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Influence of Implementation System Application Agency Level Finance and Internal Control over Quality Financial report Government

***Reza Wibawa Mukti*[a*], *Indupurnahayu*[b], *Renea Shinta Aminda*[c]**

[a,b,c]Ibn Khaldun University, Indonesia

* Corresponding author e-mail: reza260887@yahoo.co.id

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ABSTRACT

The acceleration of digital transformation in the public sector under the Industry4.0 era required governments to strengthen financial governance through integrated information systems, effective internal control, and compliance with accounting standards. This study aimed to examine the effect of the implementation of the System Application Agency Level Finance (SAKTI) and internal control on the quality of government financial statements, with Government Accounting Standards (SAP) as a mediating variable. This research employed a quantitative approach using survey data collected from 97 financial management officers at work units under the Agency for Agricultural Assembly and Modernization, Ministry of Agriculture. Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. The results indicated that the implementation of SAKTI, internal control, and SAP each had a positive and significant effect on the quality of financial statements. Internal control showed the strongest direct influence, followed by SAP and SAKTI. Furthermore, SAP significantly mediated the relationship between SAKTI and financial statement quality, as well as between internal control and financial statement quality, indicating partial mediation. These findings suggested that while digital financial systems and internal control mechanisms independently enhanced financial reporting quality, their effectiveness was strengthened when supported by consistent compliance with government accounting standards. This study contributed to the public sector accounting literature by empirically positioning SAP as a mediating mechanism that linked digital financial systems and governance practices to improved financial reporting quality.

INTRODUCTION

The Revolution 4.0 era is characterized by the increasing use of information technology across sectors, including public governance. Digital disruption drives rapid and fundamental changes with broad economic impacts (Manyika et al., 2013), requiring governments to continuously adapt governance systems to ensure effective, transparent, and accountable public resource management. The quality of government financial reporting is closely related to a country's level of governance. Countries with strong governance systems tend to produce high-quality financial reports, while weak governance is associated with lower reporting quality (Mbir et al., 2020; Yamen & Can, 2023). Improving financial reporting quality is therefore essential to support transparency, accountability, efficiency, and effectiveness in public administration (Yolanda et al., 2025).

In Indonesia, e-government has been formally adopted through Presidential Instruction No. 3 of 2003, which aims to enhance administrative efficiency, accelerate public service delivery, and strengthen transparency and accountability (A. Anto et al., 2025; Dwiyanto, 2022). In public financial governance, Law No. 17 of 2003 requires ministries and institutions to prepare and submit financial reports, emphasizing the need for reliable financial management supported by sound accounting practices. Accordingly, financial reform is based on the implementation of Government Accounting Standards (SAP) as regulated in Government Regulation No. 71 of 2010. SAP ensures that financial information is presented in a reliable, relevant, and accountable manner, thereby improving reporting quality (Hafidzah & Tjahjono, 2025; Setiawan & Nurasik, 2024).

Financial reporting quality is a key indicator of good governance. SAP provides principles and procedures for producing consistent financial reports that reflect the financial position, performance, and cash flows (Zuliyana et al., 2023). Reports that meet qualitative characteristics of relevance, reliability, comparability, and understandability are essential for decision-making and reflect government accountability.

Several factors influence financial reporting quality, particularly the implementation of SAKTI and internal control. SAKTI is a national financial information system used to manage budgeting, implementation, and reporting processes as part of e-government reform (Rahman et al., 2023). Its standardized features improve efficiency, accuracy, and compliance with SAP. Meanwhile, internal control ensures the reliability and integrity of financial information by minimizing errors and fraud, and weak controls can reduce reporting quality (Andriani et al., 2019).

SAP functions as a technical guideline for preparing public sector financial reports and is positioned in this study as a mediating variable between SAKTI and internal control in influencing financial reporting quality. Although SAKTI facilitates recording, and internal controls ensure data reliability, optimal reporting quality cannot be achieved without compliance with standardized accounting principles.

Empirically, this study focuses on the Ministry of Agriculture, where audit results show a decline in financial report opinion from Unqualified (WTP) in 2020–2022 to Qualified (WDP) in 2023, indicating potential weaknesses in accounting systems, internal control, or SAP implementation. Previous studies have mainly examined the direct effects of SAKTI, internal control, or human resource competence on financial reporting quality (Andriani et al., 2019; Safitria et al., 2023). However, research positioning SAP as a mediating variable remains limited (Usman et al., 2024). The gap This important considering SAP works as runway normative in reporting finance in the environment digital bureaucracy. Governance studies international also confirmed that digital government reform must accompanied by framework strong regulation and accounting for adoption technology truly increase accountability and quality reporting finance (OECD, 2020).

