

# Development of a Quality Evaluation Model for Village Government Financial Reporting in Boyolali Regency, Center Java, Indonesia

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## Abstract

**Purpose:** This study aims to evaluate the quality of financial reporting in village administrations, which is crucial for effectively managing village funds in Indonesia.

**Methodology:** In 2020, this study involved 164 participants and employed a mixed-methods approach combining quantitative and qualitative techniques. The financial reporting quality model classifies data into three categories: Cluster A (audit-ready), Cluster B (needing oversight), and Cluster C (requiring intervention).

**Results:** The quality assessment model for village financial reporting can be categorized into three clusters: Cluster A, readiness for audit (51%); Cluster B, need for supervision (33%); and Cluster C, need for assistance (16%).

**Conclusions:** This study highlights the importance of good governance in village financial reporting, emphasizing the need for accountability and transparency. The research proposes a quality assessment model that categorizes villages into three clusters: audit-ready (51%), requiring supervision (33%), and needing assistance (16%). Adequate human resources and adherence to regulatory standards are key factors in improving the quality and reliability of village financial reports.

**Limitations:** This research was conducted during a period when standardized accounting principles for village finances have not yet been established, which represents a key limitation. High-quality financial statements are characterized by compliance with applicable accounting standards. The suboptimal quality observed in the financial statements of many villages is likely attributable to the absence of specific accounting standards governing village financial reporting.

**Contribution:** Theoretically, this study seeks to identify practical concepts for managing village finances. The proposed financial reporting quality model offers a framework for improving the quality of village financial reports while enhancing the understanding of financial reporting practices in village governments, particularly in Boyolali Regency.

**Keywords:** Accountability; Accounting; Reporting; Finance; Village

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## 1. Introduction

As a developing country, Indonesia grapples with several challenges, including weak institutional governance, low transparency, and high levels of corruption. According to surveys, the Corruption Perceptions Index (CPI) 2022 scored 34/100, ranking Indonesia 110th out of 180 countries. Good governance necessitates that all public organizations, including central, regional, and village governments, justify their use of funds to the public. Article 2 of the Minister of Home Affairs Regulation Number 20 of 2018 states that village finances must be administered based on transparency, accountability, participation, and strict budgetary discipline. The Minister of Home Affairs reported that in 2020, the government allocated Rp960 million to each village. From 2015 to 2019, the central government allocated Rp257 trillion in village funds, projected to reach Rp400 trillion by 2024 (Kompas.com, 2020). Such substantial amounts necessitate rigorous management and accountability, as evidenced by numerous cases of authority abuse by village officials.

Research on the quality of village government financial reporting is crucial yet underexplored despite its significance for high-quality decision-making. Indonesia comprises 83,381 villages across all provinces, each managing funds from the central government, local governments, and village-generated income. The quality of village financial reporting represents a critical component of sustainable and transparent financial management. In this regard, the Resource-Based View (RBV) theory provides a valuable framework for analyzing the factors influencing financial reporting quality. RBV highlights the strategic role of organizational resources in achieving competitive advantage and superior performance. Human capital is a pivotal determinant of the quality of financial reporting among these resources. Empirical studies demonstrate that human resource competence significantly impacts the accuracy and reliability of financial reporting (Zam, 2021). Competent human resources enable more precise and transparent financial statement preparation and management (Hitawasana & Dewi, 2023). Furthermore, targeted training and education programs are vital in optimizing village financial systems, such as the Siskeudes application, specifically designed to streamline the reporting process (Setiawati, Simanjuntak, & Werimon, 2022).

Several phenomena illustrate the suboptimal quality of village financial administration. First, information from the provincial inspectorate reveals that many village governments delay financial reporting to local authorities. Second, numerous village officials face legal action due to economic mismanagement. Third, many villages struggle to present financial statements accurately and according to regulations, such as lacking balance sheet reports. These issues are prevalent in the financial management of villages, including those in Boyolali Regency, Central Java.

