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Analysis of the Determination of the Quality of Local Government Financial Reports in 3T Regions in Indonesia

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ABSTRACT

The purpose of this study is to investigate the impact of human resources, the Government Internal Control System's (GICS) maturity, and the Human Development Index (HDI), infrastructure, regional financial independence, regional accessibility, regional age characteristics, and regional economic growth on the quality of local government financial reports, particularly in Indonesia's 3T regions (frontier, outermost, and least developed) during the 2020–2023 period. The population of this study includes all regions classified as 3T based on Presidential Regulation No. 63 of 2020 concerning the Determination of Underdeveloped Regions, totaling 62 regencies/cities (62 × 4 = 248 local government data points). Data from three local governments were unavailable for the tested variables, resulting in 236 eligible data points. Secondary data were collected by downloading reports from the official websites of relevant institutions. The findings reveal that, both simultaneously and partially, human resources, HDI, SPIP maturity, infrastructure, regional financial independence, accessibility, regional age characteristics, and economic growth significantly affect the quality of local government financial reports in 3T regions

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INTRODUCTION

The central government has mandated that regional governments provide transparent financial reports to the public in the form of Regional Government Financial Reports (LKPD) since the establishment of regional autonomy. Based on Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between the Central and Regional Governments, the central government provides flexibility for regional governments to manage their own households. Through decentralization, it is hoped that each region will be better and more responsible in managing its regional development because it has been given full authority by the central government to create policies that can increase economic growth. With the implementation of decentralization, each region is expected to be more effective and efficient in managing development because it has been given broad freedom by the central government in setting policies for the progress of its region. It is anticipated that the government's services to the people will improve with the establishment of regional autonomy. In order to answer to the people, the government must establish effective governance and accountability.

Indonesian public sector accounting has experienced developments, particularly in the implementation of regional autonomy policies. The switch from cash accounting to accrual accounting was a defining feature of accounting reform in the public sector. Laws such as Law No. 17 of 2003 about State Finances, Law No. 1 of 2004 concerning State Treasury, and Law No. 15 of 2004 concerning Audit of State Financial Management and Accountability were also issued during this accounting reform (Harahap, 2012). Based on the BPK RI IHPS graph, until 2022 there were 542 regional government financial reports consisting of 34 provincial governments and 508 district/city governments, then after the expansion of new regions in Papua, With the inclusion of four additional provinces—South Papua, Central Papua, and Mountainous Papua—Indonesia officially has 38 provinces, and Southwest Papua in 2023 so that there were 546 regional governments throughout Indonesia. There was an increase in the number of Regional Governments that received WTP Opinions from 2020-2021 nationally, namely 486 regional governments (89.67%) to 500 regional governments (92.25%). However, from 2022 to 2023 there was a decrease of 496 regional governments (91.51%) and 493 regional governments (90.29%), respectively. This demonstrates variations and a decline in the degree of financial report opinions. The Indonesian Audit Board (BPK RI) evaluates financial report opinions based on adherence to government accounting standards, sufficient disclosures, legal and regulatory compliance, and the efficiency of the internal control system.

The impact of Regional Autonomy has not yet fully met the expectations envisioned by the Government. According to Presidential Regulation No. 63 of 2020 concerning the Determination of Underdeveloped Regions for 2020-2024, there are still 62 regencies/cities on the list of underdeveloped regions. These areas still lag far behind other Indonesian regions in terms of community economy, human resources, facilities and infrastructure, regional financial

capacity, and accessibility. In terms of financial reporting, there are still underdeveloped regions that have not received a WTP financial report opinion.

Based on the findings of the IHPS BPK RI, of the 62 regencies with 3T region status, there was a significant increase in the acquisition of WTP Opinions from 2020 to 2022, then decreased in 2023. When compared with the national trend of obtaining WTP Opinions, there is a difference in the direction of the trendline graph, namely in 2021 to 2022. Nationally, local governments with the acquisition of WTP Opinions experienced a decline while in 3T regions experienced an increase. This is an interesting phenomenon to study, why regions with the 3T category have different trendlines from 2020-2023 when compared nationally.

The availability of adequate facilities and infrastructure allows for more accurate and timely data and information collection, which is a crucial element in preparing financial reports. Research by Mardiasmo (2009) explains that an integrated information system at the regional level can increase the efficiency of financial report preparation, resulting in more transparent and reliable documents. Furthermore, the quality of public services is enhanced by well-maintained infrastructure. Easy access to public services will increase public participation in the development process and oversight of regional budget use.

Regional financial independence in Indonesia's 3T (Disadvantaged, Frontier, and Outermost) regions still faces significant challenges, with a high dependence on central transfers. Regional original revenue can be used to gauge this independence, fiscal independence, and capital expenditure. Regional governments with a higher level of financial independence demonstrate better quality financial reports and fewer findings and recommendations from auditors (Rakhman & Wijayana, 2019a). Higher-quality financial reports are more likely to be produced by more financially independent regional governments since they often have greater resources to use information technology or pay experts to support their accounting systems. Additionally, (Tavares & da Cruz, 2020) discovered that transparent regional administrations typically had higher levels of locally generated revenue.

