



The Influence of the Government Internal Control System, Human Resource Competence, and the Utilization of Information Technology on the Quality of Financial Reports

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ABSTRACT

This research examines how the Government Internal Control System, Human Resource Competence, and the Utilization of Information Technology affect the quality of financial reports produced by local government units. High-quality financial reports reflect accountable and transparent regional financial governance. Respondents were selected through purposive sampling, with questionnaires distributed across 40 Regional Apparatus Organizations (OPD) together with one regional public hospital (RSUD); every respondent satisfied the study's inclusion criteria. A quantitative design was applied, with questionnaire-based data processed through multiple linear regression using the Statistical Package for the Social Sciences (SPSS). Findings reveal that the Government Internal Control System contributes positively and significantly to report quality, whereas neither Human Resource Competence nor the Utilization of Information Technology shows a significant contribution. These findings offer practical guidance for treasurers and financial report managers at the regional level, suggesting that reinforcing internal control mechanisms and staff competence, alongside better use of available technology, can help lift the overall quality of financial reporting

INTRODUCTION

Indonesia's public sector has expanded considerably in recent years, driven by global pressures that push government policy toward greater regional independence under decentralization. Carrying out regional autonomy successfully depends on having a reliable accounting framework paired with well-functioning information systems, both of which are essential building blocks for financial reports that are accountable, transparent, efficient, effective, and genuinely useful to their users.

Local Government Financial Reports (LKPD) function as the primary channel through which local governments communicate financial information to stakeholders including citizens, the Regional House of Representatives (DPRD), the Audit Board (BPK), and other relevant parties thereby supporting transparency, accountability, and sound governance practices. Every year, the LKPD undergoes an audit by Indonesia's Supreme Audit Board (BPK RI), which then issues an opinion grounded in four assessment criteria: alignment with government accounting standards, sufficiency of disclosure, adherence to applicable regulations, and the strength of the internal control system in place.

Although the Central Bengkulu Regency Government has secured an Unqualified Opinion (WTP) for six straight years (2019-2024), this achievement does not necessarily mean the underlying financial reports are entirely free of substantive issues. Audit results continue to point to persistent weaknesses in regional financial management, including gaps in the internal control system (SPIP), instances of non-compliance with regulations, misclassification of accounts, and poorly organized management of regional assets.

Among the factors believed to shape the quality of regional financial reports is how effectively the government's internal control system operates a framework of procedures and policies intended to help organizations succeed, protect their assets, and both prevent and uncover fraud or error. This internal control system, known as SPIP, is grounded in Government Regulation No. 60 of 2008 and is meant to give reasonable assurance that financial reports are reliable, that regulations are being followed, and that government operations run efficiently and effectively. Prior research indicates that accountability and transparency play a meaningful role in determining the quality of financial reports issued by Indonesian regional governments (Herindraningrum & Yuhertiana, 2021).

Beyond internal control mechanisms, the competence of human resources is another key ingredient in producing quality financial reports. When regional government staff possess sufficient knowledge, skill, and integrity, they are better positioned to accurately record, classify, report, and compile regional financial accountability documents in line with Government Accounting Standards (SAP). Conversely, staff who lack this competence particularly a solid grasp of accounting procedures tend to produce financial reports of weaker quality.

A further factor of comparable importance is how well information technology is put to use referring here to the tools employed to process, manage, gather, compile, store, and manipulate data so that the resulting information is

relevant, accurate, and delivered on time (Sarwono & Handayani, 2021). Applications such as SIMDA and SIPKD, when deployed in regional financial management, have been found to aid transaction recording, strengthen data integration across budget units, ease supervision and audit work, cut down on manual errors, and speed up the reporting cycle.

Field evidence from Central Bengkulu Regency suggests that despite ongoing efforts to strengthen SPIP, build HR capacity, and expand information technology use, a disconnect still exists between the formal outcome reflected in the WTP opinion and the conditions observed on the ground. Earlier studies examining these three factors have also produced inconsistent conclusions some report a positive and significant relationship with financial report quality (Awalia & Nasution, 2022; Karim et al., 2024), while others find no significant relationship at all (Gustina, 2021; Philadelphia & Suryaningrum, 2020). This inconsistency points to a gap in the literature that merits closer examination.

