

## The Influence of Internal Control Systems, Government Accounting Policies, Human Resource Competence and Regional Financial Management Accountability on the Quality of Financial Reporting

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### ABSTRACT

This study aims to determine the effect of the internal control system, government accounting policies, human resource competency, and financial management accountability on the quality of government financial reporting. This study is a quantitative study with an associative causal nature. In this study, the population used was all Aceh Government Work Units (SKPA) within the Aceh Government, totaling 47 SKPA. The data collection technique in the study used a questionnaire. Data analysis used multiple regression equations assisted by SPSS. The results of the study indicate that the Internal Control System (SPI), Government Accounting Policy (KAP), Human Resource Competence (KSDM), and Regional Financial Management Accountability (APKD) influence the Quality of Financial Reporting (KLK). The Internal Control System (SPI) influences the Quality of Financial Reporting (KLK). Government Accounting Policy (KAP) influences the Quality of Financial Reporting (KLK). Human Resource Competence (KSDM) influences the Quality of Financial Reporting (KLK). Regional Financial Management Accountability (APKD) influences the Quality of Financial Reporting (KLK).

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## **INTRODUCTION**

The Aceh Provincial Government Financial Report (LKPD) has received an Unqualified Opinion (WTP) six times, from 2015 to 2020. Meanwhile, LKPA reporting years before 2015 still received an Unqualified Opinion (WDP). This indicates that the Aceh Provincial financial report has several problems. The WTP opinion does not necessarily indicate that financial management or financial quality is good. There are several issues that must be followed up, which are stated in special notes. Among them is the management of Regional Property (BMD). There are still several former assets belonging to the Aceh Reconciliation and Reconstruction (BRR) that have been handed over to the Aceh government for distribution to all districts and cities that have not been completed (BPK-RI).

The internal control system (ISC) plays a strategic role in achieving accountability in regional financial management. In its design, regional governments refer to Government Regulation No. 60 of 2008 as the primary guideline. According to (Meilisa et al., 2024), weaknesses in ISC implementation, such as weak supervision, negligence of implementers, lack of coordination, and inaccurate presentation of financial reports, are often the cause of low agency accountability. Another factor influencing the quality of government financial reporting is government accounting policy, which is a set of guidelines used in preparing financial reports, from recognition, measurement, presentation, to disclosure of transactions.

Another factor influencing the quality of local government financial reporting is human resource (HR) competence, which encompasses the basic character, skills, knowledge, and behaviors used to achieve optimal performance in carrying out tasks. HR competence is essential to support government financial management and the preparation of sound, transparent financial reports, and those free from recording and calculation errors. Another factor influencing the quality of financial reporting is accountability. Public accountability is the obligation to account for resource management through periodic performance reports (Rahman et al., 2021). The principles of good governance encompass professionalism, accountability, transparency, excellent service, democracy, efficiency, effectiveness, and the rule of law (Law No. 30 of 2014).

Despite extensive research, most previous studies still suffer from limitations, including the use of quantitative approaches that rely solely on perception-based questionnaire data and the failure to comprehensively integrate internal control variables, the application of Government Accounting Standards, human resource competency, and accountability for regional financial management into a single research model. Furthermore, research that simultaneously examines the influence of these four variables on the quality of financial reports in regional governments, particularly in Aceh, is still relatively limited.

Quality local government financial reporting is a fundamental element in realizing transparency, accountability, and efficiency in public financial management. The quality of this reporting is greatly influenced by the effectiveness of internal control, compliance with Government Accounting

Policies, human resource competency, and the level of accountability in regional financial management. However, in practice, various problems are still found, such as weak internal control, misrepresentation of information, and low quality of the data presented, which ultimately hinder the realization of effective regional financial governance. Based on these conditions, this study was conducted to comprehensively examine the influence of internal control, Government Accounting Policies, human resource competency, and accountability in regional financial management on the quality of financial reporting in Aceh Work Units. The results of this study are expected to contribute to strengthening regional financial governance that is more transparent, efficient, and accountable.