Therefore, this study offers novelty by explaining the mechanism through which technology systems and internal governance improve financial reporting quality through SAP. This study aims to analyze the effect of SAKTI implementation and internal control on financial reporting quality, with SAP as a mediating variable, using empirical evidence from the Ministry of Agriculture.

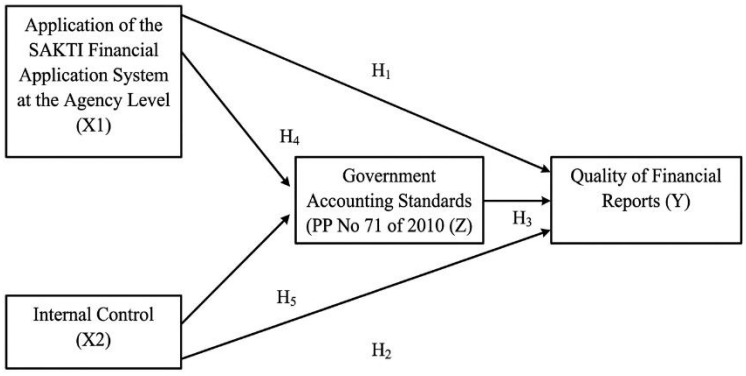

Figure 1. Research Model

Figure 1 presents the conceptual framework, illustrating the causal relationships between SAKTI and internal control as independent variables, financial reporting quality as the dependent variable, and SAP as the mediating variable, both directly and indirectly. This framework explains how digital financial systems and internal control mechanisms enhance reporting accuracy and transparency by ensuring the consistent implementation of government accounting standards.

The Effect of SAKTI Implementation on Financial Reporting Quality. The implementation of the System Application Agency Level Finance (SAKTI) represents an integrated financial management information system in the Indonesian public sector. Conceptually, such systems enhance financial reporting quality by improving data accuracy, consistency, and timeliness through standardized, automated processes. Prior studies show that Integrated Financial Management Information Systems (IFMIS) improve reporting quality by ensuring data integration and consistency Dener et al (2011) and by strengthening reliability and accuracy (Diamond, 2013). Recent evidence also confirms that digital financial systems improve the

relevance and comparability of accounting information (Almanaeseh et al., 2024; Shakatreh et al., 2023) and enhance transparency and accountability (Evinita et al., 2025; Oki et al., 2019). Therefore, SAKTI implementation is expected to improve financial reporting quality.

H1: The implementation of SAKTI affects financial reporting quality in the Agricultural Assembly and Modernization Agency work unit.

Internal Control and Financial Reporting Quality. Internal control plays a crucial role in ensuring reliable, accurate, and timely financial reporting by minimizing errors, fraud, and misstatements. Empirical studies consistently show that effective internal control significantly improves financial reporting quality and accountability (Bimo et al., 2019; Mulyati et al., 2020). As an integrated system consisting of control environment, risk assessment, control activities, information and communication, and monitoring, internal control ensures compliance with applicable standards (Salameh & University, 2019). Thus, stronger internal control leads to better financial reporting quality.

H2: Internal control affects financial reporting quality in the Agricultural Assembly and Modernization Agency work unit.

Government Accounting Standards and Financial Reporting Quality. Government Accounting Standards (SAP), regulated under Government Regulation No. 71 of 2010, provide a fundamental framework for preparing financial reports in the public sector. The application of these standards ensures that financial information is relevant, reliable, comparable, and understandable. Empirical evidence confirms that SAP implementation improves accuracy, transparency, compliance, accountability, and overall reporting quality (Anto & Yusran, 2023; Jatmiko et al., 2020; Yamin et al., 2025;Yuesti et al., 2022).

H3: Government Accounting Standards affect financial reporting quality in the Agricultural Assembly and Modernization Agency work unit.

The Mediating Role of Government Accounting Standards in the Relationship between SAKTI and Financial Reporting Quality. SAKTI supports financial management processes aligned with accrual-based accounting and standardized reporting (Haryani et al., 2026). Meanwhile, SAP provides the normative framework ensuring reporting quality through compliance, transparency, and accountability (Yuesti et al., 2022). Conceptually, SAKTI's effectiveness depends on its ability to support compliance with accounting standards. Thus, SAKTI not only directly improves reporting quality but also enhances SAP implementation, thereby improving reporting outcomes.