Uneven infrastructure quality and lack of maintenance are major problems in the 3T (frontier and remote) regions. Despite improvements in accessibility in some areas, uneven infrastructure distribution remains a challenge. Research by Sumadi, Papia, & Maikanas (2017) shows a significant correlation between a region's accessibility level and regional growth dynamics. This increased regional development has implications for the increasing complexity of administrative governance and financial systems. The accuracy of data and the promptness of local government financial reporting could be affected by these dynamics, particularly if institutional capacity is not aligned with regional development.

Judging from the age characteristics since the establishment of regions in the 3T category, the average age of these regions is around 25 years. The age of a regional government is also a factor that can influence its financial performance. (Siregar & Pratiwi, 2017) explained that the longer a regional government has been in existence, the more experience it has in managing its region. This experience refers to how the regional government implements its administrative

system, which consists of financial recording and reporting. The more experienced a regional government is, the more effective and efficient its administrative processes will be, which will directly impact the improvement of a region's financial performance. Research conducted by Sunardi et al. (2021) and (Setyaningrum & Syafitri, 2012) shows that the age of a regional government influences its performance.

Community economic criteria include poverty levels, per capita income, and economic growth. Increasing GDP can contribute to improved financial reporting quality because companies operating in better economic environments tend to have more resources to invest in better accounting systems and employee training (Animah et al., 2020). Furthermore, companies operating in regions with high GDP tend to be more transparent in their financial reports, which in turn improves the integrity of those reports (Ayem & Wulandari, 2023).

LITERATURE REVIEW

Financial Report Quality

Local government financial reports are a crucial element in assessing the accountability and transparency of public financial management. Quality financial reports must provide relevant and reliable information to stakeholders, such as the public, investors, and policymakers. The Government Accounting Standards (SAP), which were created by the Government Accounting Standards Committee (KSAP) to improve accountability, openness, and uniformity in financial reporting, must be followed by local governments while drafting these reports.

Human Resources

According to (Mardiasmo, 2009) the quality of human resources plays a key role in the preparation of high-quality local government financial reports. Competent and trained human resources have the ability to produce accurate and timely financial information. Therefore, investment in human resource development is crucial to improving the quality of financial reports. Local government employees with an accounting education background tend to have a better understanding of relevant accounting principles and applicable financial policies. Formal education in accounting helps them prepare financial reports that comply with established standards.

Human Development Index (HDI)

Health, education, and standard of living are the three primary characteristics taken into account by the Human progress Index (HDI), an indicator used to assess human progress in a region or nation. A high HDI reflects a high level of community well-being and the government's ability to provide quality public services (UNDP, 2020).

Maturity of the Government Internal Control System

A mechanism created and put into place by management to offer a reasonable level of confidence regarding the accomplishment of organizational goals, such as the precision and dependability of financial reporting, is known as an internal control system (IAS). IAS is essential to preserving the accuracy and caliber of financial reporting in the setting of local government. The quality of

financial reporting depends on effective internal controls, which can prevent errors or fraud in the presentation of financial information (COSO, 2013).

Facilities and Infrastructure

One of the key metrics used to assess a region's infrastructure and public service quality is its facilities and infrastructure. This index covers various aspects, including the availability, accessibility, and quality of infrastructure that supports various economic and social activities of the community. According to Endang, Mulyani, and Suyetty (2010), "Office infrastructure is more intended for immovable objects such as buildings, rooms, and land." Office work infrastructure, such as office buildings, official residences, and agency residences, is defined in Article 1 of Minister of Home Affairs Regulation Number 7 of 2006 concerning Standardization of Regional Government Work Facilities and Infrastructure as a facility that indirectly supports the implementation of an apparatus' work process in improving performance in accordance with its duties and responsibilities.

Regional Financial Independence

The ability of a region to freely manage resources and policies without undue reliance on support from the national government is known as regional independence. This independence includes social, administrative, and economical facets. In a financial context, regional independence is determined by the local government's ability to finance regional management and development through local revenue (PAD), without over-reliance on transfer funds from the central government (Central Statistics Agency, 2022).

Regional Accessibility

Regional accessibility is the ability or condition of an area to be accessed by outside parties, either directly or indirectly. This accessibility consists of existing infrastructure (road network systems) and the availability of means of movement. One variable that can indicate the high or low accessibility of a region is the number of road networks available in that area.

Regional Age Characteristics

Characteristics are special traits; they possess distinctive qualities (specialties) consistent with certain characteristics that distinguish one person from another (Poerwadarminta, 2006). Thus, the characteristics of a local government are the specific traits inherent in a local government, marking a region and distinguishing it from other regions. Local government characteristics can include regional size, welfare, functional differentiation, regional age, educational background of the regional head, regional leverage, and intergovernmental revenue (Suhardjanto et al., 2010).

Regional Economic Growth

Economic growth rate is the percentage change in the total output or gross domestic product (GDP) of a region within a specific period compared to the previous period. Economic growth rate reflects the level of economic expansion and the development of the community's economic well-being. Rasyidah et al. (2024) stated that economic growth can balance and align regional financial performance management and the level of regional independence. Although it is not the only measure, a region's economic development shows how successful its growth has been. Measuring economic advancement as a result of national

development is one of the advantages of economic growth, and per capita income may be used to determine the degree of population prosperity. As per capita income increases with constant work, the population's prosperity and productivity also increase. With regional autonomy, local governments can analyze the potential for improving a regional economy. In this study, the indicator used as a benchmark for regional economic potential is Gross Regional Domestic Product (GRDP) (Maharjan & Vidyattama, 2024).

