

**THE ROLE OF BUREAUCRACY REFORM IN MEDIATING THE IMPACT OF FINANCIAL CONDITIONS,
QUALITY OF FINANCIAL REPORTS, ACCOUNTABILITY AND INTERNAL CONTROL ON
GOVERNMENT PERFORMANCE**

Azas Mabror^{1*}, Iskandar² and Suprayitno³

^{1,2,3}Department of Accountancy, PKN STAN, Indonesia

E-mail: azas.mabrur@pknstan.ac.id

ABSTRACT

This study aims to examine the role of bureaucracy reform in mediating the impact of financial conditions, quality of financial reports, accountability and internal control on government performance. This research is quantitative research using SEM-PLS. The population is provincial, district and city governments in Indonesia, and sampling was carried out using purposive sampling techniques. With observation data spanning 2 years, from 2021 to 2022, 424 local governments make up the sample that satisfies the standards. The research's empirical results demonstrate that financial conditions, quality of financial reports, accountability, internal control and bureaucracy reform all significantly contribute to local government performance. In addition, bureaucracy reform bureaucratic reform has also been proven to mediate the impact of financial conditions, financial reporting quality, accountability and internal control on government performance. This study provides practical implications for local governments in considering factors that are priorities for successful bureaucratic reform which will ultimately improve the quality of government performance.

Keywords: Bureaucracy Reform, Financial Reports, Accountability, Internal Control, Government Performance

REFERENCES

Abbas, D. S., Pakpahan, R., Murwaningsari, E., & Mayangsari, S. (2022). Influence Of Internal Control System Weaknesses And Audit Quality On The Quality Of Local Government Financial Reports In Indonesia With Good Government Governance As Moderating. *International Journal of Science, Technology & Management*, 3(2), 461–474. <https://doi.org/10.46729/IJSTM.V3I2.463>

- Adinata, W., Puspandoyo, T., & Mei Ling. (2023). Pengaruh Opini Audit Laporan Keuangan Pemerintah Daerah Terhadap Kesejahteraan Masyarakat di Daerah. *Indonesian Treasury Review: Jurnal Perbendaharaan, Keuangan Negara dan Kebijakan Publik*, 8(3), 219–234.
- Affandi, M. A., Murwaningsari, E., Mayangsari, S., & Dwimulyani, S. (2020). Role of ABAS and Bureaucratic Reformation in Improving Governmental Financial Performance Through Financial Decision Making. *Journal of Asian Finance, Economics and Business*, 7(11), 1069–1075. <https://doi.org/10.13106/jafeb.2020.vol7.no11.1069>
- Affandi, M. A., Murwaningsari, E., Mayangsari, S., & Mulyani, S. D. (2021). Factors Influencing Financial Performance of the Government. *Academy of Accounting and Financial Studies Journal*, 25(3), 1–15. <https://www.scopus.com/inward/record.uri?eid=2-s2.0-85106613384&partnerID=40&md5=d38812b7901f5e9757bbb008a25fcac4>
- Amalina, L. N., & Sumardjo, M. (2020). The Effect of Local Expenditure, Local Wealth Level, Audit Opinion, and Audit Findings on the Performance of Indonesian Local Governments. *Information Management and Business Review*, 12(2(I)), 12–19. [https://doi.org/10.22610/IMBR.V12I2\(I\).3062](https://doi.org/10.22610/IMBR.V12I2(I).3062)
- Aryani, Y. A., Gantowati, E., Nurrahmawati, A., Arifin, T., & Sutaryo, S. (2023). Determinants of Local Government Public Service Quality: Evidence from The Developing Economy. *Journal of Governance and Regulation*, 12(1 Special Issue), 218–229. <https://doi.org/10.22495/jgrv12i1siart2>
- Ayuningtyas, D., Utami, R. M., Sutrisnawati, N. N. D., & Misnaniarti. (2018). Influence of good governance implementation on healthcare performance in three Provinces in Indonesia. *Indian Journal of Public Health Research & Development*, 9(9), 27. <https://doi.org/10.5958/0976-5506.2018.00963.4>
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1). <https://doi.org/10.1177/014920639101700108>
- Dandara-Tabacaru, D., & Danila, M. I. (2017). Financial system stability and social welfare. *Revista de Cercetare Si Interventie Sociala*, 56(MARCH).
- D’Onza, G., Selim, G. M., Melville, R., & Allegrini, M. (2015). A Study on Internal Auditor Perceptions of the Function Ability to Add Value. *International Journal of Auditing*, 19(3). <https://doi.org/10.1111/ijau.12048>
- Erawan, I. G., Putra, F., & Sentanu, I. G. (2021). Factors Affecting Central Government’s Performance Accountability in Indonesia. *Jurnal Bina Praja*, 13(3), 529–542. <https://doi.org/10.21787/jbp.13.2021.529-542>
- Fuadi, I., & Maburur, A. (2021). Faktor-Faktor Penentu Korupsi Pada Pemerintah Daerah Di Indonesia. *Indonesian Treasury Review: Jurnal Perbendaharaan, Keuangan Negara Dan Kebijakan Publik*, 6(4), 317–328.
- Furqan, A. C., Wardhani, R., Martani, D., & Setyaningrum, D. (2020). The effect of audit findings and audit recommendation follow-up on the financial report and public service quality in Indonesia. *International Journal of Public Sector Management*, 33(5), 535–559. <https://doi.org/10.1108/IJPSM-06-2019-0173>

