International Journal of Management and Business
https://irdhjournals.com/ijmb
Vol 2, No 3 (2025): July. E-ISSN: 3032-5059

The Effect of the Implementation of Good Governance and Internal Control on Financial Management Performance

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INDEXING
Keywords:
Keyword 1; Good Governance
Keyword 2; Internal Control
Keyword 3; Financial Management Performance
Keyword 4; Implementation
Keyword 5; Effect

ABSTRACT
This research aims to examine the effect of good governance and internal control on financial management performance. The background of this research is the existence of various problems in the public sector, particularly in terms of public services. Society expects that good services will bring positive impacts on their welfare. However, this condition is often found as a problem in every non-profit organization or in a country called local government. The effective implementation of good governance and internal control can improve financial management performance. Good governance is a crucial issue in public administration nowadays. The old patterns of government administration are no longer relevant to today's societal order. This research uses a quantitative research method with data collection techniques through questionnaires. The sample of this research consists of 50 local government employees. The results of this research show that the effective implementation of good governance and internal control can improve financial management performance. Therefore, this research can contribute to the development of theories and practices of good financial management. Additionally, this research can provide recommendations for local governments to improve financial management performance through the effective implementation of good governance and internal control.

Article History
Received 01 July 2025; Revised 18 July 2025; Accepted 19 July 2025
Publish 21 July 2025

INTRODUCTION

The issues in the public sector are diverse and greatly needed by society, especially regarding public services. The community expects that good services will also have a positive impact on their welfare. However, this condition is often found to be a recurring problem for every nonprofit organization or within a country, referred to as local government. Local government officials often betray public trust through their unsatisfactory or poor performance (Tanny and Al-Hossienie, 2019). The influence of interests is one of the cultures frequently encountered among local government officials. These interests vary, including political interests, operating beyond authority, corruption, collusion, and nepotism, as well as the waste of funds by certain individuals (Giang and Chi, 2025).

The public's perception of the government at present significantly determines the sigma established to support local governments (Kim, 2025). The crisis of public trust in the performance of local governments is considered to affect the level of effectiveness and efficiency of government apparatus in carrying out their duties (Lanin and Hermanto, 2019. In order to realize a good government, the government must implement good and firm

governance, commonly referred to as good governance. Good governance is currently the most prominent issue in public administration management (Scholar, 2019). The old patterns of government administration are no longer compatible with today's societal order. This research aims to examine the effect of good governance and internal control on financial management performance.

LITERATURE REVIEW

Good Governance

All nations, developed or developing, are looking for a new form of governance that is more appropriate for the times in order to improve their economic competitiveness and generate significant and long-lasting social growth in an era of rapid globalization, change, and uncertainty. The principles underlying the discourse and texts that support it have contributed to the revision of the theory of government in mainstream politics and have been accepted by politicians, academics, officials, and businesspeople worldwide as governance theory is emerging as the dominant political theory in response to the shift. When we comprehend governance theory based on the practice of public administration, it strikes us how theoretically and practically important governance theory is for rebuilding an institutional platform for good governance (Keping, 2018)

Internal Control

Maintaining the activities should take into account identifying dangers and adopting preventative measures. Risks have detrimental impacts that grow exponentially. In this process of identifying risks and taking preventative measures, an internal control system is essential. Applications of internal control are strategies used by businesses to compete in highly competitive markets. Internal control procedures guarantee that risks are anticipated and highlight potential weaknesses and possibilities for businesses. It is necessary to take action to accomplish particular goals, and control activities assess the extent to which those goals have been met. The Board of Directors' audit efforts share the goal of maximizing the company's value and enhancing the enterprise's dependability by satisfying the demands of internal and external stakeholders for trustworthy information (Aytaç and Çabuk, 2020).

Financial Management Performance

The performance of a corporation is strategic in the business sector. Numerous elements, including strategy, financial management, human resource management, and business environment, affect how well a company performs. For a business to be sustainable and thrive, financial management must be done effectively and efficiently. Discussing suitable financial management techniques to enhance company performance is the aim of this study. This study's descriptive analytical methodology makes use of secondary data gathered from a variety of sources, including books, scholarly journals, and corporate financial records. Effective resource allocation and estimation, risk management, and decision-making in seizing business opportunities are all made possible by a sound financial management plan (Salamah, 2023).