According to research (Saleh & Rahadian, 2023), human resource (HR) competency, encompassing knowledge, skills, and attitudes, is crucial. Competent HR are able to prepare and present financial reports correctly and in accordance with standards. HR competency significantly influences the quality of local government financial reports. Research by Rahman & Permatasari (2021) shows that high HR skills and literacy can improve the quality of the resulting financial reports. This is because competent HR can ensure that the resulting financial reports are relevant, reliable, comparable, and understandable.

H1: Human Resources have a positive influence on the Quality of Financial Reports.

The quality of financial reports also plays a crucial role in budget management. Local governments that are able to prepare sound financial reports can manage their budgets more efficiently, ensuring that funds are allocated to programs that support human development, such as education and health. Furthermore, quality financial reports facilitate the monitoring and evaluation of government programs. With accurate data, the government can assess the effectiveness of implemented programs and make necessary adjustments to improve development outcomes (Sari & Mustanda, 2019)

H2: The Human Development Index (HDI) has a positive effect on the Quality of Financial Reports.

According to (Pamungkas et al., 2018), a strong internal control system provides reasonable assurance regarding the reliability of financial reports and the presentation of financial statements in accordance with generally accepted accounting principles (GAP) and ensures compliance with laws and regulations, which are essential for accountability and transparency in financial reporting. Local governments with a high-maturity SPIP (Regional Government Internal Control System) tend to have higher-quality financial reports. This is due to tighter controls and a more structured process for preparing financial reports. When internal controls are implemented consistently and systematically, the risk of errors or fraud in financial reporting can be minimized (Garrison et al., 2018).

H3: The maturity of the Government Internal Control System (SPIP) has a positive effect on the quality of financial reports

Communities who benefit from good infrastructure tend to have greater trust in the government. This trust is important in the context of financial reporting, as the public is more likely to accept and support government policies if they perceive the government to be transparent in budget management (Sari & Mustanda, 2019). Nugraheni & Subaweh (2020) also suggest that the availability of infrastructure affects the quality of financial reports. Furthermore, research (Erni et al., 2018) shows a positive and significant effect between infrastructure

and financial report quality. The availability of good infrastructure can improve human resource capabilities in managing financial data and preparing quality financial reports. Adequate infrastructure can also reduce errors in financial recording and reporting, and expedite the reporting process, which is often time-consuming and expensive when done manually.

H4: Infrastructure has a positive effect on the quality of financial reports

Independent regions have the freedom to design development programs tailored to local needs. Well-targeted and relevant policies will lead to more effective and efficient budget utilization. Consequently, the resulting financial reports will reflect the tangible results achieved by these programs ((Novitasari et al., 2020). Conversely, less independent regions often rely on instructions and policies from the central government, which can hinder innovation and responsiveness to community needs. Research by (Herindraningrum & Yuhertiana, 2021; Rakhman & Wijayana, 2019b) indicates that regional financial independence positively impacts the quality of financial reports. Greater independence enables local governments to more effectively manage resources and prepare accurate and relevant financial reports.

H5: Regional Financial Independence has a positive effect on the Quality of Financial Reports.

According to Sumadi et al. (2017), there is a close relationship between regional accessibility and regional development. Meeting the need for road infrastructure is one indicator influencing regional development. Equitable road networks, especially in areas with low accessibility scores, are expected to foster regional development. With regional development, administrative and financial complexity also increases. This can impact the accuracy and timeliness of financial reporting by local governments.Accessibility is a factor that can contribute to market growth and centers of economic development. With the development of transportation and road networks, access in some areas becomes easier. In areas with low access, the socioeconomic status of the community remains underdeveloped due to the difficulty of access (Farida, 2013). Furthermore, the research results of (Arif & Firmansyah, 2024) also stated that infrastructure development to increase accessibility has a significant positive impact on the economic and social welfare of the community, which in turn will influence community participation in monitoring and overseeing the accountability of their government.

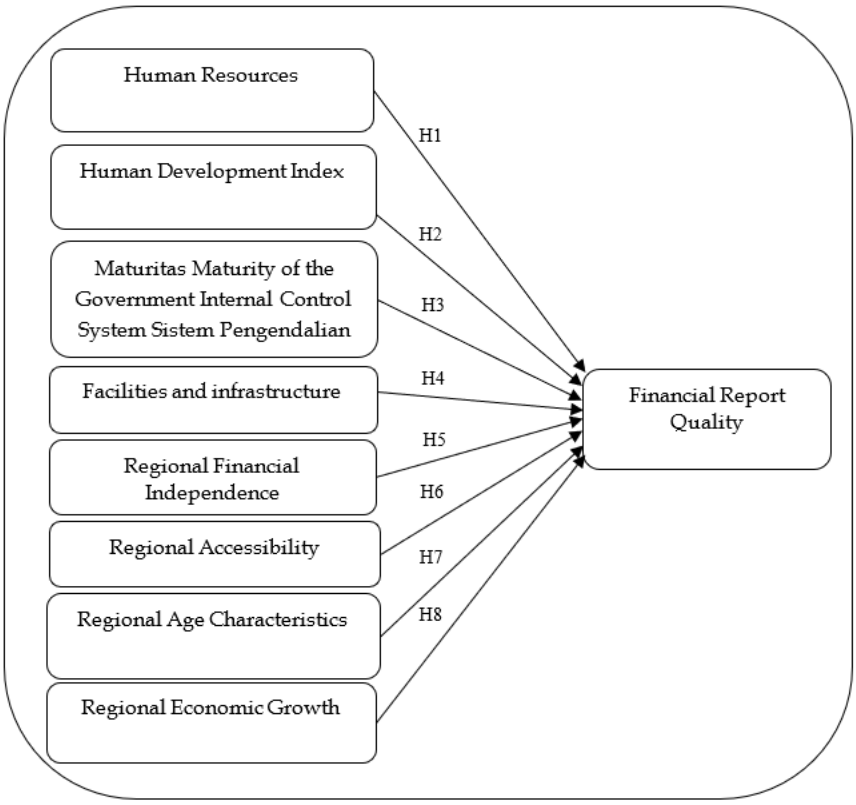
H6: Regional accessibility has a positive effect on the quality of financial reports.