This research aims to develop a model for assessing the quality of financial reporting in village governments in Boyolali Regency. Such a model is essential as it enables stakeholders to make decisions based on the quality of financial information, in line with the Republic of Indonesia Law Number 14 of 2014 and Boyolali Regent Regulation Number 94 of 2018 regarding village financial management. Village heads must periodically report budget implementation to the regent.

This research has several unique aspects. First, it is exploratory, addressing the limited studies on village financial reporting quality models. Second, it highlights that village heads are required to report village assets to the regional government, yet few have done so adequately, as noted by (Sofyani, Suryanto, Wibowo, & Widiastuti, 2018); (Umar & Gabrillin, 2021). Third, despite regulations on village fund allocations, many village officials continue to abuse their authority, facing legal consequences.

Therefore, there is a pressing need to study the quality of financial reporting in Boyolali Regency's villages. Developing a model for financial reporting quality is crucial as village governments must be accountable for their budgets periodically. The results of this research are expected to contribute theoretically, practically, and policy-wise. Theoretically, the research aimed to identify practical concepts in village financial management. The financial reporting quality model can guide improvements in village financial reporting. It will also provide a clearer understanding of financial reporting practices in village governments, particularly in Boyolali Regency. Policy-wise, the research can inform the Ministry of Home Affairs and the State Development Audit Agency of the Republic of

Indonesia (BPKP RI) in developing policies to enhance village financial reporting. Additionally, it can support the district government in issuing regulations related to accountability and financial reporting mechanisms. Finally, the research can aid the Indonesian Institute of Accountants formulate village financial reporting standards.

## **2. Literature Review**

### ***2.1 Financial Reporting Accountability***

The accountability of village financial reporting is a crucial element of good governance to enhance transparency and foster public trust in managing village resources (Parhusip & Karo, 2023). Financial reporting serves not only as a tool for performance evaluation but also as a mechanism for ensuring accountability in using public funds (Imawan, Irianto, & Prihatiningtias, 2019); (Tenriwaru, Suun, & Syahnur, 2023). In this context, accountability refers to the village government's obligation to provide clear explanations and justifications regarding its activities and budget utilization (Ahmad & Sapar, 2023).

One of the critical issues in Indonesia's current strategic government policy is ensuring accountability in the administration of government institutions. It is crucial due to its significant political and economic implications. Economically, enhanced government performance accountability fosters a better investment climate. Politically, increased public accountability boosts public trust in the government. Public accountability in local government involves providing stakeholders with information on government activities and performance. The government issued Presidential Instruction No. 4 of 2011 to accelerate national financial accountability. Village financial management involves five cycles: planning, implementation, administration, reporting, and accountability.

### ***2.2 Village Financial Reporting***

The accountability of village financial reporting is a crucial element of good governance to enhance transparency and foster public trust in managing village resources. Financial reporting serves as a tool for performance evaluation and a mechanism for ensuring accountability in using public funds (Imawan et al., 2019); (Tenriwaru et al., 2023). Research states that the utilization of village funds has not yet reached an optimal level, with indications of potential waste or ineffectiveness in its allocation and use (Aulia, Tambunan, & Laila, 2024). In addition, the potential for fraud also causes low accountability in village financial reporting (Toeweh, 2023). In this context, accountability refers to the village government's obligation to provide clear explanations and justifications regarding its activities and budget utilization (Ahmad & Sapar, 2023).

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### ***2.3 Stewardship Theory***

Stewardship Theory emphasizes that managers act as trusted stewards of the organization, prioritizing the collective welfare of stakeholders over personal gain (Pribadi, Santoso, Dirgantari, & Hartikasari, 2025). While managers may seek meaningful rewards, these are pursued without compromising the organization's interests. This approach fosters long-term relationships grounded in trust, reputation, shared goals, and active participation, where alignment emerges from mutual collaboration.

Accountability, a cornerstone of good governance, ensures that public organizations managing public affairs and funds operate transparently and ethically, free from corruption and abuse while upholding human rights and the rule of law. However, O'Dwyer and Unerman (2007) highlight that accountability

mechanisms in the public sector often emphasize upward accountability to funders, frequently overlooking the equally critical downward accountability to beneficiaries.