## LITERATURE REVIEW

### **The Influence of Internal Control Systems on Financial Reporting Quality**

An Internal Control System (ISC) is a process implemented by management and all employees within an entity designed to provide reasonable assurance regarding the achievement of organizational objectives, including operational effectiveness and efficiency, the reliability of financial reporting, and compliance with laws and regulations (COSO, 2013). In the public sector context, ISC is a crucial managerial tool that assists local governments in safeguarding assets, ensuring the accuracy of accounting records, preventing fraud, and supporting program implementation in accordance with established objectives (Mulyadi, 2016). Meanwhile, financial reporting quality is the extent to which financial reports provide reliable, relevant, understandable, and comparable information to report users, particularly the public and stakeholders (Kieso et al., 2019). Quality financial reporting will reflect the actual state of regional finances, thus providing a basis for decision-making and demonstrating public accountability.

The influence of Internal Audit Units (SPI) and the quality of financial reporting lies in the control, supervision, and detection of weaknesses in the presentation of financial reports. A good control environment will create a conducive work atmosphere and support the effective implementation of Internal Audit Units (SPI). With an adequate internal control system, local governments can ensure the reliability of the recording process, reduce the risk of errors, and detect potential fraud that could damage the quality of reports (Atlyang et al., 2016). Conversely, weaknesses in Internal Audit Units (SPI) are often one of the reasons why local government financial reports receive an "Exempt Opinion" from the Supreme Audit Agency (BPK), due to the continued detection of irregularities and leaks in regional financial management.

Research by Listiyani and Gunawan (2020) confirms that the better the implementation of Internal Control Systems (SPI), the higher the quality of the resulting financial reports. A similar finding was expressed by Lumintang et al. (2017), who showed that the internal control system positively contributed to improving the quality of financial reports in regional government agencies (SKPD) in the Manado City Government. Furthermore, Budiawan and Purnomo (2017) added that effective internal control can increase stakeholder trust in

regional financial reports. Therefore, it can be concluded that the internal control system is a key factor determining the quality of regional government financial reports.

H1: The Internal Control System (SPI) influences the quality of financial reporting.

### **The Influence of Human Resources Quality on Financial Reporting Quality**

Human resources (HR) quality refers to the ability of government officials to carry out regional financial management tasks based on knowledge, skills, and attitudes that align with government accounting standards (Sedarmayanti, 2017). Qualified HR requires not only a theoretical understanding of accounting but also practical skills in preparing regional financial reports accurately, reliably, and in accordance with regulations. Meanwhile, financial reporting quality is defined as the extent to which reports presented meet the characteristics of relevance, reliability, comparability, and understanding by report users for decision-making (PP No. 71 of 2010). Quality government financial reports not only reflect compliance with government accounting standards but also serve as an accountability instrument in regional financial management.

The influence of human resource quality on the quality of financial reports is closely linked, as the limited number of employees with accounting education backgrounds will reduce the ability of regional government agencies (SKPD) to manage finances effectively. This can lead to recording errors, incomplete reports, and even wasted resources (Komasari, 2016). Human resources who understand government accounting are a key factor in ensuring the proper implementation of accounting standards, because without competent personnel, even the best standards will not produce quality financial reports (Latjandu et al., 2016). Several previous studies also support this view, as evidenced by the findings of Mutiana et al. (2017) and Siahaya et al. (2018), which assert that the higher the competence of human resources, the better the quality of the resulting financial reports. Therefore, human resource quality can be considered a key determinant of the creation of relevant, reliable, and accountable local government financial reports.

H2: Human resource quality influences the quality of financial reporting.

### **The Influence of Government Accounting Policies on Financial Reporting Quality**

Local government accounting policies are a set of guidelines that serve as a reference in the process of preparing financial reports, covering the stages from recognition, measurement, presentation, and disclosure of every transaction occurring within the local government. These policies are formulated with reference to the accrual-based Government Accounting Standards (SAP) as stipulated in Government Regulation (PP) Number 71 of 2010 and reinforced by technical provisions through Minister of Home Affairs Regulation Number 64 of 2013 concerning the Implementation of Accrual-Based SAP in Local Governments. The implementation of accounting policies in accordance with these standards is expected to produce financial reports that meet qualitative characteristics, namely relevance, reliability, comparability, and ease of

understanding by various parties, including the public, legislative bodies, and other stakeholders. Thus, the existence of local government accounting policies serves not only as technical guidelines but also as a crucial instrument for increasing transparency, accountability, and the quality of local financial management. This supports the realization of good governance, as SAP-compliant financial reports can serve as a basis for evaluating government financial performance (Harahap & Erlina, 2024).