- Furqan, A. C., Wardhani, R., Martani, D., & Setyaningrum, D. (2021). Financial reporting, public services and local executives' re-electability in Indonesia. *Cogent Business and Management*, 8(1). <https://doi.org/10.1080/23311975.2021.1939229>
- Hair, J. F., Ringle, C. M., Hult, G. T. M., & Sarstedt, M. (2022). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). In *Long Range Planning* (Vol. 46, Issues 1–2).
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. In *European Business Review* (Vol. 31, Issue 1). <https://doi.org/10.1108/EBR-11-2018-0203>
- Harrow, J. (2000). Public Management Reform: A Comparative Analysis. *Long Range Planning*, 33(6), 881–884. [https://doi.org/10.1016/S0024-6301\(00\)00083-2](https://doi.org/10.1016/S0024-6301(00)00083-2)
- Hood, C. (1991). A Public Management for All Seasons? *Public Administration*, 69(1). <https://doi.org/10.1111/j.1467-9299.1991.tb00779.x>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Kurniawati, N., Lubis, A. R., Darsono, N., & Chan, S. (2019). Do good governance and service quality mediate the effect of bureaucratic reform on performance of the archival institutions in Indonesia? *Quality - Access to Success*, 20(169).
- Lanin, D., & Hermanto, N. (2019). The effect of service quality toward public satisfaction and public trust on local government in Indonesia. *International Journal of Social Economics*, 46(3), 377–392. <https://doi.org/10.1108/IJSE-04-2017-0151>
- Lestari, R., & Nurkhin, A. (2023). Determinant Factors of Local Government Financial Performance (Using Financial Condition Dimension as Indicator). *Indonesian Management and Accounting Research*, 20(2). <https://doi.org/10.25105/imar.v20i2.13968>
- Lhutfi, I., & Sugiharti, H. (2023). Financial Sustainability of Local Governments in Indonesia. *Jurnal ASET (Akuntansi Riset)*, 14(1), 159–170. <https://doi.org/10.17509/jaset.v14i1.48133>
- Nalien, E. M., & Ilham, T. (2019). The Effect of Bureaucratic Reforms Implementation for Optimizing of Governance in Indonesia (Focus on the Public Service Innovation in Local Government Institutions). *International Journal of Kybernology*, 3(2). <https://doi.org/10.33701/ijok.v3i2.592>
- Nasution, D. A. D. (2018). Analisis pengaruh pengelolaan keuangan daerah, akuntabilitas dan transparansi terhadap kinerja keuangan pemerintah. *Jurnal Studi Akuntansi & Keuangan*, 2(3).
- Nor, R., Gani, A. J. A., Saleh, C., & Amin, F. (2022). Organizational commitment and professionalism to determine public satisfaction through good governance, public service quality, and public empowerment. *International Review on Public and Nonprofit Marketing*, 19(1), 191–217. <https://doi.org/10.1007/s12208-021-00297-0>

