: data processed, 2020.

Based on table 11, it states that:

- a. The effect of good governance on the quality of financial statements
Partial test results obtained tcount of 2.686 with a ttable of 1.679 (2.686 > 1.679) and a significance level of 0.010 (0.010 < 0.005), so it is stated that the first hypothesis is accepted that there is a positive and significant effect of good governance on the quality of financial statements.
- b. The effect of SIMDA on the quality of financial statements

The partial test results obtained tcount of 4.494 with a table value of 1.679 ($4.494 > 1.679$) and a significance level of 0.000 ($0.000 < 0.05$), so it is stated that the second hypothesis is accepted, namely there is a positive and significant influence of SIMDA on the quality of financial statements.

Coefficient of determination (R^2)

Test coefficient determination (R^2) in Moderated Regression Analysis is used to measure how far the ability of independent variables in explaining the dependent variable. The greater the coefficient of determination produced, the better the independent variable in explaining the dependent variable. The determination calculation table (R^2) can be seen as follows:

Table 12: Coefficient of Determination

Summary Model				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.770a	.593	.566	1.33533

a. Predictors: (Constant), simda good governance, good governance, simda
Source: data processed, 2020.

Based on table 12 above, the value of R Square is 0.593 or 59.3%. That matter to show that 59.3% of the quality of financial statements is influenced by good governance. While the remaining 40.7% is explained by different variables and not found in this study.

Discussion

This research was conducted in the Pati regency government regarding the effect of good governance on the quality of financial statements with SIMDA as a moderating variable. The data that has been obtained is then analyzed by the researcher so as to produce the following conclusions:

The effect of good governance on the quality of financial statements

Based on the results of research that has been done this hypothesis is accepted. This is proven based on the results of tests conducted by researchers showing that good governance has a positive and significant effect on the quality of financial statements. The partial test results obtained from the significance level of good governance variables $0.010 < 0.05$, which means that good governance variables have a significant effect on the quality of financial statements, so the better implementation of good governance can improve the quality of the financial statements.

If the Regional Government Organization (OPD) can implement good governance in financial management, it will produce quality financial reports that can be accounted for by the central government and the public. With the implementation of good governance, it is possible for financial managers to be more obedient to the rules that have been determined and certainly have clear and accountable procedures. If good governance is really implemented well and consistently it will make all OPD activities can run effectively and efficiently. This makes information can be disclosed in a timely and accurate manner, so that it will have a positive impact on the quality of financial statements, namely improving the quality of financial reports in the Pati District Government.

Saraswati and Budiasih (2019) suggested that good governance had a positive influence on the quality of the Denpasar City Government's financial statements. After conducting research, Maramis et al (2018) also stated that good governance affects the quality of financial statements in the Manado City Government. This means that if the application of good governance in the city of Manado is getting better, it will improve the quality of the financial statements of the local government. The influence of good governance on the quality of financial statement information is also significantly strengthened by research conducted by Tua (2015). Based on the three previous studies, it is in line with the research conducted at this time. Where, in this study the application of good governance has a positive and significant effect on the quality of financial statements.

The influence of SIMDA moderates between good governance and the quality of financial statements

Based on the graph of the Moderated Regression Analysis test results can be seen if the Regional Management Information System (SIMDA) moderates the effect of good governance on the quality of financial statements. If good governance can be implemented well, the quality of financial statements will improve and SIMDA will "strengthen the relationship between these two variables. That is because the role of SIMDA is very important in the preparation of financial statements. With the SIMDA in every department in Pati Regency, it makes it easier for the Regional Work Unit (SKPD) to prepare financial reports. SIMDA will produce financial

information that is more accurate, economical, easy to understand and the preparation of financial statements can be timely.

Riawan (2016) stated that the Regional Management Information System (SIMDA) moderates the relationship between human resources and regional financial performance. Where SIMDA position is "strengthening" the influence of human resources on regional financial performance. The second test result, SIMDA, also moderates the effect of budget quality on regional financial performance. This proves that SIMDA "strengthens" the relationship of budget quality to regional financial performance. After conducting research in Sragen Regency, Sari et al (2017) also stated that the Management Accounting System moderates the effect of participatory budgeting on the performance of employees and Regional Work Units (SKPD). Management Information System implemented in Sragen regency can improve employee managerial performance and SKPD.

Based on the three researchers, this research is in line with previous studies. Where the results of this study indicate that SIMDA moderates the effect of good governance on the quality of the Government's financial statements in Pati Regency. Thus, SIMDA "strengthens" the relationship between good governance and the quality of financial statements.

Conclusion

This study aims to assess and empirically analyze the effect of good governance on the quality of the financial statements of Local Governments in Pati Regency. Based on the results of research conducted, the conclusions obtained are as follows:

1. The results of the first hypothesis test, based on the acquisition of the t test stated that good governance has a positive and significant effect on the quality of the Government's financial statements in Pati Regency. This figure is considered at the significant level of $0.000 < 0.05$ and $t_{count} > t_{table}$ ($5,475 > 1,679$), the conclusion is that H1 is accepted, which means partially positive and significant influence between good governance on the quality of financial statements.
2. The second hypothesis test results, based on the graph of interaction test results obtained if the blue line shows the effect of low SIMDA, which means that if there is an increase in good governance, it is followed by an increase in the quality of the financial statements. While the green line shows the effect of high SIMDA, which means that if the implementation of good governance is carried out well it will be followed by an increase in the quality of the financial statements but not significantly. It was concluded that SIMDA moderated the effect of good governance on the quality of Government financial reports in Pati Regency. This means that SIMDA "strengthens" the relationship between good governance and the quality of financial statements.

Research Limitations

Researcher acknowledge that this research is far from perfect and there are still limitations. The limitations in this study include:

1. Researchers only took 15 Regional Apparatus Organizations (OPD) in Pati Regency which were considered sufficient to represent 51 existing Offices.
2. Researchers only take one independent variable, while there are many more variables that can affect the quality of financial statements. Therefore, this study merely obtained an coefficient of determination (Adjusted R²) of 59.3%.

Suggestion

Based on in the discussion and conclusions in this study, so that the researchers conveyed several suggestions sourced from research that has been carried out in Pati Regency Government are as follows:

1. Next researchers are expected to take more samples so that conclusions can be drawn more representative.
2. Further researchers are expected to develop more independent variables so that not only one independent variable is used, so as to increase the value of the coefficient of determination (Adjusted R²).

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