#### **2.4 Resource-Based View Theory**

Resource-Based View Theory Resource-based view theory asserts that a firm's resources and capabilities are essential to its competitive advantage and overall performance (Andika, Fadhilah, & Lukitaningsih, 2021). This theory aids public organizations in identifying unique resources, capabilities, and intangible assets, including internal resources, to establish strategic advantages (Szymaniec-Mlicka, 2014).

In the public sector context, RBV suggests that each local or village government possesses certain advantages that can be optimized to achieve accountability and community welfare. Effective management of physical and human resources should enable village governments to handle village budgets efficiently for the public's benefit. The RBV approach helps public organizations focus on internal strengths and capabilities to achieve organizational goals (Faizra & Lubis, 2022). Additionally, RBV provides a framework for analyzing resources and capabilities to develop strategies for sustainable competitive advantage.

Employee competence significantly influences organizational performance. Organizations with highly skilled management teams and competitive methods based on core competencies achieve higher performance than those lacking such expertise (Efendi, 2021). High competence enables the organization to acquire information and fulfil community needs. Enhancing the quality of village financial reporting requires robust collaboration among the government, community, and relevant institutions. Active community involvement in oversight and financial management processes significantly improves accountability and transparency (Natariasari, Savitri, & Nasir, 2023). Achieving optimal financial reporting quality at the village level necessitates a holistic approach, which includes enhancing human resource capabilities, leveraging technology, and reinforcing internal control systems.

#### **2.5 Dynamic Capability Theory**

Dynamic capability theory is a crucial framework for understanding how organizations adapt and thrive in changing environments, particularly in the context of village financial reporting. This theory posits that organizations must develop capabilities that allow them to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments (Saddam, Nizar, Ariffin, & Abas, 2023). In the context of village financial management, dynamic capabilities can enhance the quality of financial reports by improving accountability, transparency, and responsiveness to community needs.

Moreover, the effectiveness of dynamic capabilities in enhancing financial reporting quality is also influenced by the competencies of village officials. Studies have shown that the knowledge and skills of personnel involved in financial management are critical determinants of the quality of financial reports (Hendaris & Romli, 2021). When village officials possess strong competencies and are trained in using financial management systems, they are better equipped to produce accurate and timely financial reports. This aligns with the findings of various studies that emphasize the importance of human resource capabilities in achieving effective financial management (Yenni, Junaedi, & Wijaya, 2024).

### **3. Methods**

This section delineates the research subjects, research model, and prototyping approach.

#### **3.1 Research Subjects**

Boyolali Regency is in the province of Central Java, Indonesia. The research was carried out across all villages within Boyolali Regency in 2020. This study used a total of 268 villages; a sample of 171 villages was randomly selected for the study. Out of the 171 distributed questionnaires, 164 were returned and deemed suitable for analysis, as illustrated in Table 1.

Table 1. List of Districts and Respondents

Number	District	Number of Questionnaires	Questionnaires that can be processed
1	Ampel	10	10
2	Andong	13	11
3	Banyudono	14	14
4	Boyolali	6	6
5	Gladagsari	10	10
6	Juwangi	9	6
7	Kemus	10	10
8	Musuk	10	10
9	Ngemplak	12	11
10	Nogosari	13	13
11	Sawit	12	12
12	Selo	10	10
13	Simo	13	13
14	Teras	13	13
15	Wonosamudro	10	9
16	Wonosegoro	6	6
Total		171	164

Source: Research data (2024)

Table 1 explains that the respondents of this study were all Village Heads or Village Financial Affairs Heads in Boyolali Regency.

### 3.2 Research Design

This study design used two angulations related to the research data. This study used a primary data approach. The data used in this study were obtained from the results of questionnaires and interviews with several informants. From the survey results, data were obtained from as many as 164 villages in Boyolali Regency.