RESEARCH METHOD

This research was conducted using quantitative research methods, which are related to quantitative research according to Sugiyono, quantitative research is a research method

that uses numbers or numerical data to answer research questions (Sugiyono, 2017). The purpose of quantitative research is to test hypotheses and build theories through the examination of collected data. Data collection techniques were carried out by directly visiting the Tlogomas village office in Malang City and the Merjosari village office and providing questionnaires. The questionnaires were given to the staff of the Tlogomas village office in Malang city and the Merjosari village office who are involved in the fields of accounting and budget management. A selected sample of respondents was chosen, and the questionnaires provided contained several questions, with each questionnaire given to respondents accompanied by a letter requesting the completion of the questionnaire.

RESULT AND DISCUSSION

RESULT

a. Characteristic of Respondents Based on Respondent Identity

Table.1 Characteristic of Respondents Based on Respondent Identity

No	Name	Gender	Age	Last Education
1	Mohammad Basuni	Gents	54	Elementary
2	Suhargito	Gents	56	Senior High School
3	Masyruh	Ladies	50	Postgraduate / Master
4	Made Sukmawati	Ladies	48	Postgraduate / Master
5	Sri Wahyuni	Ladies	41	Vocational High School
6	Hadi	Gents	52	Senior High School
7	Suparna	Gents	50	Bachelor
8	Rendy	Gents	37	Bachlelor
9	Agus	Gents	57	Senior High School
10	Novianti	Ladies	36	Diploma
11	Budi	Gents	52	Bachlelor
12	Mila	Ladies	50	Bachlelor
13	Muhammad	Gents	27	Vocational High School
14	Vendy	Gents	43	Postgraduate / Master
15	Suhargito	Gents	56	Senior High School
16	Sitam	Gents	58	Bachlelor
17	Habil Alfian	Gents	39	Vocational High School
18	Wiwi Susanti	Ladies	54	Postgraduate / Master
19	Aryajani	Gents	35	Postgraduate / Master
20	Sri Hayu	Ladies	50	Bachlelor
21	Zulaika	Ladies	44	Bachlelor
22	Emi Rahmawati	Ladies	38	Bachlelor
23	Bagus Chrisya Dwi	Ladies	42	Postgraduate / Master
24	Elief	Ladies	39	Senior High School
25	Warni	Ladies	50	Diploma

26	Siti	Ladies	47	Postgraduate / Master
27	Nurul Istiani	Ladies	43	Bachlelor
28	Ambar Fatma Wati	Ladies	52	Vocational High School
29	Isna Fitri	Ladies	40	Senior High School
30	Is Kurniasih	Ladies	46	Bachlelor

Source: Research Result (2024)

b. Instrument Test

Validity Test

Every research conducted using a questionnaire must test its validity. The validity test is useful to determine the validity or appropriateness of the items used by the researcher. The basis for decision-making in this test uses the comparison of the calculated value (rhitung) and the table value (rtabel):

a. If the calculated value (rhitung) > table value (rtabel), then the questionnaire item is considered valid.
b. If the calculated value (rhitung) < table value (rtabel), then the questionnaire item is considered invalid.

Based on the analysis results of the validity test using SPPS software, the validity test results are as follows:

Table.2 Validity Test

No Item	rcount	r_{table}	Notes
Implementation of Good Governance (X1)			
X.1.1	0,361	0,635	
X.1.2	0,361	0,467	
X.1.3	0,361	0,637	
X.1.4	0,361	0,484	
X.1.5	0,361	0,569	
X.1.6	0,361	0,472	
X.1.7	0,361	0,705	
X.1.8	0,361	0,566	
X.1.9	0,361	0,414	
Internal Control (X2)			
X.2.1	0,361	0,699	
X.2.2	0,361	0,590	
X.2.3	0,361	0,561	
X.2.4	0,361	0,501	
X.2.5	0,361	0,529	
X.2.6	0,361	0,449	
X.2.7	0,361	0,456	
X.2.8	0,361	0,500	