H4: Government Accounting Standards mediate the effect of SAKTI implementation on financial reporting quality in the Agricultural Assembly and Modernization Agency work unit.

The Mediating Role of Government Accounting Standards in the Relationship between Internal Control and Financial Reporting Quality. Internal control ensures data reliability and integrity in financial reporting, while SAP provides a formal framework for standardized reporting. Empirical studies indicate that both internal control and accounting standards contribute to reporting quality (Jatmiko et al., 2020; Suprianto et al., 2023). Conceptually, the

effectiveness of internal control is closely related to its role in ensuring compliance with SAP. Therefore, internal control not only directly improves reporting quality but also enhances SAP implementation, thereby improving reporting outcomes.

H5: Government Accounting Standards mediate the effect of internal control on financial reporting quality in the Agricultural Assembly and Modernization Agency work unit.

RESEARCH METHODS

This study uses a quantitative approach to analyze the effects of implementing the System Application Agency Level Finance (SAKTI) and internal control on financial reporting quality, with Government Accounting Standards (SAP), as regulated in Government Regulation Number 71 of 2010, as a mediating variable. The unit of analysis in this study is financial management officials. In contrast, the study focuses on the financial reporting system implemented in work units under the Agency for Agricultural Assembly and Modernization. Research implemented in the period December 2024 to March 2025.

The study population comprises 64 work units across 34 provinces, totaling 128 financial management operators. The sampling technique used is purposive sampling, namely selecting respondents based on specific criteria, especially employees directly involved in the management and reporting processes of finance.

The sample size was determined using Slovin's formula at a 5% level of error, as recommended by (Sugiyono, 2020). Based on the calculation, the resulting sample size was 96.96, rounded to 97 respondents. This sample size is considered to represent the population characteristics.

Research data collected through questionnaires as primary data sources and documentation as supporting data. The questionnaire was designed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) and was distributed online. The research instrument covers four main variables. The SAKTI variable is measured through indicator completeness features, ease of data use and input, implementation stages, and accessibility of system technology, in accordance with Regulation of the Minister of Finance Number 223/PMK.05/2015. Internal control is measured based on the five components adopted from the COSO Internal Control–Integrated Framework, namely control environment, risk assessment, control activities, information and communication, and monitoring (Abdurrahman, 2020). Financial reporting quality is measured using indicators of relevance, reliability, comparability, and understandability, adopted from the qualitative characteristics of financial reporting as commonly used in the public sector accounting literature (Rompas et al., 2022). The SAP variable is operationalized based on the implementation of Government Accounting Standards, which are adopted from regulatory compliance, human resource competence, and supporting systems and infrastructure (Husin et al., 2025).

Data analysis was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. This method was chosen because it can analyze relationships among

latent variables simultaneously and does not require a large sample size (Ghozali & Latan, 2020). Evaluation of the measurement model (outer model) was conducted using tests of convergent validity, discriminant validity, and composite reliability, as proposed by Musyaffi et al (2022). Furthermore, the structural model (inner model) was evaluated using the coefficient of determination (R^2), effect size (f^2), and path coefficients.

Testing hypothesis done at the level of significance of 5% ($\alpha = 0.05$). Hypothesis is accepted if p- value < 0.05. In addition, a simultaneous test was conducted to evaluate the influence of SAKTI variables, internal control, and SAP on the quality of financial reports.

RESULTS & DISCUSSION

Research Context and Theoretical Framework. This study is based on the grand theory of New Public Management (NPM), which emphasizes the importance of accountability, transparency, and efficiency in public sector financial management through the utilization of information systems and the strengthening of internal control mechanisms. In the context of reporting finance government, quality financial reports are influenced by the successful implementation of the system of financial information, the effectiveness of internal control, and compliance with the Standard Government Accounting (SAP), as arranged in Regulation Government Number 71 of 2010.

Conceptually, the System Application Agency Level Finance (SAKTI) is seen as a digital tool capable of increasing accuracy, consistency, and precision in time reporting and financial management. Meanwhile, internal control functions as a mechanism within an organization to minimize errors and fraud and ensure the reliability of financial information. The compliance role in SAP is a framework that ensures financial reports are prepared in accordance with the prevailing government accounting principles.

