
**THE INFLUENCE OF HUMAN RESOURCE COMPETENCIES AND
ACCOUNTING SYSTEMS ON REPORT QUALITY
FINANCE WITH INTERNAL CONTROL AS A MODERATING VARIABLE**

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ABSTRACT

The purpose of this study is to determine the direct influence of human resources (HR) and accounting systems on the quality of financial reports. The influence of human resources and accounting systems with the role of internal control as a moderating variable in the Malang Regency Government environment. This study uses a quantitative approach by distributing questionnaires to 90 respondents from 25 Regional Apparatus Organizations (OPD), two sections, two agencies, and one inspectorate directly related to the preparation of financial reports. The analysis techniques used include multiple linear regression and moderated regression analysis (MRA). The results of the study indicate that HR competency does not significantly influence the quality of financial reports. The accounting system influences the quality of financial reports. In addition, internal control does not significantly moderate the influence of human resource competency on the accounting system. Finally, internal control moderates the influence of the accounting system on the accounting system.

Keywords: HR Competence, Accounting System, Internal Control, Financial Report Quality, Local Government.

INTRODUCTION

Financial reports are an important part of the accounting information system used to present the financial position, performance, and cash flow of an entity within a certain period. According to Baridwan (2016), financial reports aim to provide relevant and reliable information for stakeholders in making economic decisions. Regional governments, as public entities, are also obliged to prepare regional financial reports in accordance with Government Accounting Standards (SAP) as stipulated in Government Regulation Number 71 of 2010. Regional government financial reports contain seven main components, namely the Budget Realization Report (LRA), the Report on Changes in the Excess Budget Balance (LP-SAL), the Balance Sheet, the Operational Report (LO), the Report on Changes in Equity (LPE), the Cash Flow Report (LAK), and the Notes to the Financial Statements (CaLK). These seven reports are designed to provide a comprehensive overview of the financial condition of regional governments and their performance in managing budgets sourced from public finances.

Timeliness in submitting financial reports is also a focus of attention. In March 2025, the Regent of Malang submitted the 2024 Unaudited Regional Financial Report (LKPD) to the East Java Representative of the Supreme Audit Agency (BPK RI), in accordance with the regulation requiring report submission no later than three months after the end of the fiscal year. This step demonstrates the Malang Regency Government's commitment to meeting the principles of timeliness and transparency in regional financial management. However, differences in the effectiveness and efficiency of budget management between Regional Apparatus Organizations (OPD) are still evident. For example, regional revenue realization in 2024 reached 76.74% of the target, with Regional Original Revenue (PAD) contributing 71.45% of total revenue. However, the regional retribution sector only reached 50.46% of the target. This indicates that although the overall financial report received an unqualified opinion, there is still room for improvement in financial management and reporting at the OPD level.

Malang Regency, as a region with a significant budget, faces challenges in ensuring quality financial reports to support effective decision-making. The Malang Regency Government still faces challenges related to limited human resource quality. The lack of ongoing training and education for Civil Servants (ASN) responsible for preparing financial reports is often the cause of poor report quality (Sari & Susanto, 2021).

Previous research has shown a significant relationship between human resource competency and accounting systems on the quality of financial reports. A study by Saputra and Wijayanti (2020) found that improving human resource competency and implementing a sound accounting system significantly contribute to the quality of local government financial reports. However, not all studies have shown consistent results. A study by Ramadhani and Fitria (2019) concluded that human resource competency does not significantly influence financial report quality, as external factors such as political pressure and lack of managerial integrity are more dominant in influencing the report results. Similarly, a study by Yuliana and Prasetyo (2020) found that the implemented accounting system is not fully capable of improving the quality of financial reports without a supportive organizational culture and leadership involvement in oversight.

Internal control is also a crucial factor that can strengthen the relationship between human resource competency and accounting systems and the quality of financial reports. Good internal control can mitigate the risk of errors and fraud in the financial report preparation process (COSO, 2017). The Malang Regency Government has implemented an internal control system in accordance with Government Regulation Number 60 of 2008 concerning the Government Internal Control System (SPIP). However, the effectiveness of internal control in improving the quality of financial reports still requires further evaluation (Prasetyo & Nugroho, 2021). Quality financial reports are characterized by regulatory compliance, an effective internal control system, and adequate disclosure of financial information (Murhadi, 2019).

Research by Lestari and Putri (2021) confirms that strong internal controls can strengthen this relationship by reducing errors and increasing the accuracy of financial information. Rahman and Permatasari (2021) found that human resource competency and the implementation of a regional financial accounting system have a significant positive effect on the quality of local government financial reports. However, this study did not consider the role of internal controls as a factor that can strengthen or weaken this relationship. In practice, internal controls play a crucial role in ensuring the effective implementation of accounting systems and the effective performance of human resources.