Drawing on this observed phenomenon and the identified research gap, the present study sets out to investigate how the Government Internal Control System, Human Resource Competence, and the Utilization of Information Technology jointly and individually shape the quality of financial reports at the Central Bengkulu Regency Government. It is hoped that the findings will contribute to the broader literature on what drives regional financial report quality, while also offering practical, strategic recommendations that help local governments pursue financial governance that is transparent, accountable, efficient, and effective consistent with the principles of good governance.

LITERATURE REVIEW

Stewardship Theory

According to stewardship theory, first put forward by Davis, Schoorman, and Donaldson (1997), a steward is driven primarily by a desire to serve the best interests of the organization or the principal they act on behalf of, rather than by self-interest (Mutoharoh & Luluk M.I., 2023). This framework fits naturally within local government settings, where public officials effectively act as stewards responsible for managing public resources and delivering trustworthy financial information back to the citizens who serve as the principal.

Sound implementation of the Government Internal Control System (SPIP) aligns closely with the stewardship principle, since it represents an effort to keep financial information reliable and to guard against the misuse of public assets. Human resource competence likewise matters from a stewardship standpoint: staff who are genuinely competent tend to put the public interest ahead of personal gain, which in turn lifts the quality of financial reporting. Information technology plays a comparable supporting role, functioning as a tool that helps stewards discharge their financial accountability duties with greater effectiveness and efficiency. This study draws on all three variables internal control, HR competence, and IT utilization to illustrate how a steward fulfills their mandate of producing financial reports of high quality.

The Influence of the Government Internal Control System on the Quality of Financial Reports

SPIP represents an ongoing, integrated set of actions carried out by both leadership and staff, intended to provide reasonable assurance that organizational goals are met efficiently and effectively, that financial reports remain reliable, that state assets are properly safeguarded, and that applicable regulations are followed (Government Regulation No. 60 of 2008). When SPIP is implemented well, it fosters a supportive control environment, meaningful control activities, appropriate risk assessment, adequate communication and information flow, and continuous monitoring all of which help reduce the likelihood of errors in how financial reports are recorded and presented.

Viewed through the lens of stewardship theory, effective SPIP implementation reflects staff acting as stewards who work to keep financial information reliable and prevent public assets from being misused (Mutoharoh & Luluk M.I., 2023). Several studies including those by Awalia & Nasution (2022), Firmansyah & Sinambela (2020), and Mutoharoh & Luluk M.I. (2023) report that internal control implementation positively and significantly affects financial report quality. Other research, however, tells a different story: Gustina (2021) and Philadelphia & Suryaningrum (2020) both found that internal control had no significant bearing on report quality. Given these mixed findings, the following hypothesis is put forward:

H1: The Government Internal Control System influences the Quality of Regional Government Financial Reports.

The Influence of Human Resource Competence on the Quality of Financial Reports

Human resource competence refers to an employee's capacity spanning knowledge, skill, and professional attitude to carry out financial reporting tasks to the fullest extent. Staff who possess this competence tend to grasp government accounting principles more thoroughly, operate regional financial information systems with greater ease, and apply accounting procedures correctly, all of which strengthens the relevance, reliability, comparability, and understandability of the resulting financial information.

Stewardship theory holds that competent staff are capable of fulfilling professional responsibilities with integrity and a strong sense of accountability (Mutoharoh & Luluk M.I., 2023). Research conducted by Karim et al. (2024) at the Regional Finance Agency of Gorontalo Province found that as the competence of financial management staff increases, so does the quality of the financial reports they produce a pattern also observed by Ramadhanti & Rufaedah (2023). This leads to the following hypothesis:

H2: Human Resource Competence influences the Quality of Regional Government Financial Reports.

The Influence of the Utilization of Information Technology on the Quality of Financial Reports

Making effective use of information technology in preparing regional financial reports contributes meaningfully to how effective, efficient, and accurate the reporting process turns out to be. This encompasses hardware, software, networks, and regional financial applications like SIMDA and SIPKD, all of which allow financial data to be handled quickly, precisely, and in an

integrated fashion cutting down on manual errors and speeding up the overall reporting workflow.