Characteristics of Respondents. This study involved 97 respondents who were employees compiling financial reports in the units of the Assembly and Modernization Agency of Agriculture, and selected a purposive sampling technique. Characteristics of respondents were analyzed based on level of education, length of service, rank, and position to ensure their relevance to the study object.

Table 1. Profile of the participants

Category	N (97)	%
Length of work		
< 5 Years	9	9.28
5 – 10 Years	19	19.59
10 - 15 Year	17	17.53
15 - 20 Year	23	23.71
> 20 Years	29	29.90

Rank		
Class II	15	15.46
Group III	81	83.51
Group IV	1	1.03
Position		
General Functional	47	48.45
Functional Other	42	43.30
Official Structural	8	8.25

Data source: Primary Data, 2025

Based on Table 1, the majority of respondents have a background beyond a Bachelor's degree (54.64%), followed by high school (16.49%), Diploma 3 (14.43%), and Master's degree (14.43%). This shows that most respondents have adequate qualifications to understand systems and standards for reporting to the government. Most respondents have a working period of more than 20 years (29.90%), indicating long experience in the finance reporting process and a strong understanding of the institutional framework. The majority of respondents are in group III (83.51%) and occupy positions of functional general as well as functional others (91.75%). This indicates that respondents are involved in the technical aspects of the financial report compilation.

Descriptive Statistics of Research Variables

Table 2. Descriptive Data Statistics

Descriptive Statistics	Implementation of the Agency-Level Financial Application System (SAKTI)	Internal Control	Standard Government Accounting (SAP)	Quality of Financial Reports
N	97	97	97	97
Mean	58.26	56.31	47.08	62.25
Median	61	54	44	66
St. Deviation	8.30	9.08	7.68	9.27
Min	15	15	11	16
Max	65	65	55	70

Source: Data processed with SmartPLS, 2025

Descriptive statistical results show that the quality of the financial report has the highest average value among the variables, indicating a very positive perception of the quality of the financial report results. On the other hand, the variable Standard Government Accounting has the lowest average value, indicating that understanding and implementation of SAP still need improvement.

Measurement Model Evaluation (Outer Model). Evaluation of the measurement model was conducted through validity testing (convergent and discriminant validity) and reliability. The SEM-PL was used with SmartPLS 4.0, the device's software.

Table 3. *Loading Factor* Results of *Convergent Validity* Test

Variables	Indicator	Loading Factor	Information
Implementation System Application Agency Level Finance (SAKTI) (X1)	SKT01	0.812	Valid
	SKT02	0.847	Valid
	SKT03	0.779	Valid
	SKT04	0.710	Valid
	SKT05	0.878	Valid
	SKT06	0.865	Valid
	SKT07	0.850	Valid
	SKT08	0.869	Valid
	SKT09	0.800	Valid
	SKT10	0.879	Valid
	SKT11	0.760	Valid
	SKT12	0.838	Valid
	SKT13	0.863	Valid
Internal Control (X2)	PI01	0.854	Valid
	PI02	0.825	Valid
	PI03	0.892	Valid
	PI04	0.856	Valid
	PI05	0.887	Valid
	PI06	0.868	Valid
	PI07	0.842	Valid
	PI08	0.895	Valid
	PI09	0.882	Valid
	PI10	0.878	Valid
	PI11	0.866	Valid
	PI12	0.891	Valid
	PI13	0.906	Valid
Quality of Financial Report (Y)	KLK01	0.779	Valid
	KLK02	0.855	Valid
	KLK03	0.801	Valid
	KLK04	0.847	Valid
	KLK05	0.899	Valid
	KLK06	0.903	Valid
	KLK07	0.874	Valid

	KLK08	0.860	Valid
	KLK09	0.860	Valid
	KLK10	0.851	Valid
	KLK11	0.908	Valid
	KLK12	0.905	Valid
	KLK13	0.907	Valid
	KLK14	0.908	Valid
Standard Government Accounting (PP No. 71 of 2010) (Z)	SAP01	0.875	Valid
	SAP02	0.898	Valid
	SAP03	0.921	Valid
	SAP04	0.838	Valid
	SAP05	0.913	Valid
	SAP06	0.743	Valid
	SAP07	0.887	Valid
	SAP08	0.902	Valid
	SAP09	0.883	Valid
	SAP10	0.877	Valid
	SAP11	0.921	Valid

Source: Data processed with SmartPLS, 2025

Based on Table 3, all indicators for the variables Implementation System Application Agency Level Finance (SAKTI), Internal Control, Standards Government Accounting, and the Quality of Financial Reports have loading factor values above 0.70. This shows that each indicator has a strong relationship with the constructs it measures and that it has met the convergent validity criteria. Thus, the research instrument is declared valid and capable of representing latent constructs, and with a minimum loading factor limit of ≥ 0.60, as recommended by (Hair et al., 2014).