The age of a local government can be determined by how long it has existed since its inception(Setyaningrum & Syafitri, 2012) define the age of a local government as the year it was established based on the law establishing the region. The older a local government is, the more experience it has in managing its region, which will improve its financial performance. This experience refers to how the local government operates its administrative system, including financial recording and reporting. The more experienced a regional government is, the more likely it is that the administrative process will run effectively and efficiently, which will directly impact the increase in regional income.

H7: Regional age has a positive effect on the quality of financial reports.

Economic growth, as represented by Gross Domestic Product (GDP), reflects the fiscal capacity and economic capability of local governments to implement development programs (Muryanto et al., 2022). Furthermore, the relationship between economic growth, good governance, and the quality of financial reporting at the regional level is important to examine to understand how these two factors can simultaneously influence the ability of local governments to prepare credible financial reports. Research shows that increasing GDP can contribute to improved financial reporting quality because companies operating in better economic environments tend to have more resources to invest in better accounting systems and employee training (Animah et al., 2020). Furthermore, companies operating in regions with high GDP tend to be more transparent in their financial reports, which in turn enhances the integrity of those reports (Ayem & Wulandari, 2023).

H8: Pertumbuhan Ekonomi Daerah berpengaruh positif terhadap Kualitas Laporan Keuangan



Picture 1. Conceptual Framework

METHODOLOGY

This research is a causal study. A causal study is a study conducted to identify the causes of one or more problems (Uma & Bougie, 2019). The researchers used this research design to examine the influence of human resource quality, the human development index, SPIP maturity, infrastructure, regional financial independence, accessibility, regional age characteristics, and regional

economic growth on the quality of local government financial reporting in Indonesia, particularly in underdeveloped, outermost, and remote regions (3T).

According to Presidential Regulation No. 63 of 2020 concerning the Determination of undeveloped Regions for 2020-2024, the study's population consisted of Indonesian provincial, district, and city administrations that were classified as undeveloped, outermost, and distant. This study analyzed a four-year period, 2020-2023, due to limited data and information obtained from various sources. The details of the Provincial/District/City Regional Governments in Indonesia

The IHPS Report of the Supreme Audit Agency (BPK RI), survey data from Statistics Indonesia (BPS), SPI maturity data from the Financial and Development Supervisory Agency (BPKP), and the official websites of related agencies were downloaded to obtain secondary data for this study.

RESULT

Determining the Panel Data Regression Approach Model

Three methods were used to perform panel data regression: the random effects model, the fixed effects model, and the common effects model. The following are the outcomes of testing these three models:

Table 1. Common Effect Model Regression.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7,302	3,559	2,052	0,041
SDM	0,254	0,412	0,617	0,538
IPM	- 0,948	0,351	- 2,703	0,007
SPIP	0,368	0,060	6,172	0,000
SARPRAS	- 0,037	0,115	- 0,319	0,750
KKD	- 0,008	0,015	- 0,540	0,589
AKSES	0,397	0,184	2,158	0,032
UMUR	0,106	0,074	1,431	0,154
PDB	0,002	0,012	0,179	0,858

The modified R-squared value is 0.157 based on the above table. This figure indicates that 15.7% of the dependent variable may be explained by the independent variable. Other factors that are not part of the model account for the remainder.

Table 2. Random Effect Model Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10,952	2,074	5,280	0,000
SDM	1,400	0,194	7,219	0,000
IPM	1,807	0,642	2,814	0,006
SPIP	0,023	0,007	3,217	0,002
SARPRAS	- 0,577	0,068	- 8,467	0,000
KKD	- 0,001	0,001	- 0,759	0,449
AKSES	0,065	0,036	1,781	0,077
UMUR	0,257	0,064	4,036	0,000
PDB	- 0,001	0,001	- 1,600	0,112

The adjusted R-squared value is 0.072 according to the table above. This figure shows that 7.2% of the dependent variable can be explained by the independent variable. Other factors that are not part of the model account for the remainder.

To select the most appropriate model for processing the research data, a model selection test was conducted to obtain efficient estimates. The results of the model selection test are as follows:

Table 3. Uji Chow Test Results

Effect Test	Statistik Uji F	Derajat Bebas	*p-value*
Cross section F	3,908	-58,169	0,000
Cross section Chi Square	200,768	58,000	0,000

The probability value (p-value) for Cross Section F is 0.000 < 0.05, according to Table 3's Chow Test results. As a result, the Fixed Effect Model was chosen based on the Chow Test.