- Pertiwi, P. K., & Wibowo, P. (2023). Government Reporting and Quality of Public Services: Are They Twins? *Journal of Accounting and Investment*, 24(1), 1–24. <https://doi.org/10.18196/JAI.V24I1.16193>
- Rahmasari, A., & Setiawan, D. (2022). Maturity of Internal Control System, the Capability of Internal Auditors, and Performance Accountability in Local Governments. *Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara*, 159–176. <https://doi.org/10.28986/jtaken.v8i2.830>
- Rizki, T., & Kurniawan, S. (2023). Public Service Performance: An Influence of Female Leadership and Good Governance. *Jurnal Bina Praja*, 15(3), 443–452. <https://doi.org/10.21787/jbp.15.2023.443-452>
- Sari, S. A., & Prabowo, T. J. W. (2019). Pengaruh Akuntabilitas Laporan Keuangan Pemerintah Daerah (LKPD) Terhadap Tingkat Korupsi Pemerintah Daerah Di Indonesia. *Diponegoro Journal of Accounting*. <https://ejournal3.undip.ac.id/index.php/accounting/article/view/25567>
- Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill building approach*. John Wiley & Sons.
- Setiawan, D., & Winarna, J. (2022). The Determinants of Local Government Performance. *Quality - Access to Success*, 23(186). <https://doi.org/10.47750/QAS/23.186.12>
- Setyaningrum, D., Wardhani, R., & Syakhroza, A. (2017). Good public governance, corruption and public service quality: Indonesia evidence. *International Journal of Applied Business and Economic Research*, 15(19), 327–338.
- Sofyani, H., Riyadh, H. A., & Fahlevi, H. (2020). Improving service quality, accountability and transparency of local government: The intervening role of information technology governance. *Cogent Business & Management*, 7(1), 1735690. <https://doi.org/10.1080/23311975.2020.1735690>
- Suharyanto, A. R. Y., . S., Mahullete, Y., Meiria, E., & . S. (2018). Internal Control and Accountability of Local Government Performance in Indonesia. *KnE Social Sciences*, 3(8), 538–559. <https://doi.org/10.18502/KSS.V3I8.2531>
- Sunardi, Murwaningsari, E., Martani, D., & Mayangsari, S. (2021). The Role of Government Internal Control System Quality in Moderating the Relationship of Financial Reports Quality and Local Government Performance. *Account and Financial Management Journal*, 6(6), 2364–2371. <https://doi.org/10.47191/AFMJ/V6I6.03>
- Sunardi, S., Djazuli, A., Handayani, R. D., Hidayat, B. A., & Saksono, H. (2022). The Role of Human Development in Improving Local Government Performance Through Good Government Governance. *Jurnal Bina Praja*, 14(3), 571–582. <https://doi.org/10.21787/jbp.14.2022.571-582>
- Sutaryo, S., Sahari, S. binti, Jakpar, S. bin, & Balia, S. S. bin. (2022). Internal Audit Function and Public Service Quality: Evidence from Indonesian Local Governments. *Public Administration Issues*, 0(5), 110–133. <https://doi.org/10.17323/1999-5431-2022-0-5-110-133>

- Sutaryo, S., & Sinaga, D. (2018). Government Internal Control System Maturity: The Role of Internal Guidance and External Control of Local Government in Indonesia. *Journal of Accounting and Investment*, 1(2), 24–35. <https://doi.org/10.18196/JAI.190189>
- Wardhani, R., Rossieta, H., & Martani, D. (2017). Good governance and the impact of government spending on performance of local government in Indonesia. *International Journal of Public Sector Performance Management*, 3(1), 77–102. <https://doi.org/10.1504/IJPSPM.2017.082503>
- Winarna, J., Muhtar, M., Sutaryo, S., & Amidjaya, P. G. (2021). Government Internal Control System and Local Government Administration Performance: Evidence from Indonesian Local Governments. *Pénzügyi Szemle = Public Finance Quarterly*, 66(Special edition 2021/2), 88–107. https://doi.org/10.35551/PFQ_2021_s_2_5
- Zamzami, F., & Rakhman, F. (2023). Determinants of Local Government Financial Performance in Indonesia. *Academic Journal of Interdisciplinary Studies*, 12(5). <https://doi.org/10.36941/ajis-2023-0148>