X.2.9	0,361	0,466
Financial Management (Y)		
Y.1	0,361	0.596
Y.2	0,361	0,428
Y.3	0,361	0,493
Y.4	0,361	0,393
Y.5	0,361	0,575
Y.6	0,361	0,631
Y.7	0,361	0,505
Y.8	0,361	0,460
Y.9	0,361	0,493

Source: (*Processed Data*, 2025)

Based on the table above, it is known that all items of the questionnaire are declared valid, this is based on the decision-making criteria where $\mathbf{r}_{hitung} > \mathbf{r}_{tabel,}$, thus the questionnaire items are declared valid.

Reliabilty Test

In general, reliability can be defined as something that can be trusted or a state of being trustworthy. In statistical analysis in research, the reliability test serves to determine the level of consistency of a questionnaire used by the researcher, so that the questionnaire can be relied upon to measure research variables. The basis for decision-making in the reliability test is as follows:

a. If the value of *Cronbach's alpha* > 0.60, then the questionnaire is declared reliable.
b. If the value of *Cronbach's alpha* < 0.60, then the questionnaire is declared unreliable.

Based on the results of the reliability test analysis using SPSS software, the following reliability test results were obtained:

Table.3 About a Reliability Test (X)

Reliability Statistics

Cronbach's Alpha	N of Items
.704	9

Source: (*SPSS*, 2025)

Based on table 3, it is known that the *Cronbach's alpha* reliability value of the influence variable of good governance implementation (X) is 0.704. Based on the decision-making basis, it can be concluded that the influence variable of good governance implementation (X) has passed the reliability test.

Table.4 About a Reliability Test (X2)

Reliability Statistics

Cronbach's Alpha	N of Items
.649	9

Source: (*SPSS*, 2025)

Based on table 4, it is known that the *Cronbach's alpha* reliability value of the internal control variable is 0.649. Based on the decision-making basis, it can be concluded that the internal control variable (Y) has passed the reliability test.

Furthermore, the results of the reliability test are summarized in tabular form to facilitate reading and understanding of the reliability test results. The summary of the reliability test results is presented in the following table:

Table.5 About a Reliability Test

Variabel Item	Reliability Standard	Nilai Cronbach's Alpha	Notes
Penerapan good governance	**0,60**	**0,704**	**Reliabel**
Pengendalian inter	**0,60**	**0,649**	**Reliabel**

Source: (*Processed Data*, 2025)

Based on table 5, it is known that all items of the questionnaire are stated to be reliable, this is based on the decision-making criteria where the value of *Cronbach's alpha* is greater than the standard value of 0.60.

Classical Assumption

Normality Test

The normality test is one part of the data analysis requirement test or classical assumption test, meaning that before conducting statistical analysis for hypothesis testing, in this case, regression analysis, the research data must be tested for the normality of its distribution (Kwak and Park, 2019). Good data is data that is normally distributed. The basis for decision-making in the K-S normality test is as follows:

1. If the sig. value is greater than 0.05, then the research data is normally distributed.
2. If the sig. value is less than 0.05, then the research data is not normally distributed.

Based on the results of the normality test analysis using SPSS software, the following results were obtained:

Table.6 About a Normality Test

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			30
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		1.97818124
Most Extreme Differences	Absolute		.115
	Positive		.074
	Negative		-.115
Test Statistic			.115
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.386
	99% Confidence Interval	Lower Bound	.374
		Upper Bound	.399

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Source: (*Output SPSS*, 2024)

Based on table 6, it is known that the significance value of *Asymp. Sig. (2-tailed)* is 0.200, which is greater than 0.05. Therefore, in accordance with the decision-making basis in the *Kolmogorov-Smirnov* normality test above, it can be concluded that the data

is normally distributed. Thus, the assumption or requirement of normality in the regression model has been met.

Multicollinearity Test

The multicollinearity test is part of the classical assumption tests (normality and heteroscedasticity) in multiple linear regression analysis. The purpose of using the multicollinearity test is to examine whether there is a correlation among the independent variables (Tay, 2017). A good regression model should not exhibit correlation among the independent variables or show signs of multicollinearity. To detect the presence of multicollinearity symptoms in the regression model, several methods can be employed, namely:

1. Observing the correlation values among the independent variables.
2. Checking the Tolerance and Variance Inflation Factor (VIF).