Table 4. Hausman Test Results

Test Summary	Statistik Uji Chi Squared	Derajat Bebas	p-value
Cross section random	19,567	8,000	0,012

The probability value (p) for the random cross section is 0.012 < 0.05, according to Table 4's Hausman Test results. As a result, the Fixed Effect Model was chosen based on the Hausman Test.

Table 5. Langrange Multiplier (LM) Test Results

	Uji Hipotesis		
	Cross Section	Time	Both
Breusch-Pagan	44.122	0.018	44.141
	(0.000)	(0.890)	(0.000)

Based on Table 5, the results of the LM test indicate a p-value of 0.000 < 0.05. Therefore, the selected model based on the Hausman test is the Random Effects Model.

A summary of the panel data regression approach model testing is shown in the following table.

Table 6. Results of Panel Data Regression Approach Model Selection

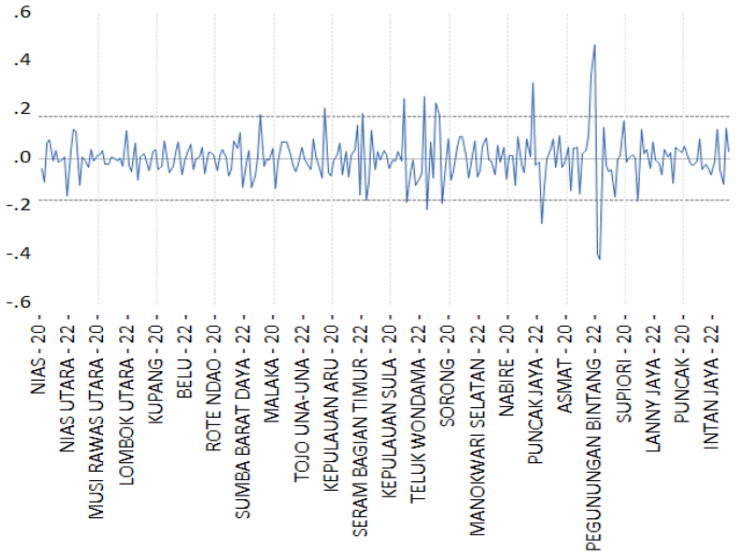
Regression	CEM	FEM	REM	Keterangan
Chow Test		✓		Fixed Effect Model
Hausman Test		✓		Fixed Effect Model
LM Test			✓	Random Effect Model

The Fixed Effect Model is the best approach model to utilize in this investigation, according to Table 6's results of choosing the panel data regression approach model.

Table 7. Multicollonieritas Test Results

Variabel	SDM	IPM	SPIP	SARPRAS	KKD	AKSES	UMUR	PDB
SDM		0.456	0.294	-0.269	0.314	0.229	-0.081	0.156
IPM	0.456		0.430	-0.029	0.533	0.311	0.352	0.049
SPIP	0.294	0.430		0.035	0.413	0.212	0.187	0.053
SARPRAS	-0.269	-0.029	0.035		-0.057	-0.083	0.231	0.033
KKD	0.314	0.533	0.413	-0.057		0.235	0.478	-0.009
AKSES	0.229	0.311	0.212	-0.083	0.235		0.117	-0.024
UMUR	-0.081	0.352	0.187	0.231	0.478	0.117		-0.048
PDB	0.156	0.049	0.053	0.033	-0.009	-0.024	-0.048	

It can be inferred from the multicollinearity test findings in the above table that every independent variable has a correlation coefficient value less than 0.80, indicating that the independent variables in this study do not have multicollinearity issues in the regression model.



Picture 2. Heteroscedasticity Test Results

It is evident from the graph above that residual data above 500 and -500 is not present in the graph's residual results. Thus, it may be said that there is no issue with heteroscedasticity.

Panel Data Linear Regression

Table 8. Fixed Effect Model Regression Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10,952	2,074	5,280	0,000
SDM	1,400	0,194	7,219	0,000
IPM	1,807	0,642	2,814	0,006
SPIP	0,023	0,007	3,217	0,002
SARPRAS	- 0,577	0,068	- 8,467	0,000
KKD	- 0,001	0,001	- 0,759	0,449
AKSES	0,065	0,036	1,781	0,077
UMUR	0,257	0,064	4,036	0,000
PDB	- 0,001	0,001	- 1,600	0,112

Based on the results of the regression analysis above, the regression model used is:

KLK = 10,952+ 1,400 SDM + 1,807 IPM + 0,023 SPIP – 0,577 SARPRAS - 0,001 KKD + 0,065 AKSES + 0,257 UMUR - 0,001 PDB + ε

At a significance level of 0.000, the Human Resources variable's regression coefficient is 1.400. This suggests that the quality of financial reports in 3T regions is positively and significantly correlated with human resource expertise. The quality of financial reports increases with the caliber of human resources. H1 is approved.

The quality of financial reports in 3T regions is positively and significantly correlated with the Human Development Index (HDI) variable, as indicated by

the regression coefficient of 1.807 with a significance level of 0.006. The quality of financial reports increases with the HDI. H2 is approved.