### 3.3 Research Model

A quality model of village financial reporting was carried out through several stages, namely:

#### 3.3.1 The first Focus Group Discussion (FGD)

The first phase of the FGD was conducted between the research team and the Boyolali Regency Inspectorate, which was related to the survey plan for the Village Government. In this first FGD, a list of questions/questionnaires will be given to all Village Governments in Boyolali Regency. The list of questions in the questionnaire includes financial management and village asset management. The list of questions for financial management consists of general planning, implementation, administration, accountability, and reporting based on the annex to Minister of Home Affairs Regulation number 18 of 2020.

In addition to the financial aspect, the FGD added a list of questions about asset management. At the time of the FGD, the team formulated the quality score of village financial statements to facilitate identification (A, B, C). Sixty-six question items will be given to respondents for feedback. For each question, respondents will choose a score with a Likert scale as follows:

- 1= very inappropriate
- 2= non-compliant
- 3= neutral
- 4= appropriate
- 5= very suitable

### 3.3.2 Second FGD for Model Formulation

The second FGD discusses the weighting of each component in the questionnaire question list. The results of the FGD agreed that financial management should be given 80% weight and village asset management should be given 20% weight. Each component can be described in detail in Table 2.

Table 2. Weighting proportion

Dimension	Indicator	Number of questions	Proportion weight	Total weight
Financial Management	Common	4	5%	80%
	Planning	10	10%	
	Implementation	24	40%	
	Administration	9	25%	
	Reporting	4	10%	
	Accountability	4	10%	
Asset Management		8		20%
Total		66		100%

Source: Research data (2024)

This stage is carried out by formulating a quality financial reporting model for the village government of Boyolali Regency. The quality model of village financial statements is carried out by scoring, and village financial statements can be divided into 3 main clusters, namely:

Cluster A (ready for audit): 75 - 100

Cluster B (bead supervise): 61 - 74

Cluster C (need companionship): 0 - 59

### 3.3.3 Prototyping

At this stage, technical guidance and initial socialization regarding the financial reporting survey will be conducted for all villages. The distribution of questionnaires to respondents was facilitated by the Boyolali Regency Inspectorate team, which was divided into sub-district teams. These teams were responsible for verifying the list of agreed-upon questions. The next stage involves assessing village financial management and village asset management. The completed questionnaires were then processed using a statistical approach. Data were obtained from 171 villages in Boyolali Regency. Of the returned questionnaires, 164 were fully completed and suitable for model development.

## 4. Results & Discussion

### 4.1 Results

#### 4.1.1 Pilot Testing

In the initial phase, we conducted a pilot test involving 30 villages to ensure the validity and reliability of our instruments. The results of the pilot test demonstrated robust outcomes, with all instruments meeting the criteria for validity and reliability.

#### 4.1.2 Validity and Reliability Assessment

Validity and reliability assessments were performed to ensure that the instruments accurately measure the specified constructs (variables) and demonstrate consistency in measurement. The validity test, assessed using Pearson correlation, yielded a significant value below 0.05 for both financial management and asset management. Furthermore, the reliability analysis yielded a Cronbach's Alpha value of 0.806, confirming that the measurement instruments met the standards for validity and reliability.

#### 4.1.3 Descriptive Statistics

This stage involved calculating descriptive statistics based on the questionnaires completed by the villagers. We assessed the average level of respondents' answers regarding financial management, encompassing general aspects, planning, implementation, administration, reporting, and accountability,

as well as respondents' answers concerning village asset management. Financial management encompasses general planning, implementation, administration, accountability, and reporting. From the 164 village financial statement samples, the average values obtained were as follows:

Table 3. Descriptive Financial and Asset Management

Information	Mean
<i>Financial management (80%)</i>	62.10
<b>Common</b>	3.57
<b>Planning,</b>	5.52
<b>Implementation</b>	20.79
<b>Administration,</b>	16.79
<b>Reporting</b>	4.78
<b>Accountability</b>	7.53
<i>Village asset management (20%)</i>	10.18

Source: Research data (2024)

Table 3, shows that the average score of all samples obtained is 72.28. Furthermore, from the 164 samples processed, the distribution of the quality of financial statements for each cluster can be seen in Figure 1.