The relationship between accounting policies and the quality of financial reporting is reflected in their level of compliance with SAP. If local governments implement accounting policies consistent with SAP, the resulting financial reports will be more relevant and can support the decision-making process. Findings by Indriasari and Nahartyo (2008) demonstrate that compliance with SAP significantly impacts the quality of local government financial reports. Furthermore, consistency in the application of accounting policies plays a crucial role. Consistency allows for comparisons between periods and regions, ensuring the quality of the information produced. Policy changes are only appropriate if they truly add value to the quality of the information presented. Setyaningrum (2015) emphasizes that consistency in the application of accounting policies is closely related to the level of transparency and quality of information in local government financial reports.

The aspect of transparency through the disclosure of accounting policies in the Notes to the Financial Statements (CaLK) is also a crucial factor for accountability. The more detailed and clear the disclosure, the higher the level of public trust in government financial reports. Yuliani (2010) found that disclosure of accounting policies positively influences the level of public trust in regional financial reports. This demonstrates that openness is an integral part of public transparency.

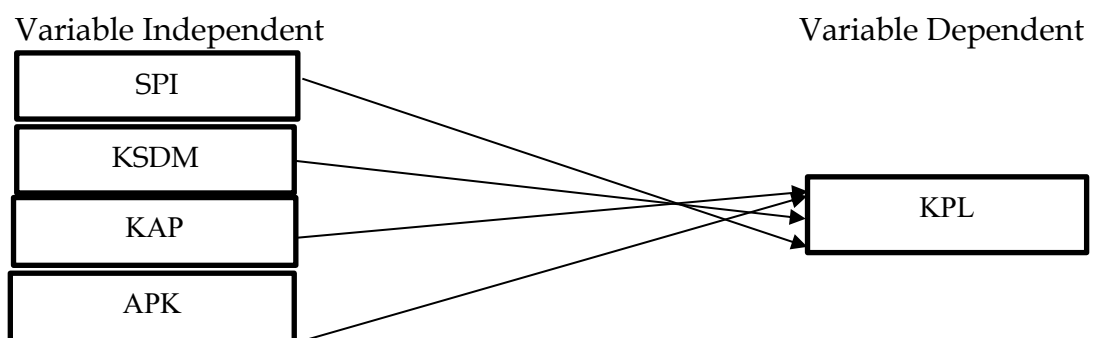
H3: Government accounting policies influence the quality of financial reporting.

### **The Impact of Regional Financial Management Accountability on Financial Report Quality**

Financial Management Accountability is a principle that requires government entities to be accountable for the management of public resources in a transparent, efficient manner, and in accordance with laws and regulations. Accountability emphasizes not only procedural compliance but also requires that every budget allocation be accounted for, both administratively and substantively. The resulting financial reports must reflect financial management in accordance with the principles of good governance (Mahendra et al., 2021). Financial Report Quality is the extent to which financial reports present information that is relevant, reliable, understandable, and comparable to users, particularly stakeholders in the public sector. Quality financial reports enable more informed decision-making and increase public trust in government performance (Mardiasmo, 2018).

The relationship between financial management accountability and financial report quality can be explained by the fact that the higher the level of accountability in financial management, the greater the likelihood that the resulting financial reports will meet quality characteristics, such as relevance, reliability, and comparability. Good accountability will encourage more transparent budget management, so that financial reports not only fulfill formal obligations but also provide informative value for users (Kusuma et al., 2019; Hartono et al., 2020). Previous research has shown that financial management accountability can strengthen public trust and enhance government credibility. Based on this description, the conceptual framework for this study is presented as follows:

H<sub>4</sub>: Financial management accounting influences the quality of financial reporting



## METHODOLOGY

This research is a quantitative, causal-associative study. The population used in this study was all 47 Aceh Government Work Units (SKPA) within the Aceh Government. The data collection technique used a questionnaire. Data analysis using multiple regression equations assisted by SPSS used in this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Keterangan:

Y = Quality of Financial Reports

$\alpha$  = Constanta

$\beta_1, \beta_2, \beta_3, \beta_4$  = Regression coefficient for each independent variable

$X_1$  = Internal Control System

$X_2$  = Quality of Human Resources

$X_3$  = Government Financial Accounting System

$X_4$  = Government Performance Accountability

$\varepsilon$  = Error

## RESULT

Based on the data extracted in SPSS with a multiple linear regression analysis model, the results are obtained in Table 1.