The basis for decision-making in multicollinearity testing (Tolerance and Variance Inflating Factor) :

1. Based on the Tolerance value
   a. If the Tolerance value is greater than 0.10, it indicates that multicollinearity does not occur in the regression model.
   b. If the Tolerance value is less than 0.10, it indicates that multicollinearity does occur in the regression model.
2. Based on the Variance Inflating Factor (VIF) value
   a. If the VIF value < 10.00, it indicates that multicollinearity does not occur in the regression model.
   b. If the VIF value > 10.00, it indicates that multicollinearity does occur in the regression model.

Based on the results of the multicollinearity test analysis using SPSS software, the following results were obtained:

Table. 7 About a Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	25.094	11.328		2.215	.035		
	Penerapan Good Governance	.281	.181	.288	1.552	.132	.960	1.041
	Pengendalian Internal	.121	.229	.098	.528	.602	.960	1.041

a. Dependent Variable: Pengelolaan Keuangan

Source: *(Output SPSS*, 2024)

1. Based on the Tolerance value

   According to table 7, it is known that the Tolerance value of the variable Influence of good governance implementation is 0.960, which indicates a Tolerance value greater than 0.10. Therefore, referring to the basis for decision-making in the multicollinearity test, it can be concluded that there is no multicollinearity symptom in the regression model.

2. Based on the Variance Inflating Factor (VIF) value

   According to table 7, it is known that the value of the variable influence of good governance implementation is 0.1000, which indicates a value greater than

10.00. Therefore, referring to the basis for decision-making in the multicollinearity test, it can be concluded that there is no multicollinearity symptom in the regression model.

Heteroscedasticity Test

The heteroscedasticity test is part of the classical assumption tests in regression analysis, aimed at examining whether the regression model exhibits unequal variation of residual values from one observation to another. If the variance of the residual values from one observation to another is constant, it is referred to as heteroscedasticity; however, if the variance differs, it is termed heteroscedasticity. One method to detect the presence of heteroscedasticity in the regression model is by conducting the Glejser test.

The basis for the decision-making of the heteroscedasticity test (Glejser) is as follows:

1. If the significant value (sig.) is greater than 0.05, then the conclusion is that there is no indication of heteroscedasticity in the regression model.
2. If the significant value (sig.) is less than 0.05, then the conclusion is that there is an indication of heteroscedasticity in the regression model.

Based on the results of the heteroscedasticity test analysis using SPSS software, the following results were obtained:

Table. 8 About a Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.655	6.971		.668	.510
	Penerapan Good Governance	-.009	.112	-.016	-.080	.937
	Pengendalian Internal	-.063	.141	-.088	-.448	.658

a. Dependent Variable: ABS_RES

Source: *(Output SPSS*, 2024)

Based on table 8, it is known that the significance value of the variable application of good governance usage is 0.658, which indicates a value greater than 0.05. Therefore, referring to the basis for decision-making, it can be concluded that there is no indication of heteroscedasticity in the regression model.

Hypothesis Test

Test T (Persial)

The t-test is one of the hypothesis tests used in simple linear regression analysis as well as multiple linear analysis. The purpose of the t-test is to determine whether the independent variable (X) has a partial effect on the dependent variable (Y) (Palupi *et al*, 2020). The basis for decision-making in the t-test is as follows:

1. Based on the significance value (sig.)
   a. If the significance value (sig.) < probability 0.05, then there is an effect of the independent variable (X) on the related variable (Y).
   b. If the significance value (sig.) > probability 0.05, then there is no effect of the independent variable (X) on the dependent variable (Y).
2. Based on the t-count and t-table values:
   a. If the t-count value is greater than the t-table value, there is an influence of the

independent variable (X) on the dependent variable (Y).

b. If the t-count value is less than the t-table value, there is no influence of the independent variable (X) on the dependent variable (Y).