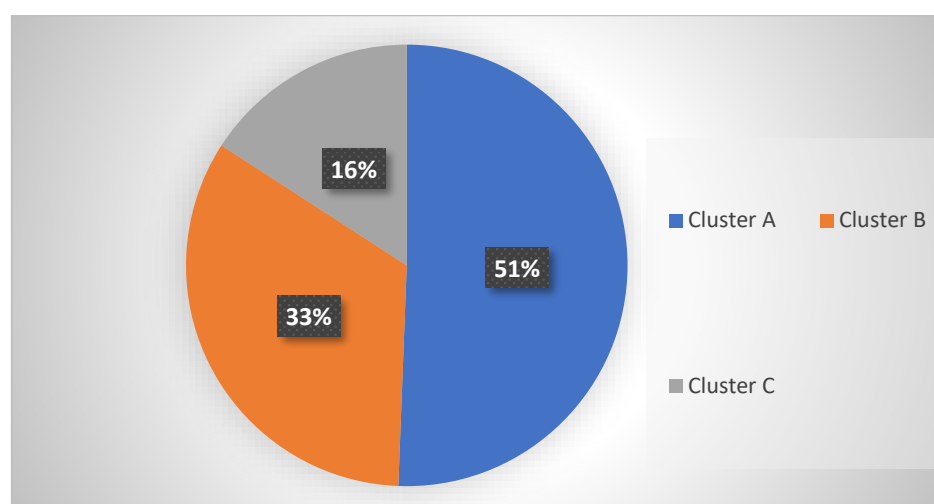


Figure 1. Proportion of Village Financial Statements

Cluster A represents 51% of the sample, while Cluster B and Cluster C account for 33% and 16%, respectively. This outcome indicates that in 2020, the quality of village financial reporting in Boyolali Regency surpassed 50%, yet there remains a need for improvement. This outcome underscores the significance of enhancing the quality of village financial reporting, which should be a priority for all stakeholders. Local governments at both district and provincial levels should implement mentoring programs, such as providing technical guidance for financial reporting and conducting village asset inventories. With proper assistance, the aim is to elevate Cluster C villages to the standard of Cluster A.

#### 4.1.4 Quality of Financial Reporting of Each Village

To determine the quality of financial management and asset management of each village using the maximum-minimum index (max-min index). The max-min index is an index calculation using the largest and smallest values in a range of numbers. Normalization is performed in Formula 1 when using the max-min index.

$$Z = (X - X_{\min}) / (X_{\max} - X_{\min}). \dots\dots\dots (1)$$

Information:

X= the value of each data

Xmin= the value of minimum X

Xmax = the value of maximum X

The result obtained was the average index value with numbers 0 to 1 (as the lower limit and upper limit). Mudal Village was the best village in village financial management with a financial management index of 0.74 and village asset management of 0.20 with a total index of 0.94. At the same time, Banyuanyar village had a relatively low quality of financial management with an index of 0.05 and relatively low asset management with an index of 0.08.

## 4.2 Discussion

Based on the analysis, it is evident that only 51% of village financial statements are prepared to undergo auditing. Conversely, a significant portion, comprising 49%, still requires supervision and assistance. Consequently, there is a need to delve deeper into various dimensions that could influence the quality of village financial statements. These dimensions include the competence of village public administration, the involvement of stakeholders in ensuring the quality of village financial statements, the effectiveness of internal control systems, adherence to village financial reporting standards, and the advantages derived from village financial statements.

### 4.2.1 Incompetence of Village Public Administration

Village financial governance encompasses various stages, including planning, implementation, administration, reporting, and accountability. In the realm of public sector financial management, the competence of public administration holds paramount importance, as transactions must be conducted accountably and disclosed appropriately. This requirement is elucidated in Regulation No. 20 of 2018 issued by the Minister of Home Affairs concerning Village Financial Management.