Table 4. *Cross Loading* Results of *Discriminant Validity* Test

Indicator	**Implementation System Application Agency Level Finance (SAKTI) (X1)**	**Internal Control (X2)**	**Financial Report Quality (Y)**	**Standard Government Accounting (PP No. 71 of 2010) (Z)**	**Note**
Completeness of financial processes	**0.812**	0.558	0.613	0.598	Valid
Adequacy of system functions	**0.847**	0.607	0.665	0.644	Valid
Ease of use	**0.779**	0.653	0.684	0.652	Valid
Minimization of input errors	**0.710**	0.512	0.488	0.582	Valid
Data input efficiency	**0.878**	0.650	0.659	0.667	Valid
Transaction validation and tracking	**0.865**	0.590	0.637	0.557	Valid

Indicator	Implementation System Application Agency Level Finance (SAKTI) (X1)	Internal Control (X2)	Financial Report Quality (Y)	Standard Government Accounting (PP No. 71 of 2010) (Z)	Note
Consistency and real-time reporting	**0.850**	0.582	0.622	0.562	Valid
User satisfaction	**0.869**	0.603	0.648	0.583	Valid
Implementation stages	**0.800**	0.676	0.721	0.643	Valid
Long-term effectiveness	**0.879**	0.665	0.752	0.672	Valid
Multi-device access	**0.760**	0.587	0.627	0.639	Valid
Technology flexibility	**0.838**	0.639	0.666	0.579	Valid
Ease of data updating	**0.863**	0.614	0.695	0.587	Valid
Integrity and ethics	0.636	**0.854**	0.712	0.647	Valid
HR policies	0.747	**0.825**	0.686	0.672	Valid
Financial SOPs	0.674	**0.892**	0.811	0.798	Valid
Risk identification	0.589	**0.856**	0.748	0.737	Valid
Risk evaluation	0.698	**0.887**	0.812	0.768	Valid
Risk consideration	0.627	**0.868**	0.779	0.685	Valid
Transaction approval	0.710	**0.842**	0.828	0.686	Valid
System documentation	0.693	**0.895**	0.827	0.762	Valid
Internal audit	0.652	**0.882**	0.782	0.708	Valid
Organizational communication	0.626	**0.878**	0.688	0.726	Valid
Information availability	0.578	**0.866**	0.684	0.711	Valid
Leadership oversight	0.540	**0.891**	0.705	0.682	Valid
Control evaluation	0.618	**0.906**	0.777	0.778	Valid
Influence on decisions	0.567	0.728	**0.779**	0.618	Valid
Feedback value	0.606	0.818	**0.855**	0.779	Valid
Predictive value	0.612	0.759	**0.801**	0.731	Valid
Timeliness	0.689	0.736	**0.847**	0.733	Valid
Completeness of information	0.688	0.785	**0.899**	0.743	Valid
Reliability of information	0.672	0.846	**0.903**	0.771	Valid
Verifiability	0.745	0.756	**0.874**	0.737	Valid
Neutrality	0.650	0.721	**0.860**	0.681	Valid
Comparability	0.678	0.683	**0.860**	0.728	Valid
Format consistency	0.716	0.707	**0.851**	0.729	Valid
Transparency of differences	0.742	0.769	**0.908**	0.745	Valid
Ease of understanding	0.709	0.747	**0.905**	0.777	Valid
Clarity of records	0.780	0.749	**0.907**	0.795	Valid