Technology also acts as a tool that helps stewards fulfill their financial accountability responsibilities more effectively and efficiently (Biyantoro, 2023). Both Binawati & Nindyaningsih (2022) and Sarwono & Handayani (2021) report a positive relationship between information technology use and the quality of regional government financial reports, which supports the following hypothesis: H3: The Utilization of Information Technology influences the Quality of Regional Government Financial Reports.

METHODOLOGY

Research Type, Population, and Sample

This research adopts a quantitative, descriptive design, with the goal of measuring how independent variables affect the dependent variable using numerical data processed through statistical procedures. The study population comprises the full set of Regional Apparatus Organizations (OPD) operating under the Central Bengkulu Regency Government 40 OPDs in total, plus one Regional Public Hospital (RSUD). Because this population totals fewer than 50 units, all of them were included as the research sample, a method known as saturated sampling. Respondent selection relied on a non-probability, purposive approach, with each OPD represented by its Treasurer or Financial Management Officer (PPK). All data used in the analysis are primary data gathered directly from respondents via questionnaire.

Operational Definitions and Variable Measurement

The model tested in this study involves a single dependent variable Quality of Financial Reports (Y) alongside three independent variables: the Government Internal Control System (X1), Human Resource Competence (X2), and the Utilization of Information Technology (X3). Quality of Financial Reports represents the end product of the accounting cycle, delivering information that is both useful and sound for decision-making purposes, measured through the dimensions of relevance, reliability, comparability, and understandability. The Government Internal Control System functions as a key mechanism in the reporting process, intended to check that data is accurate and correct, and is assessed through the dimensions of control environment, risk assessment, control activities, information and communication, and monitoring (Government Regulation No. 60 of 2008). Human Resource Competence captures employees' ability to perform their duties and exercise their authority effectively and efficiently, measured across the dimensions of knowledge, skill, and attitude. Finally, the Utilization of Information Technology relates to the technology used for processing, managing, compiling, storing, and manipulating data to generate quality information, assessed through the availability of IT, the extent of its use, and users' capability to operate it.

RESULT

Descriptive Statistics

The results of the descriptive statistical analysis for each research variable are presented in Table 1 below

Table 1. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
Government Internal Control System (X1)	41	42	65	57.37	5.607
Human Resource Competence (X2)	41	35	50	42.71	4.468
Utilization of Information Technology (X3)	41	28	45	37.59	4.455
Quality of Financial Reports (Y)	41	40	92	52.17	8.354

Source: Primary data processed, 2025

For the Government Internal Control System (X1), the observed mean stands at 57.37 with a standard deviation of 5.607, pointing to a generally good level of SPIP implementation across OPDs in Central Bengkulu Regency. Human Resource Competence (X2) recorded a mean of 42.71 and a standard deviation of 4.468, suggesting that staff knowledge, skill, and attitude are, on the whole, in good shape. The Utilization of Information Technology (X3) shows a mean of 37.59 with a standard deviation of 4.455, which points to reasonably solid IT use, though there is still room to strengthen system integration further. Finally, the Quality of Financial Reports (Y) posted a mean of 52.17 with a standard deviation of 8.354, indicating that reports generally satisfy the principles of relevance, reliability, comparability, and understandability although respondent perceptions of this variable varied somewhat more widely than for the others.

Validity and Reliability Test Results

Validity was assessed using Pearson Product Moment correlation at a 5% significance threshold. Given a sample size of 41 (df = 39), the corresponding r-table benchmark is 0.304; the results of this validity assessment appear in Table 2

Table 2. Validity Test Results

Variable	Pearson Correlation Range	Description
Government Internal Control System (X1)	0.478** - 0.857**	Valid
Human Resource Competence (X2)	0.611** - 0.807**	Valid
Utilization of Information Technology (X3)	0.351* - 0.835**	Valid
Quality of Financial Reports (Y)	0.380** - 0.818**	Valid

Source: Primary Data Processed, 2025

Across all four variables, every one of the 44 statement items met the validity criterion, since each correlation coefficient surpassed the 0.304 r-table threshold at a significance level under 0.05 confirming that the instrument is fit for further analysis. Table 3 then reports the reliability results based on Cronbach's Alpha.