The Government Internal Control System (SPIP) variable has a regression coefficient of 0.023 at a significance level of 0.002. This suggests that SPIP maturity and the caliber of financial reports in 3T regions are positively and significantly correlated. The quality of financial reports increases with the SPIP maturity level. H3 is approved.

At a significance level of 0.000, the Facilities and Infrastructure variable's regression coefficient is negative (-) 0.577. The value of local government fixed assets and the caliber of regional financial reports in the 3T category show a negative and significant association between Facilities and Infrastructure. H4 is turned down.

Regional financial independence and the quality of regional financial reports in the 3T category are negatively correlated, but this relationship is not statistically significant, according to the regression coefficient for the Regional Financial Independence variable, which is negative (-) 0.001 with a significance level of 0.449. Consequently, it is impossible to draw the conclusion that greater regional financial independence will result in better financial reporting. H5 is turned down.

With a significance level of 0.077 and a regression coefficient of 0.065, the Regional Accessibility variable shows a positive but not statistically significant link. Consequently, it is not possible to draw the conclusion that improved regional accessibility will result in better financial reports. H6 is turned down.

Regional age characteristics and the caliber of 3T regional financial reports are positively and significantly correlated, according to the regression coefficient for the Regional Age Characteristics variable, which is 0.257 at a significance level of 0.000. The quality of regional government financial reports increases with the length of time a region has been in existence. H7 is approved.

With a significance threshold of 0.112, the regression coefficient for the regional economic growth variable is negative (-) 0.001. Although it is not statistically significant, this suggests a negative correlation between GDP growth rate and the caliber of 3T regional financial reports. Consequently, it is not possible to draw the conclusion that higher regional economic growth results in better financial report quality. H8 is turned down.

Table 9. Determination Coefficient Test Results

Weighted Statistics			
R-squared	0,981	Mean dependent var	12,272
Adjusted R-squared	0,973	S.D. dependent var	14,580
S.E. of regression	0,310	Sum squared resid	16,219
F-statistic	131,355	Durbin-Watson stat	1,897
Prob(F-statistic)	0,000		

The Adjusted R-Square value was 0.973 based on the findings of the coefficient of determination (R2) test, which involved regressing the variables of Human Resources, Human Development Index, SPIP Maturity, Facilities and

Infrastructure, Regional Financial Independence, Regional Accessibility, Regional Age Characteristics, and Regional Economic Growth. This shows that these factors simultaneously have a 97.3% impact on the quality of regional government financial reports in Indonesia's 3T region category.

Table 9 indicates that the significant coefficient has a F count of 131.355, a F table of 1.98, and a significant value of 0.000. This indicates that the regression model can be used to forecast the quality of financial reports in the 3T area, or that the independent variables jointly influence the quality of financial reports in the 3T area, since Sig. <0.05 and F count > F table.

Table 10. Hypothesis Test Results

Variabel Independent	Nilai Koefisien	Nilai t	Nilai Sig.	Nilai F/Sig.	Results
SDM	1,400	7,219	0,000	131,355/ 0.000	H_1 Accepted
IPM	1,807	2,814	0,006		H_2 Accepted
SPIP	0,023	3,217	0,002		H_3 Accepted
SARPRAS	- 0,577	- 8,467	0,000		H_4 Rejected
KKD	- 0,001	- 0,759	0,449		H_5 Rejected
AKSES	0,065	1,781	0,077		H_6 Rejected
UMUR	0,257	4,036	0,000		H_7 Accepted
PDB	- 0,001	- 1,600	0,112		H_8 Rejected

Human Resources has a significance value of 0.000 < 0.05 and a coefficient value of β1 = 1.400. As a result, H1, which asserts that human resources have a favorable impact on the quality of financial reports, is supported whereas Ho, which claims that human resources have no effect on the quality of financial reports, is not. This implies that the quality of the local government's financial reporting increases with the percentage of highly educated staff, leading to a better audit opinion.

The Human Development Index has a significance value of 0.006 < 0.05 and a coefficient value of β2 = 1.807. As a result, H2, which claims that the human development index has a favorable impact on the quality of financial reports, is supported whereas Ho, which claims that the index has no effect on the quality of financial reports, is not. This implies that raising the HDI can enhance the caliber of financial reports from local governments.

At a significance level of 0.002 < 0.05, the Government Internal Control System Maturity coefficient value is β3 = 0.023. As a result, H3, which claims that SPIP maturity has a favorable impact on the quality of financial reports, is supported while Ho, which claims that SPIP maturity has no effect on the quality of financial reports, is not. The quality of a local government's financial reporting increases with the maturity of its internal control system.

Facilities & Infrastructure has a significance level of 0.000 < 0.05 and a coefficient value of β4 = -0.577. As a result, H4, which claims that facilities and infrastructure have a beneficial impact on the quality of financial reports, is not supported, whereas Ho, which asserts that these factors have no positive impact

on the quality of financial reports, is. This indicates that the quality of 3T regional financial reporting is significantly impacted negatively by facilities and infrastructure. As a result, raising the value of regional fixed assets actually tends to lower the quality of the audit opinion that is acquired.

At a significance level of 0.449 > 0.05, Regional Financial Independence has a coefficient value of β5 = -0.001. As a result, H5, which claims that regional financial independence has a beneficial impact on the quality of financial reports, is not supported, whereas Ho, which claims that regional financial independence has no positive influence on the quality of financial reports, is. These findings suggest that the quality of financial reports in 3T regions is not significantly impacted by regional financial independence. This indicates that increases in the caliber of financial reporting have no direct bearing on PAD's share of overall regional revenue.