The preparation of tools by village governments is crucial within the context of village financial management, particularly considering the substantial increase in village income as stipulated by Law No. 6 of 2014. It is imperative to ensure that the process of village financial management is conducted meticulously to prevent undesirable outcomes such as suboptimal utilization of village budgets or misappropriation of village finances. The proficiency of village officials as implementers of policies significantly influences the successful execution of programs funded by village funds. Their skills and capabilities serve as the cornerstone for effective government implementation, particularly in the financial sector responsible for managing the allocation of village funds.

The deficiency in village administration capabilities stands out as a primary factor affecting the quality of village financial reporting. This observation resonates with a statement made by the Head of the Central Java Provincial Inspectorate, highlighting the inadequacy of village readiness in managing accountable village funds, particularly in terms of human resources. Despite receiving substantial funding, the readiness of human resources and infrastructure for management appears lacking. For instance, reports from the inspectorate reveal delays in the utilization of provincial aid funds allocated to villages, indicating incomplete management processes. Moreover, many village officials face legal challenges with law enforcement agencies concerning the management of village funds, which raises significant concerns.

### 4.2.2 The Role of Stakeholders in the Quality of Village Financial Statements

Enhancing stakeholder trust in governmental partners yields positive outcomes for government sustainability. According to stakeholder theory, an organization's viability hinges on its stakeholders. Moreover, this theory posits that when stakeholders oversee a company's vital economic resources, the company responds with strategies aligned with stakeholder interests. Therefore, financial reporting emerges as a crucial endeavor to cultivate trust among interested parties, with stakeholders exerting significant influence on the urgency of a company's accounting practices. The interaction between stakeholders and organizations fosters social relationships characterized by responsibility and



accountability, manifested through the creation of credible, relevant, timely, and easily understandable financial statements by stakeholders.

While officials within village governments play a central role in managing village funds, it is impractical for village governments to navigate financial reporting challenges in isolation. Additionally, the Central Java Provincial Inspector, who also serves as the chairman of AAIPI, emphasized the importance of addressing ineffective village financial reporting, urging stakeholders such as BPKP RI (The State Development Audit Agency of the Republic Indonesia), Inspectorates, BPK RI (Audit Board of the Republic of Indonesia), Public Accounting Firms, and academics to take heed. The assistance of stakeholders is essential for enabling village governments to adhere to established regulations and effectively report village finances.

#### *4.2.3 The Importance of the Internal Control System for Village Fund Management*

The foundation of an internal control system comprises actions, policies, and procedures reflective of organizational management attitudes. Internal control serves multiple objectives: enhancing operational efficiency and effectiveness, ensuring financial statement reliability, and compliance with pertinent laws and regulations (Herawaty & Hernando, 2020). It also plays a pivotal role in organizational planning by safeguarding company assets and fostering employee adherence to company policies, with a focus on enhancing operational efficiency and guaranteeing the accuracy and dependability of accounting records (Baehaqy & Sulfitri, 2024); (Sari, 2021).

The Committee of Sponsoring Organizations (COSO) internal control framework encompasses all facets of company operations and finances, integrating management and employee roles, business objectives, and risks across organizational activities. Implementing internal controls based on the COSO framework aims to mitigate various forms of deviations, particularly fraudulent activities. Fraud encompasses deceptive actions by individuals or entities to acquire financial gain or benefits, including evading payments or gaining unfair business advantages. Proactive fraud prevention measures are essential for mitigating future losses, which include enhancing operational systems, bolstering financial management effectiveness, and enforcing anti-fraud regulations.

Effective financial governance necessitates the establishment of an internal control system to ensure the smooth operation of planning, implementation, and reporting procedures. The prevalence of instances of authority abuse in managing village funds underscores deficiencies in the internal control system at the village level. The Boyolali Regency Inspector elaborated on this issue, emphasizing the internal control system's role in preventing fund leakage or asset loss. However, he noted a significant gap in implementation within villages, often evidenced by position stacking, where Village Heads concurrently handle financial responsibilities and procurement of goods and services. Consequently, the absence of an effective checks and balances mechanism underscores the need for an internal monitoring unit at the village level.