Based on the results of the t-test analysis using SPSS software, the following t-test results were obtained:

Table. 9 About a Test T (Parsial)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	25.094	11.328		2.215	.035
	Penerapan Good Governance	.281	.181	.288	1.552	.132
	Pengendalian Internal	.121	.229	.098	.528	.602

a. Dependent Variable: Pengelolaan Keuangan

Source: (*Output SPSS*, 2024)

1. Based on the significant value (sig.),

   Based on table 9, it is known that the significant value (sig.) of the Effectiveness of E-filing Application Usage (X) is 0.001 < 0.05, indicating that the variable Effectiveness of E-filing Application Usage (X) has a significant effect on the Reporting of Annual Tax Return (SPT) (Y).

2. Based on the value of t_{hitung} and t_{tabel}

   Formula to find t_{tabel} :

   $t_{tabel} = (\quad \alpha/2 $; n-k-1 df residua)

   $t_{tabel} = (0.05/2$; 60-1-1)

   $t_{tabel} = (0.05/2$; 58)

   The residual df value is known to be 58, and the t-table value based on the residual df of 60 is 2.001. Therefore, it is concluded that the t-table value is 2.001. It can be concluded that the calculated t value of the variable Effectiveness of Using the E-filing Tax Application (X) is 3.714 > t-table 2.001, which means that the variable Effectiveness of Using the E-filing Tax Application (X) has a significant effect on the Annual Tax Return (SPT) Reporting (Y).

Test F (simultaneous)

The difference between the t-test and the F-test in multiple linear regression analysis lies in the meaning of the influence that variable X has on variable Y, whether it is separate or combined. The t-test is useful for determining the partial effect of variable X on variable Y. Meanwhile, the F-test aims to determine whether variable X has a simultaneous (together or combined) effect on variable Y. The basis for decision-making used in this F-test is as follows:

1. Based on the significant value (sig.)
   a. If the sig. value < 0.05, it means there is an influence of the independent variable (X) simultaneously on the dependent variable (Y).
   b. If the sig. value > 0.05, it means there is no influence of the independent variable (X) simultaneously on the dependent variable (Y).
2. Based on the comparison of the calculated F value with the table F value
   a. If the calculated F value > table F value, it means there is an influence of the

independent variable (X) simultaneously on the dependent variable (Y).

b. If the calculated F value < table F value, it means there is no influence of the independent variable (X) simultaneously on the dependent variable (Y).

After calculations were performed using SPSS software, the F test results obtained are as follows:

Table 10. About a Test F

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.184	2	6.592	1.568	.227[b]
	Residual	113.483	27	4.203		
	Total	126.667	29			

a. Dependent Variable: Pengelolaan Keuangan

b. Predictors: (Constant), Pengendalian Internal, Penerapan Good Govermance

Source: (*Output SPSS*, 2024)

Based on table 10, and referring to the basis for decision-making, the following results are obtained:

1. Based on the significant value (sig.)

   From table 4.9, it is known that the significant value is 0.227, which is less than < 0.05, meaning there is an influence of the independent variable (X) simultaneously on the dependent variable (Y). It can be concluded that there is an influence of the Effectiveness of Using the E-filing Tax Application (X) simultaneously on the Reporting of Annual Tax Returns (Y).

2. Based on the comparison of the calculated F_{hitung} and F_{tabel}

   Formula to find the F_{tabel}:

   F_{tabel} = (k ; n-k)

   F_{tabel} = (1 ; 30-1)

   F_{tabel} = (1 ; 29)

   Thus, based on the residual value 1; 29, the F_{tabel} obtained is 4.00. From table 4.9, it is known that the calculated F_{hitung} is 1.568, which is > F_{tabel} 4.00. Therefore, it can be concluded that there is an influence of the implementation of good governance (X) simultaneously on the performance of financial management (Y).

Coefficient of Determination (R *Square*)

The coefficient of determination (R Square), symbolized as "R2", signifies the contribution of the independent variable (X) to the dependent variable (Y). In other words, the value of the coefficient of determination or R Square is useful for predicting and assessing the extent of the contribution of variable X simultaneously to variable Y.