At a significance level of 0.077 > 0.05, accessibility has a coefficient value of β6 = 0.065. As a result, H6, which claims that regional accessibility has a favorable impact on the quality of financial reports, is not supported, whereas Ho, which claims that accessibility has no effect on the quality of financial reports, is. These findings suggest that the quality of financial reporting in 3T regions is not significantly impacted by regional accessibility. To put it another way, there is no direct correlation between better road infrastructure and higher-quality financial reporting from local governments.

At a significance level of 0.000 < 0.05, the coefficient value for regional age characteristics is β7 = 0.257. As a result, H7, which asserts that regional age features have a favorable impact on the quality of financial reports, is supported whereas Ho, which claims that regional age characteristics have no effect on the quality of financial reports, is not. This indicates that the quality of financial reports in 3T regions is positively and significantly impacted by regional age. The quality of a region's financial reports and the audit opinion it obtains both improve with the length of its administrative age.

Regional Economic Growth has a significance level of 0.112 > 0.05 and a coefficient value of β8 = -0.001. As a result, H8, which asserts that regional economic growth has no bearing on the caliber of financial reports, is not supported, whereas Ho, which asserts that regional economic growth has no effect on the caliber of financial reports, is. This suggests that the quality of financial reports in 3T regions is not substantially impacted by regional economic growth. Therefore, the improvement in the quality of financial reporting cannot be directly linked to the GDP growth rate.

DISCUSSION

Human resource competency is one of the most important factors in preparing financial reports, ensuring they deliver high-quality information that can be utilized by users. The human resource competency variable is measured by the level of education attained by State Civil Apparatus (ASN) in local governments with higher education (high school or equivalent) and then compared to all ASN in the local government. The results of the first hypothesis test (H1) for the Human Resources variable show a coefficient of β1 = 1.400 with a

significance value of 0.000 < 0.05. Therefore, H1, which states that human resources have a positive effect on the quality of financial reports, is supported. Therefore, it can be concluded that human resource competency has a positive and significant effect on the quality of financial reports in 3T regions. As human resources become more competent, the quality of financial reports also improves. If the personnel responsible for preparing local government financial reports do not have the necessary competencies or do not understand the business processes and procedures for preparing financial reports, then the resulting financial reports are likely to be unreliable (Setiawan et al., 2021).

The Human Development Index (HDI) is used as an indicator to measure the human development of a region or country, considering three dimensions: health, education, and standard of living. A high HDI reflects a high level of community welfare and the government's ability to provide quality public services. Based on the data obtained, the HDI data for regions in the 3T category remains at a low to medium level. The results of the second hypothesis test (H2) show that the Human Development Index has a coefficient value of $\beta 2 = 1.807$ with a significance level of 0.006 < 0.05. Therefore, H2, which states that the human development index has a positive effect on the quality of financial reports in 3T regions, is supported. This indicates that the HDI positively influences the quality of financial reports in 3T regions. As the HDI increases, the quality of financial reports in 3T regional governments will also increase.

A structure called the Government Internal Control System (SPIP) was created to guarantee the efficient, effective, and responsible administration of public funds and resources. It seeks to offer a fair level of assurance about the accomplishment of organizational objectives, including as risk management, financial report dependability, and legal and regulatory compliance. SPIP maturity reflects the level of development and implementation of internal control systems within organizations, including local governments. Based on the data obtained, local government internal control systems in regions classified as 3T are still at the developing stage. This means that control systems have been implemented but are not yet consistent, systematically documented, and not yet fully integrated into financial management and reporting processes. However, based on the results of testing the third hypothesis (H3), the Maturity of the Internal Control System has a coefficient value of $\beta 3 = 0.023$ with a significance level of 0.002 <0.05. Therefore, H3, which states that SPIP maturity has a positive effect on financial report quality, is supported. The maturity of SPIP has a significant positive effect on the quality of 3T regional financial reports, where the higher the level of maturity of a regional government's internal control system, the higher the quality of the regional government's financial reports.

Facilities and infrastructure are important indicators used to measure the quality of infrastructure and public services in a region. This index encompasses various aspects, including the availability, accessibility, and quality of infrastructure that supports various economic and social activities. The measurement of the facilities and infrastructure variable in this study is based on data on the value of fixed assets in local governments in the 3T category. Based on the results of the fourth hypothesis (H4), facilities and infrastructure have a

coefficient value of β4 = -0.577 with a significance level of 0.000 > 0.05. Therefore, H4, which states that facilities and infrastructure have a positive effect on the quality of financial reports, is not supported. These results actually indicate that the greater the facilities and infrastructure, the lower the quality of financial reports.