Indicator	Implementation System Application Agency Level Finance (SAKTI) (X1)	Internal Control (X2)	Financial Report Quality (Y)	Standard Government Accounting (PP No. 71 of 2010) (Z)	Note
Clarity of presentation	0.763	0.773	**0.908**	0.818	Valid
SAP regulations	0.621	0.746	0.766	**0.875**	Valid
SAP understanding	0.675	0.692	0.750	**0.898**	Valid
Consistency of implementation	0.687	0.795	0.815	**0.921**	Valid
SAP compliance	0.605	0.739	0.761	**0.838**	Valid
HR competencies	0.668	0.745	0.772	**0.913**	Valid
Training SAP	0.552	0.655	0.627	**0.743**	Valid
Implementation capabilities	0.649	0.702	0.730	**0.887**	Valid
IT system support	0.696	0.753	0.745	**0.902**	Valid
Software compatibility	0.670	0.694	0.729	**0.883**	Valid
Supporting infrastructure	0.644	0.721	0.748	**0.877**	Valid
System integration	0.701	0.747	0.810	**0.921**	Valid

Source: Data processed with SmartPLS, 2025

Based on Table 4, the cross-loading test shows that each indicator has the highest loading value on the construct being measured compared to the other constructs. Findings indicate that each latent construct is capable of explaining the indicators in a way better compared to other constructs, so that the validity of the discriminant has been fulfilled. Thus, it can be concluded that an instrumental study can discriminate between constructs, according to the criteria of evaluation validity and discriminant validity through cross-loadings as proposed by (Henseler et al., 2015).

Table 5. *Composite Reliability* Results

Variables	Composite reliability (rho_a)	Information
Implementation System Application Agency Level Finance (SAKTI) (X1)	0.963	Valid
Control (X2)	0.975	Valid
Financial Report Quality (Y)	0.976	Valid
Standard Government Accounting (PP No. 71 of 2010) (Z)	0.972	Valid

Source: Data processed with SmartPLS, 2025

Based on Table 5, all variables studied have composite reliability values (rho_a) above 0.70: Implementation System Application Financial Institution Level (SAKTI) of 0.963, Internal Control of 0.975, Quality Financial Report of 0.976, and Standard Government Accounting of

0.972. This result shows that every construct has excellent internal consistency and the instrument study reported reliability, as it exceeded the composite reliability threshold of 0.70 recommended by (Chin, 2010).

Structural Model Evaluation (Inner Model). When the measurement model has met the required criteria, the next step in SEM-PLS analysis is to evaluate the structural model (inner model). This evaluation aims to assess the predictive capability and the relationships between constructs in the model. The main criteria used in this study include the coefficient of determination (R^2) and effect size (f^2), as well as the significance of path coefficients.

Table 6. R-Square Test Results

Dependent Variable	R-Square	R-Square Adjusted
Quality of Financial Reports	0.836	0.831
Standard Government Accounting (PP No. 71 of 2010)	0.721	0.715

Source: Data processed with *SmartPLS*, 2025

Based on Table 6, the R-Square value is 0.836 for the variable Quality Financial Report, which shows that 83.6% of the variation in quality financial report can be explained by the application System Application Agency Level Finance (SAKTI), internal control, and Standards Government Accounting. Meanwhile, the R-Square value is 0.721 for the variable Standard Government Accounting, indicating that the implementation of SAKTI and internal control explains 72.1% of the variation in SAP. Referring to the criteria proposed by Chin (1998), second, the R-Square value falls in the strong category, indicating that the structural model has high explanatory power in predicting endogenous variables.

Table 7. Effect Size Test Results (f^2)

Variables	Quality of financial reports	Internal Control	Implementation of the Agency-Level Financial Application System (SAKTI)	Government Accounting Standards (PP No. 71 of 2010)
Quality of financial reports				
Implementation of the Agency-Level Financial Application System (SAKTI)	0.130			0.134
Internal Control	0.306			0.612
Standard Government Accounting (PP No. 71 of 2010)	0.190			

Source: Data processed with SmartPLS, 2025

Evaluation of effect size (f^2) is used to evaluate the size contribution of each construct (ct exogenous to endogenous) through changes in R^2 value when the construct is eliminated from the model. Refer to the guidelines for f^2 assessment: a value of 0.02 indicates a effecta small effect, 0.15 indicates a medium effect, and 0.35 indicates a large effect (Hair et al., 2011). Based on Table 7, internal control has the most dominant influence on the quality of financial reports,

with an f^2 value of 0.306, which falls within the moderate effect range. Standard Government Accounting contributes to the moderate effect category, with an f^2 value of 0.190. At the same time, the implementation of the System Application Agency Level Finance (SAKTI) shows a small effect to date, with an f^2 value of 0.130. Findings. This confirms that although technology systems and accounting standards play an important role, effective internal control is a factor in increasing the quality of financial reports of the government.