A study by Sari and Nugroho (2020) revealed that human resource competency and accounting systems positively influence financial report quality, and internal controls strengthen this relationship by minimizing errors and improving the accuracy of financial data. Similar research by Hartono and Dewi (2021) also found that effective internal controls can strengthen the role of human resource competency in increasing the transparency and accountability of local government financial reports.

Based on previous research, there is a gap in comprehensively understanding how human resource competency and accounting systems influence the quality of local government financial reports, with internal control as a moderating variable. Therefore, this study aims to fill this gap by analyzing the relationship within the context of the Malang Regency Government, thus providing more specific and useful empirical findings for improving regional financial transparency and accountability.

LITERATURE REVIEW

Resource-Based View

The Resource-Based View theory proposed by Barney (1991) explains that an organization's competitive advantage depends on its ability to manage internal resources that possess the characteristics of valuable, rare, inimitable, and non-substitutable (VRIN).

Human resource (HR) competency is included in the strategic resource category described in the Resource-Based View because it is rare and not easily replaced. Competent HR has the ability to record transactions, prepare accrual-based reports, and understand applicable accounting regulations. Reliable HR can also adapt to policy dynamics and are able to avoid administrative errors. Within the Resource-Based View framework, HR competency is considered an intangible asset that can shape long-term competitiveness. The accounting system is one form of organizational capability also described in the RBV. An effective accounting system not only functions to record transactions but also serves as an important tool in financial decision-making. Internal control is a crucial aspect that functions as a strengthening mechanism for internal capabilities, in accordance with the RBV perspective. In the RBV, internal control acts as an enabler of valuable and inimitable resources. The RBV's emphasis on internal excellence also encourages organizations to invest in human resource capacity building and adaptive system development.

Human Resources Competence

Kadarisman (2013) in his book "Human Resource Development Management" emphasizes that human resource development not only aims to increase an individual's capacity to face change, but also serves as a strategic step in developing innovators capable of driving change. In the workplace, there are three main aspects that companies must manage in human resource development: knowledge, skills, and attitude. These three aspects help companies identify and evaluate potential weaknesses, allowing for continuous improvement.

Accounting System

Reeve (2013) defines an accounting system as a set of methods and procedures used to collect, classify, summarize, and present information related to a company's operations and finances. The accounting system aims to provide information that supports company management, improves the efficiency of existing systems, and ensures the internal control system runs smoothly. According to Mulyadi (2016), the five main elements of an accounting system are forms, journals, general ledgers, subsidiary ledgers, and financial reports.

Internal Control

According to Mulyadi (2016), an internal control system encompasses organizational structures, methods, and various measures designed to safeguard company assets, ensure the accuracy and reliability of accounting data, improve operational efficiency, and ensure compliance with management policies. In its implementation, management has the primary responsibility for establishing and implementing an internal control system within a business entity. According to Mayangsari (2015), internal control encompasses the use of all company resources to manage, supervise, and control various organizational activities to ensure the achievement of company goals.

Quality of Financial Reports

Financial reports are generally the result of a financial recording process that reflects the performance of a company's management over a specific period. According to Bahri (2016), financial reports are a product of accounting science, so their preparation requires competent human resources in this field. Ardiyos (2017) adds that financial reports contain records of a company's financial condition during a specific accounting period and reflect the company's performance. Halim (2017) states that the primary purpose of financial reports is to provide information related to finances, company performance, and cash flow statements. This information is very useful for various parties in making economic decisions. Furthermore, financial reports also serve as a form of management accountability (stewardship) for the use of resources entrusted to them.

HYPOTHESIS

The influence of human resource competence on the quality of financial reports in the Malang Regency government

From the results of several studies it shows Human resource (HR) competency significantly influences the quality of financial reports in the government sector. Research conducted by Sari and Budiman (2020) found that the level of education, experience, and training received by government officials positively contributed to the accuracy and transparency of regional financial reports. Similar results were found in a study conducted by Putra and Dewi (2021), which revealed that improving HR competency, particularly in understanding government accounting standards, plays a role in producing more reliable financial reports that comply with applicable regulations.

H1: There is an influence of human resource competence on the quality of financial reports in the Malang Regency government.

The influence of the accounting system on the quality of financial reports of the Malang Regency government

From the results of several studies it shows The accounting system significantly influences the quality of financial reports in the government sector. Research conducted by Rahmawati and Nugroho (2020) found that implementing a sound accounting system, including the use of information technology in financial recording and reporting, can improve the transparency and accuracy of regional financial reports. A similar finding was also conveyed in a study by Prasetyo and Lestari (2021), which stated that an accounting system in accordance with government accounting standards (SAP) contributes to the presentation of more relevant, reliable, and regulatory-compliant financial reports.