#### *4.2.4 The Importance of Village Financial Accounting Standards*

The enactment of Law Number 6 of 2014 concerning Villages underscores the fundamental principle of accountability within the governance framework of villages. Accountability manifests concretely in the management of village finances. Effective management of village funds hinges on adherence to standardized guidelines, such as accounting standards, to ensure accurate financial reporting. The absence of standardized protocols for village financial reporting may reduce the urgency for village governments to provide comprehensive financial statements. The Boyolali Regency Inspector has drawn attention to this issue, highlighting a regulatory gap in village financial accountability frameworks. While current village regulations require the generation of two types of reports—budget implementation realization and village wealth reports—they do not include the preparation of comprehensive financial statements consistent with accounting standards. Conversely, governmental accounting standards mandate the preparation of seven types of reports, including balance sheets. Unfortunately, the Village Government has failed to prepare balance sheets, leading to uncertainty regarding the allocation of rights and obligations outlined in Law No. 6/2014 concerning villages.

#### *4.2.5 Benefit of Village Financial Statements*

The purpose of financial reporting is to provide useful information for stakeholders that can be used as a basis for decision-making. The Village Head, as the person in charge of the reporting entity, must be able to provide transparent and accountable information. The concept of transparency means regularly disclosing important issues to stakeholders, in this case, the wider community. This concept ensures that the principle of openness provides the public with access to as much information about local finance as possible. The principle of transparency can be evaluated by a variety of indicators, including (1) systems that ensure openness and standardization of all stages of public services. (2) systems that facilitate community involvement in overseeing policies, public services, and processes within the public sector. (3) a system that encourages reporting, disseminating information, and disclosing the behavior of government officials in the implementation of service duties.

Related to village financial reporting, it is very important for stakeholders. As stated by the Secretary of Jeron Village that:

Village Financial Statements are not only accountable to the Village Consultative Body, District Heads, and Regents but also to community members. The financial statements of Jeron Village have been published to community members through billboards and brochures. Initially, Jeron Village's financial statements were only in the form of Budget Realization Reports. However, as of December 31, 2020, Jeron Village has been able to present complete financial statements, including Village Budget Realization Reports, Remaining Budget Financing, Receivables Attachments, Inventory Reports, Investment Attachments, Asset Attachments, Reserve Fund Attachments, and Notes to Financial Statements.

### **5. Conclusion**

Good governance of village financial reports is crucial because it must be accountable to the public. The outcomes of this study are anticipated to contribute to the advancement of knowledge, particularly concerning the quality of village financial reporting. Adequate human resources enable villages to manage and accurately report substantial amounts of village funds effectively. A model for assessing the quality of financial reporting in villages is essential for evaluating reporting standards. Therefore, stakeholders must fulfill their respective roles to ensure the realization of high-quality village financial reporting. The quality assessment model for village financial reporting can be categorized into three clusters: Cluster A denotes readiness for audit (51%), Cluster B indicates the need for supervision (33%), and Cluster C signifies the need for assistance (16%). Moreover, enhancing the quality of financial reporting by village governments is crucial. This research serves as an exploratory endeavor aimed at devising a quality model for village financial reporting based on the provisions outlined in Annex to Minister of Home Affairs Regulation Number 20 of 2018.

#### **Limitations and future study**

The limitation of this research was that it was carried out at a time when village financial accounting standards did not yet exist. Financial statements are said to be of quality when prepared and presented by applicable accounting standards. The number of village financial statements that have not reached optimal quality is possible because there are no accounting standards for village financial reporting. In addition, this research was conducted with the scope of only one district in Indonesia. Further research can be conducted at the time of implementation of village financial accounting standards and expand the sample to provide an empirical picture of village financial quality models throughout Indonesia.

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