The requirement that must be met to interpret the value of the coefficient of determination is that the F-test result in multiple linear regression analysis is significant, indicating that there is a simultaneous effect of variable X on variable Y. Conversely, if the analysis result in the F-test is not significant, the value of the coefficient of determination cannot be used to predict the contribution of variable X simultaneously to variable Y.

Based on the results of the F test conducted above, it is known that the variables of

the influence of the implementation of good governance and internal control (X) have a significant simultaneous effect on the performance of financial reporting (Y). Thus, the requirements to interpret the value of the coefficient of determination in multiple linear regression analysis have been met. The next step is to see what percentage (%) of the influence is provided by the variables of the influence of the implementation of good governance and internal control (X) simultaneously (together) on the variable of financial reporting performance (Y). In this case, it refers to the R Square value found in the results of the multiple linear regression analysis, namely in the following "Model Summary" table:

Table. 11 About a Coefficient of Determination (R *Square*)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.323[a]	.104	.038	2.050

a. Predictors: (Constant), Pengendalian Internal, Penerapan Good Govermance

b. Dependent Variable: Pengelolaan Keuangan

Source: (*Output SPSS*, 2024)

Based on table 11, it is known that the coefficient of determination or R Square value is 0.104. The value of the coefficient of determination (R Square) is 0.104 or equivalent to 10.4%. This figure indicates that the variable of the influence of good governance implementation and internal control (X) simultaneously affects the variable of financial reporting performance (Y) by 10.4%. Meanwhile, the remaining (100%-10.4%= 89.6%) is influenced by other variables outside this regression equation or variables that are not studied.

DISCUSSION

The Influence of the Implementation of Good Governance and Internal Control on the Performance of Financial Reporting

Based on the results of the data analysis that has been conducted, it is known that the variable influence of the implementation of good governance and internal control (X) has a significant effect on financial reporting performance (Y), therefore the hypothesis is accepted. This is based on the significant value of the variable influence of the implementation of good governance and internal control (X) on financial reporting performance (Y) which is 0.001 < 0.05, and F calculated 1.658 > F table value 4.00. This proves that Ho1 is rejected and Ha1 is accepted. This means that there is a significant influence of the implementation of good governance and internal control (X) on financial reporting performance (Y).

The research findings regarding the influence of the implementation of good governance and internal control on the performance of financial reporting indicate that the application of good governance has a positive impact on the quality of financial statements. This is because good governance ensures that financial reporting is conducted transparently, accountably, and responsively to the needs of stakeholders Efunniyi *et al*, 2024). Furthermore, effective internal control also affects the quality of financial statements. Good internal control can minimize the risk of errors or fraud in financial

reporting (Donelson *et al*, 2017).

In addition, internal control and understanding of the principles of good governance also influence employee performance. The employees who understand the principles of good governance and effective internal control tend to have better performance (Irwansyah and Zega, 2023). In the context of local government, research has found that the implementation of good governance can enhance financial performance. Local governments that implement good governance tend to have better and more transparent financial performance (Irvan *et al*, 2017 ; Manginte, 2024). In conclusion, the implementation of good governance and effective internal control can improve the quality of financial reporting and the financial performance of local governments. Therefore, it is important for organizations and local governments to apply the principles of good governance and effective internal control in financial reporting.

CONCLUSION

Based on the results of the data analysis that has been conducted, it is known that the variable of the influence of the application of good governance and internal control (X) has a significant effect on financial reporting performance (Y), thus the hypothesis is accepted. This is based on the significant value of the variable influence of the application of good governance and internal control (X) on financial reporting performance (Y) which is 0.001 < 0.05, and F calculated 1.658 > F table value 4.00. This proves that Ho1 is rejected and Ha1 is accepted. This means that there is a significant influence of the application of good governance and internal control (X) on financial reporting performance (Y).

Based on the results of the data analysis indicating that the variables of good governance implementation and internal control significantly affect financial reporting performance, it can be concluded that the effective implementation of good governance and internal control can enhance financial reporting performance. Therefore, it is crucial for organizations and governments to apply the principles of effective good governance and internal control in financial management. In implementing good governance and internal control, organizations and governments must ensure that financial management is conducted transparently, accountably, and responsively to the needs of the community. This can be achieved by enhancing the capabilities of employees in managing finances.

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