Hypothesis Testing. Hypothesis testing in this study was conducted using the bootstrapping method in SEM-PLS to evaluate the significance of the relationships between variables in the structural model. The assessment is based on path coefficient values, t-statistics, and p-values to determine whether the proposed hypotheses are supported. A hypothesis is considered accepted if the t-statistic value is greater than 1.96 and the p-value is less than 0.05, indicating a statistically significant relationship between variables (Hair et al., 2011).

Table 8. ***Path Coefficient*** **Results** ***Bootstrapping Direct Effect***

Path Coefficient	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T Statistics	P values	Note
SAKTI -> Quality Financial report	0.231	0.230	0.087	2,660	0.008	Proven
Internal Control -> Quality of Financial Reporting	0.422	0.416	0.106	3,979	0.000	Proven
SAP -> Quality Financial report	0.334	0.339	0.103	3,245	0.001	Proven
Control -> SAP	0.614	0.609	0.090	6,852	0.000	Proven
SAKTI -> SAP	0.288	0.283	0.092	3,132	0.002	Proven

Source: Data processed with *SmartPLS* , 2025

Based on Table 8, the results of the structural model testing show that all connections are direct and significant, indicating a significant causal relationship and meaningful causality in an empirical way. Application System Application Institutional Level Finance (SAKTI) is found to be positively and significantly influential on quality financial reporting, with a coefficient of 0.231 and a p-value of 0.008 (<0.05). Findings show that an increasingly optimal implementation of SAKTI through process integration, convenient use, and real-time data validation increasingly increases the quality of financial results reported. In substantive significance, the positive significance confirms that the digitalization system in finance not only functions as a tool for administrative purposes but also as an instrument for strategic purposes to increase accuracy, precision, timeliness, and transparency in financial reporting to the government. This result aligns with the study by Sabrina & Zuhri (2023), which found that implementing SAKTI significantly improves the quality of government agencies' financial reports and strengthens public accountability in finance.

Furthermore, internal control has a positive influence on the quality of financial reports, with a

coefficient of 0.422 and a p-value of 0.000. The empirical findings show that effective internal control is a key factor in ensuring the reliability of financial information. In terms of conceptual significance, positive Concepts reflect that the environment has strong control, adequate risk assessment, activity control, information and communication, and consistent monitoring, capable of minimizing errors and fraud in the reporting process. Thus, internal control not only serves as a mechanism of formal obedience but also provides a foundation for producing accurate, reliable, and accountable financial statements. These findings are consistent with the study by Andriani et al (2019), which emphasized the role of strategic internal control in ensuring the quality of financial reports in the public sector.

Research results also show that Standard Government Accounting (SAP) has a positive and significant impact on the quality of financial reports, with a coefficient of 0.334 and a p-value of 0.001. Significance: The higher the level of SAP compliance, the better the quality of financial reporting. In substance, SAP implementation ensures that financial reports are prepared in accordance with principles of consistent, relevant, and reliable accounting, and are easy to understand, thereby enhancing market information for decision-making and strengthening public accountability. Findings. This study supports (Dwirianto, 2025), who concluded that compliance with SAP is determinantly important in improving the quality of government financial reports and public finance governance.

In addition, internal control is shown to have a positive influence and is significant for SAP, with a coefficient of 0.614, the highest in the structural model. These findings indicate that effective internal controls are crucial for ensuring consistency and compliance with government standards. This means that internal control functions as a mechanism within institutions to ensure that SAP principles are not only understood in a normative sense but also applied in practice in the recording and reporting of financial information.

Finally, the implementation of SAKTI also has a positive and significant impact on SAP, with a coefficient of 0.288 and a p-value of 0.002, indicating a significant association. This shows that system finance, a digital-based system, plays a role as a means of technical facilitation, and that SAP implementation in general is more consistent and standardized. With a design-integrated system that reports to the finance government, SAKTI not only increases the efficiency of financial processes but also strengthens compliance with SAP. These findings strengthen the argument in the e-government literature that the success of digital sector reform is highly dependent on the harmony between system technology and applicable accounting framework regulations.