**Table 1. Multiple Linear Regression Analysis**

Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	34,085	3.947	
	Internal Control System	.346	.077	.151
	Quality of Human Resources	.158	.097	.054
	Government Financial Accounting System	.259	.080	.276
	Government Performance Accountability	.116	.097	.110

a. Dependent Variable: Quality of Financial Reports

The "Unstandardized Coefficients B" table provides information about the regression equation, namely how much SPI, KAP, KSDM, and APKD influence KLK. The regression equation formula in this analysis or research is as follows:

$$KLK = a + \beta_1 SPI + \beta_2 KAP + \beta_3 KSDM + \beta_4 APKD + e$$

$$Y = 34,085 + 0,346 + 0,158 + 0,259 + 0,116 + e$$

The constant value from the table above is 34.085, which means that if SPI, KAP, KSDM, and APKD are considered constant, then the value obtained from the Financial Reporting Quality (KLK) variable is 1.762 on an interval scale. Hypothesis testing is carried out to examine whether there is an influence of the independent variables on the dependent variable, namely whether the variables Internal Control System (SPI), Government Accounting Policy (KAP), Human Resource Competence (KSDM), and Regional Financial Management Accountability (APKD) have an effect on the Financial Reporting Quality (KLK).

Table 1 shows that the regression coefficients ( $\beta_1, \beta_2, \beta_3, \beta_4 \neq 0$ ) are 0.346,  $\beta_2$  is 0.158,  $\beta_3$  is 0.259, and  $\beta_4$  is 0.116. This means that  $H_0$  is rejected and  $H_a$  is accepted. This indicates that the variables Internal Control System (SPI), Government Accounting Policy (KAP), Human Resource Competence (KSDM), and Regional Financial Management Accountability (APKD) influence the Quality of Financial Reporting (KLK) of local governments, particularly in the Aceh government.

The influence of each variable, including Internal Control System (SPI), Government Accounting Policy (KAP), Human Resource Competence (KSDM), and Regional Financial Management Accountability (APKD), indicates an impact on the Quality of Financial Reporting (KLK). Based on Table 1, it is known that the regression coefficient value of  $\beta_1$  is 0.346, indicating that  $\beta_1 \neq 0$ . This means that  $H_0$  is rejected and  $H_a$  is accepted. This indicates that the Internal Control

System (SPI) variable has a partial effect on the Quality of Financial Reporting (KLK) of local governments, especially in the Aceh government.

The regression coefficient value of  $\beta_2$  is 0.158 which indicates  $\beta_2 \neq 0$ . This means that  $H_0$  is rejected and  $H_a$  is accepted. This indicates that the Government Accounting Policy (KAP) variable has a partial effect on the Quality of Financial Reporting (KLK) of local governments, especially in the Aceh government. The regression coefficient value of  $\beta_3$  is 0.259 which indicates  $\beta_3 \neq 0$ . This means that  $H_0$  is accepted and  $H_a$  is rejected. This indicates that the Human Resources Quality (KSDM) variable does not have a partial effect on the Quality of Financial Reporting (KLK) of local governments, especially in the Aceh government. The regression coefficient value of  $\beta_4$  is 0.116 which indicates  $\beta_4 \neq 0$ . This means that  $H_0$  is rejected and  $H_a$  is accepted. This indicates that the Financial Management Accountability variable has a partial effect on the Quality of Financial Reporting (KLK) of local governments, especially in the Aceh government.

The calculation of the coefficient of determination value is often interpreted as how much the independent variable is able to explain the variance of the dependent variable or to state the contribution of variable X to variable Y. The coefficient of determination (R Square or R squared) or symbolized by "R<sup>2</sup>" which means the contribution of the influence given by the variables Internal Control System (SPI), Government Accounting Policy (KAP), Human Resource Competence (KSDM) and Regional Financial Management Accountability (APKD) to the Quality of Financial Reports (KLK) or in other words, the value of the coefficient of determination or R Square is useful for predicting and seeing how much contribution the influence given by the Internal Control System (SPI), Government Accounting Policy (KAP), Human Resource Competence (KSDM) and Regional Financial Management Accountability (APKD) simultaneously (together) to the variable Quality of Financial Reports (KLK).

**Tabel 2. Koefisien Determination**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.711 <sup>a</sup>	.505	.536	2.064

Based on the SPSS "Model Summary" output table above, it is known that the coefficient of determination or R Square value is 0.505. This R Square value of 0.505 comes from squaring the correlation coefficient or "R" value, which is  $0.711 \times 0.711 = 0.505$ . The magnitude of the coefficient of determination (R Square) is 0.505 or equal to 50.5%. This number means that variable X influences variable Y by 50.5%. While the remainder ( $100\% - 50.5\% = 49.5\%$ ) is influenced by other variables outside this regression equation or variables that are not studied.