Regional independence refers to a region's ability to manage resources and policies independently, without over-reliance on assistance from the central government. This independence encompasses financial, administrative, and social aspects. In a financial context, regional independence is determined by the local government's ability to finance regional management and development through local revenue (PAD), without over-reliance on transfer funds from the central government. The results of the fifth hypothesis (H5), regarding Regional Financial Independence, showed a coefficient value of β5 = -0.001 with a significance level of 0.449 > 0.05. Therefore, H5, which states that regional financial independence has a positive effect on the quality of financial reports for 3T regional governments, is not supported. These results actually indicate that regional financial independence has a negative effect on the quality of financial reports for 3T regional governments, but this effect is not statistically significant. Therefore, the size of the PAD contribution to total regional revenue is not directly related to the achievement of an audit opinion. This may occur because the complexity of PAD management can be challenging, especially if it is not supported by adequate infrastructure and record-keeping. This is in line with research by Zahrul Fuadi et al. (2020) which states that regional financial independence does not have a significant influence on the level of quality and disclosure of government financial reports.

Regional accessibility refers to the ability or condition of an area to be accessed. One variable that can indicate the high or low level of regional accessibility is the number of road networks available in the area. This study used data from the ratio of the number of road infrastructure facilities in good and fair condition to the total number of roads in the area. Based on the sixth hypothesis (H6), accessibility has a coefficient value of β6 = 0.065 with a significance level of 0.077 > 0.05. Therefore, H6, which states that accessibility affects the quality of financial reports, is not supported. In other words, good road infrastructure conditions are not directly related to improved quality of local government financial reports, especially in the 3T (Underdeveloped, Remote, and Remote Areas) regions, which geographically face unique infrastructure challenges. Adequate road and transportation conditions can strengthen coordination, oversight, and reporting efficiency, but will have a more direct impact if supported by other infrastructure conditions such as telecommunications networks and the use of technology.

Regional government characteristics are specific traits inherent to a local government, defining a region and distinguishing it from other regions. In this study, regional government characteristics are measured by the region's age, calculated from the year the regional government was established based on the law establishing the region. The results of the seventh hypothesis (H7), Regional Age Characteristics, showed a coefficient value of β7 = 0.257 with a significance

level of 0.000 < 0.05. Therefore, H7, which states that regional age characteristics have a positive effect on the quality of financial reports, is supported. This means that the longer a region's administrative age, the higher the quality of its financial reports. Regional age reflects the length of time a government entity has been performing bureaucratic functions and financial reporting. Older regions tend to have more established reporting systems, more experienced human resources in preparing financial reports, and institutional infrastructure that supports accountability and transparency.

The economic growth rate reflects the level of economic expansion and the development of the community's economic welfare. Economic growth rate is the percentage change in the total output or gross domestic product (GDP) of a region within a specific period compared to the previous period. The results of the eighth hypothesis (H8), Regional Economic Growth, showed a coefficient value of β8 = -0.001 with a significance level of 0.112 > 0.05. Therefore, H8, which states that regional economic growth influences the quality of financial reports, is not supported. These results indicate that regional economic growth does not significantly influence the quality of financial reports in 3T regions. Therefore, it cannot be stated that higher economic growth in a region leads to higher quality financial reports. In other words, the GRDP growth rate is not directly related to improvements in the quality of regional audit opinions.

CONCLUSION AND RECOMMENDATION

Human Resources (HR) have a positive and significant impact on the quality of financial reports. The higher the proportion of highly educated employees, the higher the quality of local government financial reports, resulting in better audit opinions. The Human Development Index (HDI) has a positive and significant impact on the quality of financial reports. A higher HDI leads to higher quality financial reports for local governments in the 3T category. Local governments with a higher HDI tend to receive better audit opinions and are able to manage and report their finances more effectively. The maturity of the Government Internal Control System (SPIP) has a positive and significant impact on the quality of financial reports. The higher the maturity level of a local government's internal control system, the higher the quality of its financial reports.

Facilities and infrastructure, as measured by the value of local government fixed asset ownership, have a negative and significant impact on the quality of financial reports. The size of fixed assets does not guarantee quality reporting if not supported by a sound recording and management system. Furthermore, large asset values can increase the likelihood of misstatements in reports and lead to more complex financial report management. Regional Financial Independence has a negative but insignificant impact on the quality of financial reports. This may be because managing and increasing local revenue (PAD) can be challenging, especially if not supported by adequate infrastructure and reporting capacity.

Regional accessibility does not significantly impact the quality of financial reports. In other words, good road infrastructure is not directly related to improved quality of local government financial reports, particularly in 3T (Undeveloped and Remote) regions, which geographically face unique

infrastructure challenges. Adequate roads and transportation can strengthen coordination, oversight, and reporting efficiency, but will have a more direct impact if supported by other infrastructure, such as telecommunications networks and the use of technology. Regional age has a positive and significant impact on the quality of financial reports. Regions with longer standing tend to have more established reporting systems, more experienced human resources in preparing financial reports, and institutional infrastructure that supports accountability and transparency. Regional economic growth does not significantly impact the quality of financial reports. The rate of economic growth is not directly related to the quality of financial reporting. This may be because 3T regions often face limitations in infrastructure and technology, which have a more direct impact on the quality of financial reports than macroeconomic growth.

Overall, the regression model shows that 97.3% of the variation in financial report quality can be explained by the variables in this study, with the remainder influenced by other factors outside the model.

FURTHER STUDY

Further research is recommended to include other variables such as information technology, organizational culture, and external oversight as factors that may influence the quality of financial reports. The designation of regions as 3T regions is effective from 2020 to 2024 based on Presidential Regulation No. 63 of 2020. Further research is expected to expand the sample size for testing the quality of local government financial reports by adding data from 2024.

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