Table 9. Results of *Path Coefficient Bootstrapping Indirect Effect*

Path Coefficient	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T Statistics	P values	Note
SAKTI -> SAP -> Financial Report Quality	0.096	0.096	0.045	2,152	0.031	Proven
Internal Control -> SAP -> Financial Reporting Quality	0.205	0.206	0.070	2,933	0.003	Proven

Source: Data processed with SmartPLS, 2025

Based on Table 9, the results of the indirect effect test indicate that Government Accounting Standards (SAP) play a significant mediating role in the relationship between SAKTI implementation and financial reporting quality, with a path coefficient of 0.096, a t-statistic value of 2.152, and a p-value of 0.031 (<0.05). This positive significance indicates that improvements in SAKTI implementation not only directly enhance financial reporting quality but also indirectly increase SAP compliance, thereby improving the relevance, reliability, and comparability of financial information.

This finding supports the initial premise that digital transformation in public financial management requires alignment with accounting standards to produce high-quality financial reports. In line with prior studies, integrated financial systems improve reporting quality when supported by standardized accounting frameworks (Haryani et al., 2026; Yuesti et al., 2022). It also reinforces the argument that digital governance alone is insufficient without strong regulatory and accounting frameworks (OECD, 2020).

However, the mediation effect is partial, indicating that SAKTI's direct effect on financial reporting quality is stronger than its indirect effect through SAP. This suggests that digital financial systems make a substantial independent contribution to improving reporting accuracy and timeliness. At the same time, SAP serves as a reinforcing instrument that ensures the appropriateness of recording and presentation in accordance with applicable government accounting principles.

Furthermore, SAP is also found to significantly mediate the relationship between internal control and financial reporting quality, with a path coefficient of 0.205, a t-statistic value of 2.933, and a p-value of 0.003 (<0.05). This positive effect indicates that effective internal controls enhance compliance with SAP, thereby improving the quality of financial reports. This finding is consistent with previous studies showing that internal control and accounting standards jointly contribute to financial reporting quality (Jatmiko et al., 2020; Suprianto et al., 2023).

Despite this, the mediation is also partial, as the direct effect of internal control on financial reporting quality remains stronger than the indirect effect through SAP. This implies that internal control not only functions as a mechanism for ensuring compliance with standards but also plays a fundamental role in preventing errors and fraud and ensuring the reliability of financial reporting processes.

Overall, these results indicate that the significance of indirect effects is not only statistical but also reflects the presence of an integrated governance mechanism between digital systems, internal control, and accounting standards. This finding provides new insight into how the interaction of these three elements drives improvements in financial reporting quality in the public sector. In this context, SAP serves as a bridge between technology implementation and internal governance, linking them to financial reporting outcomes, thereby strengthening the production of accurate, transparent, and accountable financial reports.

CONCLUSION & SUGGESTION

Conclusion. This study aims to examine the effect of SAKTI implementation and internal control on financial reporting quality, with Government Accounting Standards (SAP) as a mediating variable. The findings indicate that all proposed relationships are positive and significant. SAKTI implementation has a significant direct effect on financial reporting quality, confirming that integrated digital financial systems improve accuracy, timeliness, and transparency. Internal control shows the strongest direct effect, indicating that effective control mechanisms are the key determinant in ensuring reliable and accountable financial reporting. In addition, SAP significantly influences financial reporting quality, demonstrating that compliance with accounting standards enhances the relevance, reliability, and comparability of financial information.

The mediation analysis reveals that SAP partially mediates the relationship between SAKTI and financial reporting quality, as well as between internal control and financial reporting quality. This indicates that while SAP strengthens the impact of both variables, SAKTI and internal control still have dominant direct effects. These findings highlight that improving financial reporting quality in the public sector is not solely driven by digital systems or governance mechanisms independently, but by the integration of technology, internal control, and accounting standards. This study contributes by providing empirical evidence that SAP acts as a bridging mechanism linking digital financial systems and internal governance to reporting outcomes.

Suggestion. Based on these findings, several practical recommendations are proposed. First, although SAKTI has proven effective, its implementation should be supported by continuous system optimization, especially in terms of real-time data integration, system reliability, and user training to maximize its impact on reporting quality. Second, since internal control has the strongest influence, government institutions should strengthen control systems through risk-based supervision, consistent monitoring, and improved coordination between units. Third, considering that SAP has the lowest descriptive mean, efforts should be directed toward increasing understanding and compliance through continuous training, technical guidance, and evaluation of SAP implementation across work units. For future research, it is recommended to explore qualitative approaches or comparative studies across institutions with different levels of digital maturity to gain deeper insights into the effectiveness of SAKTI, internal control, and SAP integration.

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