Table 3. Reliability Test Results

Variable	Number of Items	Cronbach's Alpha	Description
Government Internal Control System (X1)	13	0.920	Excellent (Reliable)
Human Resource Competence (X2)	10	0.870	Excellent (Reliable)
Utilization of Information Technology (X3)	9	0.870	Excellent (Reliable)

Variable	Number of Items	Cronbach's Alpha	Description
Quality of Financial Reports (Y)	12	0.860	Reliable

Source: Primary Data Processed, 2025

Since every variable's Cronbach's Alpha exceeds the 0.60 threshold, all are considered reliable and appropriate for use in the subsequent stages of analysis.

Classical Assumption Test Results

Normality was checked using the One-Sample Kolmogorov-Smirnov Test, which yielded a Test Statistic of 0.224 and an Asymp. Sig. (2-tailed) value of 0.000. Because this significance value falls below 0.05, the residuals cannot be considered fully normally distributed; the complete results are shown in Table 4.

Table 4. Normality Test Results (One-Sample Kolmogorov-Smirnov Test)

Description	Value
N	41
Mean residual	0.0000000
Std. Deviation residual	6.42915622
Test Statistic (Absolute)	0.224
Asymp. Sig. (2-tailed)	0.000

Source: Primary Data Processed, 2025

Multicollinearity was examined through Tolerance and Variance Inflation Factor (VIF) statistics. As Table 5 shows, every independent variable records a Tolerance value above 0.10 and a VIF below 10, confirming that the regression model does not suffer from multicollinearity.

Table 5. Multicollinearity Test Results

Variable	Tolerance	VIF	Description
Government Internal Control System (X1)	0.494	2.026	Free of Multicollinearity
Human Resource Competence (X2)	0.217	4.598	Free of Multicollinearity
Utilization of Information Technology (X3)	0.247	4.047	Free of Multicollinearity

Source: Primary data processed, 2025

Heteroscedasticity was tested using the Glejser method, in which the independent variables were regressed against the absolute residuals. The resulting significance values for X2 and X3 both exceed 0.05, meaning these two variables are free of heteroscedasticity, whereas X1 shows signs of heteroscedasticity. The full results can be found in Table 6.

Table 6. Heteroscedasticity Test Results (Glejser Test)

Variable	t	Sig.	Description
Government Internal Control System (X1)	2.481	0.018	Heteroscedasticity
Human Resource Competence (X2)	-0.665	0.510	Free of Heteroscedasticity
Utilization of Information Technology (X3)	-1.301	0.201	Free of Heteroscedasticity

Source: Primary Data Processed, 2025

Multiple Linear Regression Analysis and Hypothesis Test Results

To examine how X1, X2, and X3 jointly and individually affect Y, a multiple linear regression analysis was performed; the resulting coefficients along with the accompanying t-test outcomes are set out in Table 7.

Table 7. Multiple Linear Regression Analysis and Hypothesis Test Results

Variable	B	Std. Error	t	Sig.	Result
(Constant)	-3.084	11.414	-0.270	0.788	-
Government Internal Control System (X1)	0.787	0.268	2.934	0.006	H1 Accepted
Human Resource Competence (X2)	-0.121	0.507	-0.239	0.812	H2 Rejected
Utilization of Information Technology (X3)	0.406	0.477	0.852	0.400	H3 Rejected

Source: Primary Data Processed With SPSS, 2025

Table 8. Model Statistics Summary

Model Statistic	Value
R Square	0.408
Adjusted R Square	0.360
F value	8.492
Sig. F	0.000

Source: Primary Data Processed with SPSS, 2025

Drawing on the coefficients in Table 8, the resulting regression equation can be written as $Y = -3.084 + 0.787X_1 - 0.121X_2 + 0.406X_3 + e$. Here, the constant of -3.084 implies that, were all three independent variables to equal zero, the predicted value of the Quality of Financial Reports would itself be -3.084.

The F-test reported in Table 8 produces an F value of 8.492 with a significance level of 0.000 (below 0.05), which confirms that X1, X2, and X3 together exert a significant, simultaneous influence on Y establishing the regression model as a good fit. Meanwhile, the Adjusted R Square of 0.360 means that these three predictors jointly account for 36.0% of the variation observed in financial report quality, leaving the remaining 64.0% attributable to factors outside the scope of this model.