H2: There is an influence of the accounting system on the quality of the financial reports of the Malang Regency government.

The influence of human resource competence on the quality of financial reports in the Malang Regency government with internal control as a moderating variable.

Several studies have shown that human resource (HR) competence significantly influences the quality of financial reports, and this influence can be further strengthened by effective internal controls. Research conducted by Sari and Budiman (2020) found that the education level, experience, and training of government officials positively contribute to the accuracy and transparency of regional financial reports. Meanwhile, research by Rahmawati and Nugroho (2021) shows that strong internal controls, such as the implementation of internal audit procedures and strict monitoring, can strengthen the relationship between HR competence and financial report quality by reducing the potential for errors or data manipulation. Thus, these two studies support the hypothesis that HR competence positively influences the quality of financial reports in the Malang Regency government, and internal controls act as a moderating variable that strengthens this relationship.

H3: There is an influence of human resource competence on the quality of financial reports in the Malang Regency government with internal control as a moderating variable.

The influence of the accounting system on the quality of financial reports in the Malang Regency government with internal control as a moderating variable.

Several studies have shown that accounting systems significantly influence the quality of financial reports, and this influence can be strengthened by effective internal controls. Research conducted by Prasetyo and Lestari (2021) found that implementing an accounting system in accordance with Government Accounting Standards (SAP) contributes to the presentation of more accurate, transparent, and reliable financial reports. Meanwhile, a study by Hidayat and Pratiwi (2022) showed that strong internal controls, such as adherence to financial procedures and regular monitoring, can strengthen the relationship between accounting systems and financial report quality by reducing the risk of errors and data manipulation. Thus, these two studies support the hypothesis that accounting systems positively influence the quality of financial reports in the Malang

Regency government, and internal controls act as a moderating variable that strengthens this relationship.

H4: There is an influence of the accounting system on the quality of financial reports in the Malang Regency government with internal control as a moderating variable.

METHODS

The research method used in this study is a quantitative method. In this study, it will focus on the 25 (twenty-five) Regional Apparatus Organizations (OPD) in the Malang Regency Government. Then for each Field and Section 2 (two) and Inspectorate. Based on the data obtained, the total population that meets the criteria is 90 (ninety) people. The sample in this study consists of 90 respondents selected from 25 Regional Apparatus Organizations (OPD), 2 Sections, 2 Agencies and 1 Inspectorate in the Malang Regency Government. Each OPD is represented by three people who have key roles in financial management, namely the Expenditure Treasurer, the Financial Administration Officer (PPKeu), and the Technical Implementation Officer (PPTK). The technique or method that will be used in data collection is the questionnaire method. In this study, the quantitative data analysis technique uses the Moderated Regression Analysis (MRA) method with the help of SPSS (Statistical Package for the Social Sciences) software.

RESULTS

Instrument Testing

Instrument testing is conducted to determine whether a measurement tool (questionnaire) is suitable for use in research. The following are the results of the validity and reliability tests used by the author:

Table 1. Results of Item Validity and Reliability Test

Variable	Items	Correlation		Coefficient	
		rcount	status	alpha	status
Competence Human Resources (X1)	X1.1	0.720	Valid	0.813	Reliable
	X1.2	0.882			
	X1.3	0.86			
	X1.4	0.810			
	X1.5	0.643			
System Accounting (X2)	X2.1	0.866	Valid	0.774	Reliable
	X2.2	0.848			
	X2.3	0.874			
	X2.4	0.794			
Internal Control (Y)	Y1.1	0.779	Valid	0.874	Reliable
	Y1.2	0.649			
	Y1.3	0.560			
	Y1.4	0.641			
	Y1.5	0.734			
Quality of Financial Reports (Z)	Z.1	0.847	Valid	0.759	Reliable
	Z.2	0.775			
	Z.3	0.846			
	Z.4	0.691			

Based on the results of the validity and reliability test shows that all items questioned were declared valid and reliable, because it has met the validity testing criteria used, namely Pearson's product moment correlation coefficient (r) 0.3 and fulfills reliability testing is Cronbach's alpha value is greater than or equal to 0.6.

Regression Analysis Test Results

The following table is the result of multiple linear tests from this study:

Table 2.1 Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3,017	2,462		-1.225	.224
	Total X1	-.241	.248	-.315	-.969	.335
	Total X2	1,324	.293	1,540	4,527	.000
	Total Y	.637	.165	.737	3,860	.000
	X1.Y	.021	.013	.732	1,573	.119
	X2.Y	-.053	.016	-1,580	-3,212	.002

If $T_{hitung} \geq T_{tabel}$ or $Sig. T_{hitung} \leq 0.05$ then H_0 is rejected (H_a is accepted) meaning there is an influence, conversely if $T_{hitung} \leq T_{tabel}$ or $Sig. T_{hitung} \geq 0.05$ then H_0 is accepted (H_a is rejected) meaning there is no influence.