## DISCUSSION

### The Impact of Internal Control Systems (ISCs) on Financial Report Quality (QoS)

Internal Control Systems (ISCs) are the procedures, policies, and mechanisms implemented by government agencies to ensure effectiveness,

efficiency, regulatory compliance, and the reliability of financial reports. A sound ISC implementation is crucial because local government financial reports represent the agent's accountability to the principal, according to agency theory. With adequate ISCs, the risk of misstatement and irregularities can be minimized, thereby improving the quality of financial reports.

Internal Control System (SPI) is one of the preventions of fraudulent manipulation and errors in presenting financial report information. This system can be influenced by management and employees in providing appropriate assurance regarding objective behavior towards the presentation of financial report information in accordance with company policies and procedures (Rai, 2011). It is explained that "the internal control system is an integral process in the actions or activities carried out by leaders and employees continuously to provide adequate assurance of achieving organizational goals through efficient and effective activities." Therefore, companies can implement SOPs (Standard Operating Procedures) and applicable laws to be complied with by all employees without exception (Arens, 2008).

The results of the study indicate that the Internal Control System (ISC) has a significant effect on the quality of financial reports, as indicated by a  $\beta_1$  coefficient of 0.346. Indicators that contribute most to the significance of this variable include data integrity, accuracy of transaction input and posting, adequate document authorization, and clear division of tasks. Inaccuracy in any of these aspects has the potential to reduce the reliability of financial reports. This finding aligns with Aرسال et al. (2023) who stated that ISC has a positive influence on the quality of local government financial reports. Furthermore, Wahtan et al. (2025) also emphasized that strengthening internal control is a crucial factor in improving the reliability of government financial reports. The findings of Mutiana, Diantimala, and Zuraida (2024) also found empirical evidence supporting the assertion that internal control in work units within the environment has a significant impact on the reliability and quality of local government financial reports. Furthermore, a study by Salsabila & Sari (2025) also stated that the internal control system influences the quality of financial reports.

### **The Influence of Government Accounting Policies (KAP) on the Quality of Financial Reports (KLK)**

Government Accounting Policies, based on accrual-based Government Accounting Standards (SAP), as stipulated in Government Regulation No. 71 of 2010, serve as the basis for preparing regional government financial reports. The accrual basis allows for the presentation of more comprehensive information

regarding the financial position, operational performance, and cash flow of regional governments. The distribution of respondents' assessments of the implementation of government accounting standards shows that the highest respondents' assessments fall on the recognition and disclosure dimensions. Recognition is manifested in the use of the accounting basis used in the financial statements, while disclosure is manifested in the complete presentation of all information required by users. Respondents' highest assessment of financial report quality falls on the relevance dimension, meaning that information must be relevant to the decisions to be made.

From the respondents' assessment results, it can be concluded that the financial reports are relevant due to the use of an accounting basis that is highly in accordance with government accounting standards and the complete presentation of all information. The results of this study provide empirical evidence that the implementation of good government accounting standards will improve the quality of financial reports in district/city governments in West Java Province as stipulated in Government Regulation Number 24 of 2005 concerning Government Accounting Standards (SAP).

The results of the study show a regression coefficient value of  $\beta_2 = 0.158$ , which means that the Public Accounting Firm (KAP) has a significant effect on the quality of financial reports. This coefficient value is the highest compared to other variables in this study, so it can be concluded that SAP implementation is the most dominant factor in improving the quality of financial reports. This result is in line with the findings of S. Saridawati (2025) who stated that the implementation of accrual-based accounting significantly improves the quality of financial reporting. In addition, Yusri (2024) explained that the proper implementation of SAP will minimize misstatements in financial reports. However, this differs from the research of Maria I.L. et al. (2025), who found that without information technology support, accounting policies did not have a significant impact. This indicates that the success of SAP implementation still depends on the facilities, systems, and organizational readiness.