Turning to the individual t-tests, X1 produces a coefficient of 0.787 at a significance of 0.006 (below 0.05), demonstrating a positive and statistically significant effect on Y and leading to the acceptance of H1. X2, in contrast, shows a coefficient of -0.121 with a significance of 0.812 (above 0.05), meaning its effect on Y is not statistically significant, so H2 is rejected. X3 records a coefficient of 0.406 at a significance of 0.400 (above 0.05) a positive direction, but one that falls short of statistical significance resulting in the rejection of H3.

DISCUSSION

The Influence of the Government Internal Control System on the Quality of Financial Reports.

As shown above, the Government Internal Control System exerts a positive and significant effect on financial report quality, supporting the acceptance of H1. This outcome reinforces the idea that strengthening the control environment, risk assessment practices, control activities, information flow, and ongoing monitoring

translates into better-quality financial reports. Seen through the lens of stewardship theory, well-executed SPIP reflects staff acting as stewards intent on keeping information reliable and preventing the misuse of public assets. The finding aligns with earlier work by Awalia & Nasution (2022), Firmansyah & Sinambela (2020), and Mutoharoh & Luluk M.I. (2023), all of whom likewise identified a positive link between internal control and the quality of local government financial reports.

The Influence of Human Resource Competence on the Quality of Financial Reports.

By contrast, Human Resource Competence does not show a significant effect on report quality, leading to the rejection of H2. This suggests that staff competence in this setting has yet to translate fully into practice when it comes to preparing financial reports, or perhaps lacks the backing of a supportive system and working environment (Ahwan, 2022). Even though this variable is not significant on its own in the partial test, it still contributes meaningfully within the combined F-test alongside the other predictors implying that HR competence works best when paired with complementary factors such as internal control and information technology. This result departs from Karim et al. (2024), who reported a positive effect of HR competence on report quality, a discrepancy that may stem from differences in respondent profiles or the particular circumstances of each research setting.

The Influence of the Utilization of Information Technology on the Quality of Financial Reports.

Finally, the Utilization of Information Technology shows a positive but statistically insignificant effect on report quality, so H3 is also rejected. One plausible explanation is that IT use in the study setting has not yet reached its full potential, whether because of limited infrastructure, weak reinforcement from internal control mechanisms that would otherwise strengthen technology's effect (Sarwono & Handayani, 2021), or constrained staff proficiency in operating these systems (Malikhah et al., 2023). This contrasts with the findings of Binawati & Nindyaningsih (2022), who found IT utilization to have a significant effect on the quality of local government financial reports.

CONCLUSION AND RECOMMENDATION

Conclusion

Drawing together the results and discussion on how the Government Internal Control System, Human Resource Competence, and Utilization of Information Technology relate to financial report quality across 41 OPDs in the Central Bengkulu Regency Government, two main conclusions emerge. First, the Government Internal Control System has a positive and significant effect on report quality, meaning stronger SPIP implementation translates into better financial reports. Second, neither Human Resource Competence nor the Utilization of Information Technology shows a significant individual effect, suggesting that existing staff competence and available technology have not yet been fully leveraged in the reporting process likely due to limited system support, inadequate infrastructure, or a working environment that does not yet fully enable

them. That said, when considered together, all three variables were found to exert a significant combined effect on financial report quality.

Recommendations

In light of these conclusions, local governments would do well to keep reinforcing consistent SPIP implementation across every work unit, to build HR competence further through continuous training and certification programs in government accounting alongside efforts to strengthen work ethics and integrity, and to make fuller use of information technology by upgrading infrastructure, broadening the integration of financial applications, and improving staff proficiency in operating regional financial information systems. Looking ahead, future researchers might consider developing a more comprehensive measurement instrument that captures both behavioral and practical dimensions of competence, adopting mixed methods that combine questionnaires with interviews, incorporating additional variables such as management support or system quality, and extending the scope of the research to other local government institutions in order to yield more representative findings.

SUGGESTION

Each study has limitations; thus, you can describe it here and briefly provide suggestions for further research.

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Write the references you cited in the article by using the American Psychological Association (APA) 6th Edition style. Reference writing must use a reference application engine such as Mendeley, EndNote, and Zotero.

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