Discussion

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

The results of the study indicate that human resource competency does not significantly influence the quality of financial reports. This finding indicates that even if an individual possesses certain skills or knowledge, it does not necessarily contribute directly to quality reporting. In this study, the influence of competency does not appear to be strong enough to explain the variability in financial report quality. Competency assessments may not fully reflect factors relevant to reporting activities. The failure of human resource competency variables to make a significant contribution may also be attributed to a non-comprehensive approach to competency assessment. Assessments based solely on formal education or work experience do not always reflect actual proficiency in producing financial reports. For example, someone may have an accounting degree but lack mastery of the accounting information system used. This may explain why the competency variable did not show a significant influence in this study.

The Influence of Accounting Systems on the Quality of Financial Reports

The research results show that the accounting system has a significant influence on the quality of financial reports. This finding aligns with expectations that a well-designed system will produce more accurate, relevant, and reliable reports. An accounting system is the primary foundation for recording and reporting financial information. Without a reliable system, the reporting process is prone to errors and manipulation. Organizations with robust reporting systems tend to be more trusted by stakeholders. Furthermore, the availability of accurate information also improves managerial decision-making. This demonstrates the importance of an accounting system as the backbone of financial report preparation.

The Influence of Internal Control on the Quality of Financial Reports

The results of the study indicate that internal control has a significant influence on the quality of financial reporting. An effective internal control system protects organizational assets, ensures reporting accuracy, and ensures compliance with policies. This demonstrates that the existence of strong controls can create a more orderly accounting environment. The reliability of financial reporting depends not only on recording but also on oversight. In its implementation in the Malang Regency Government, internal control and financial reporting are audited by the Inspectorate, which conducts periodic internal audits of government agencies. Audits are usually conducted at least twice in one fiscal year. This is done to identify early any errors in the implementation and reporting of annual financial statements before they are ultimately audited by the Supreme Audit Agency (BPK). This also impacts the trust of financial report users, both internally and externally.

When all accounting processes are under a strong oversight system, the potential for errors is reduced. This explains the strong relationship between internal control and financial reporting quality.

The Influence of Human Resource Competence on the Quality of Financial Reports with Internal Control as a Moderator

The results of the study indicate that internal control does not moderate the effect of HR competency on financial reporting quality. This means that even if an organization has an internal control system, it does not automatically increase the influence of competency on reporting. Improving the quality of financial reporting requires synergy between HR competency, system and technology support, a healthy work culture, cross-departmental coordination, and proportional workload management. It is also important to consider that effective internal control requires an active role from leadership. The role of leadership is crucial in translating the system into practices that can be understood by operational staff. This could be the reason why the moderating effect of internal control is not visible in the relationship between competency and financial reporting.

The Influence of Accounting Systems on the Quality of Financial Reports with Internal Control as a Moderator

The results of the study indicate that internal control moderates the effect of the accounting system on the quality of financial reports. In other words, the effectiveness of the accounting system's influence on financial reports will increase if accompanied by good internal control. In its implementation in the Malang Regency Government, where the accounting system has been implemented well and reinforced by good internal control, the quality of financial reports from each agency can be accounted for. This can also be seen from the financial reporting that has been carried out, which has minimal differences in value compared to what is at the central level, in this case the BKAD. However, there are still slight differences in both perception and nominal value. And this reporting will also be adjusted following the results of the BPK audit. The role of internal control as a moderator also demonstrates the importance of a holistic approach in reporting system management. An accounting system cannot stand alone without adequate supervisory intervention. When controls are implemented effectively, the system will work more focused and provide more reliable information.

CONCLUSION

The results of the study indicate that human resource competency does not significantly influence the quality of financial reports. This is because individual capabilities, despite possessing adequate knowledge and skills, cannot directly guarantee the quality of financial reporting without the support of strong organizational systems and procedures. Weak SOPs, lack of integration of accounting information systems, a work culture that does not emphasize accuracy and accountability, suboptimal coordination between departments, and low motivation or high workloads are factors that limit the maximum utilization of human resource competency in producing quality financial reports. The accounting system significantly influences the quality of financial reports, indicating that a good accounting structure and mechanism play a crucial role in producing accurate, relevant, and reliable financial reports. Internal control has been shown to significantly influence the quality of financial reports, demonstrating that the existence of an effective monitoring and evaluation system can prevent errors and increase the reliability of reports. Internal control does not moderate the relationship between human resource competency and the quality of financial reports, indicating that the influence of competency on reporting is not strengthened by the internal control system in the context of this study. Internal control moderates the influence of the accounting system on the quality of financial reports, meaning that the existence of internal control can strengthen the relationship between a good accounting system and quality financial reporting results.

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