### **The Influence of Human Resources Competence (KSDM) on the Quality of Financial Reports (KLK)**

Human resource competence, particularly of employees involved in regional financial management, is a key factor influencing the quality of financial reports. Competence includes technical skills, understanding of accounting standards, work experience, and a professional attitude in carrying out tasks. Human resources who lack sufficient competence in understanding proper work procedures and procedures, particularly in journal creation and posting skills, clearly impact the quality of financial reports, as these skills are crucial in demonstrating the quality of financial reports. Therefore, if human resources lack adequate competency and lack adequate support for work systems, monitoring, and evaluation for employees, the quality of financial reports will remain low. Furthermore, underutilization of human resource competencies in each report preparation process, lack of specialized training for human resources, and inappropriate placement of employees according to their areas of competence will result in low-quality financial reports.

However, if employees have adequate competencies and human resources can be utilized properly according to their respective competencies, then employees can carry out their duties well and can apply accounting principles in their work and can produce appropriate financial reports. The results of the study show a regression coefficient value of  $\beta_3 = 0.259$ , so that human resource competency has a significant effect, even its influence is the lowest compared to other variables. This shows that although employee competency is important, systems and regulations (SPI and SAP) have a greater influence in ensuring the quality of financial reports,

This relatively significant impact may be due to the increasing use of government-standardized financial applications, resulting in more automation of some accounting processes. Consequently, reliance on individual competencies is relatively lower than before. The results of this study align with those of Merlyn et al. (2024), who found that HR competency is influential. These findings also align with Philadelphia's (2023) findings that HR competency impacts the quality of financial reports. Similarly, a study by Kustianingsih & Setiadi (2022) showed that human resource competency significantly impacts the quality of financial reports. This aligns with the concept of resource-based theory, which states that if an agency is able to manage resources effectively, it can create a competitive advantage over its competitors.

#### **The Influence of Regional Financial Management Accountability (APKD) on the Quality of Financial Reports (KLK)**

Regional financial management accountability is a comprehensive level of accountability for regional financial management, encompassing policy aspects and budget utilization to the public. Through public accountability, the public can assess the level of achievement of government programs and activities. Therefore, accountability impacts the quality of financial reports. According to Suparno (2012:5) in his research on regional financial accountability.

Accountability in regional financial management reflects the extent to which the financial management process can be accounted for transparently and in accordance with applicable regulations. Good accountability requires timely, understandable reports prepared in accordance with applicable accounting standards. The results of the study indicate a regression coefficient value of  $\beta = 0.116$ , and this variable has a significant effect on the quality of financial reports, even having a higher level of significance than other variables. This indicates that the accountability aspect has been running well administratively and formally, so it can make a direct contribution to the technical quality of financial reports. Another factor that can explain these results is that accountability is often assessed based on perceptions or administrative documents, while the quality of financial reports is strongly influenced by technical aspects such as SAP implementation, internal control, and HR competency.

This finding aligns with the study by Vidyasari and Suryono (2021), which found that accountability has a significant impact. A study by Saputri et al. (2025) also showed that accountability in regional financial management has a positive and significant impact on the quality of regional government financial reports.

Similarly, a study by Aprilia et al. (2025) also showed that accountability has a positive effect on the quality of financial reports.

## **CONCLUSION**

Based on the research results and discussion above, the following conclusions can be drawn:

1. The Internal Control System (SPI), Government Accounting Policy (KAP), Human Resources Competence (KSDM), and Regional Financial Management Accountability (APKD) influence the Quality of Financial Reporting (KLK).
2. The Internal Control System (SPI) influences the Quality of Financial Reporting (KLK).
3. Government Accounting Policy (KAP) influences the Quality of Financial Reporting (KLK).
4. Human Resources Competence (KSDM) influences the Quality of Financial Reporting (KLK).
5. Regional Financial Management Accountability (APKD) influences the Quality of Financial Reporting (KLK).

## **RECOMMENDATION**

To ensure the sustainability of this research's findings, the researcher recommends regional governments need to conduct regular training for employees to better understand and master the optimal use of accounting information systems. Regular evaluation and development of accounting information systems is necessary to ensure continuous adjustments. Regional governments must ensure that internal control procedures are properly implemented across all work units to improve financial accountability and transparency. Stricter and more regular internal audits are needed to ensure that all financial activities are conducted in accordance with applicable procedures and standards. More intensive education and training regarding government accounting standards should be provided to employees responsible for preparing Aceh's regional financial reports.

## **FURTHER STUDY**

To better understand the factors influencing the quality of regional financial reports, further research is needed, including other variables, such as human resource competency, organizational culture, and the level of compliance with financial regulations. The use of broader research methods, such as qualitative studies or in-depth interviews with government officials, could provide additional, more comprehensive insights into the challenges of improving the quality of regional financial reports in Aceh.

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