

The Effect of Information Technology, HR Competence, Internal Control, and Organizational Culture on the Quality of Financial Reports

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ABSTRACT

This study investigates the influence of Human Resource (HR) competence, Internal Control Systems (ICS), Information Technology (IT) utilization, and organizational behavior on the quality of financial statements in local governments, with public accountability as a mediating variable. It aims to understand how these factors enhance transparency and compliance in financial reporting. A quantitative approach was employed, using a survey of 200 local government officials, selected via purposive sampling. Data were collected through questionnaires and analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS), testing direct and mediated effects of the variables on financial statement quality. HR competence, ICS, IT utilization, and organizational behavior significantly improve financial statement quality. Public accountability directly enhances quality and mediates the effects of HR competence, ICS, IT utilization, and organizational behavior, all with $p < 0.05$, confirming all hypotheses. The findings advance Agency Theory and related frameworks by highlighting public accountability's mediating role. Practically, local governments can improve financial reporting by enhancing HR training, strengthening ICS, adopting IT systems, and fostering transparent cultures, offering a model for improved governance and public trust.

Keywords: Financial Reporting, Information Technology, HR Competence, Internal Control, Organizational Culture.

ABSTRAK

Penelitian ini menyelidiki pengaruh kompetensi Sumber Daya Manusia (SDM), Sistem Pengendalian Internal (SPI), pemanfaatan Teknologi Informasi (TI), dan perilaku organisasi terhadap kualitas laporan keuangan di pemerintah daerah, dengan akuntabilitas publik sebagai variabel mediasi. Tujuannya adalah untuk memahami bagaimana faktor-faktor ini meningkatkan transparansi dan kepatuhan dalam pelaporan keuangan. Pendekatan kuantitatif digunakan, dengan menggunakan survei terhadap 200 pejabat pemerintah daerah, yang dipilih melalui purposive sampling. Data dikumpulkan melalui kuesioner dan dianalisis menggunakan Structural Equation Modeling with Partial Least Squares (SEM-PLS), menguji efek langsung dan mediasi dari variabel-variabel tersebut terhadap kualitas laporan keuangan. Kompetensi SDM, SPI, pemanfaatan TI, dan perilaku organisasi secara signifikan meningkatkan kualitas laporan keuangan. Akuntabilitas publik secara langsung meningkatkan kualitas dan memediasi efek kompetensi SDM, ICS, pemanfaatan TI, dan perilaku organisasi, semuanya dengan $p < 0,05$, yang mengonfirmasi semua hipotesis. Temuan ini memajukan Teori Agensi dan kerangka kerja terkait dengan menyoroti peran mediasi akuntabilitas publik. Secara praktis, pemerintah daerah dapat meningkatkan pelaporan keuangan dengan meningkatkan pelatihan SDM, memperkuat ICS, mengadopsi sistem TI, dan menumbuhkan budaya yang transparan, yang menawarkan model untuk tata kelola yang lebih baik dan kepercayaan publik.

Kata kunci: Pelaporan Keuangan, Teknologi Informasi, Kompetensi SDM, Pengendalian Internal, Budaya Organisasi.

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INTRODUCTION

The quality of financial statements is a key indicator of transparency and accountability in good governance. However, the low utilization of information technology, weak human resource competence, a non-optimal internal control system, and an unsupportive organizational culture are still obstacles in realizing reliable and accountable financial reports (Faisal & Aryati, 2024; Wulandari & Rahmadani, 2024). These four factors play a strategic role in encouraging the effectiveness of the preparation of financial statements following Government Accounting Standards (*Standar Akuntansi Pemerintah/SAP*), preventing fraud, and strengthening public trust (Saputra et al., 2024; Nor et al., 2024). Within the framework of agency theory, accountability acts as a mediating variable that bridges the relationship between these factors and improving the quality of local government financial statements.

Prior research has explored the influence of IT, HR competence, internal controls, and organizational culture on financial reporting quality, but significant gaps remain. For instance, studies like Solihantara (2023) and Alviola et al. (2023) emphasize IT's role in enhancing data accuracy and processing speed but often focus solely on direct effects, neglecting the mediating role of public accountability. Similarly, research on HR competence, such as Syahputri et al. (2024), highlights its impact on compliance with accounting standards but rarely examines how accountability mediates this relationship in the public sector context. Internal control systems have been studied extensively. However, their interaction with accountability as a mediator remains underexplored, particularly in local government settings. Furthermore, although organizational culture is recognized as a driver of ethical reporting, Kuraesin et al. (2022) study focused narrowly on the private sector or a specific institution, thus limiting its applicability to diverse public sector environments. Furthermore, Anggraini and Putri (2024) study used a single variable approach or lacked integration of multiple factors, resulting in fragmented insights into their combined effects on financial reporting quality. Contextually, there is a scarcity of research focusing on local governments in Indonesia, particularly in regions like Bangka Belitung, where unique administrative and cultural dynamics may influence outcomes.

These limitations highlight the need for a more comprehensive approach that integrates IT utilization, HR competence, internal controls, and organizational culture while examining public accountability as a mediator. Unlike previous studies, this research adopts a holistic quantitative approach using Structural Equation Modeling (SEM-PLS) to analyze direct and mediated effects, offering a deeper understanding of how these factors interact in the context of Indonesian local governments. By addressing these gaps, this study aims to provide actionable insights for improving financial reporting quality and public sector transparency.

The integration of information technology (IT) markedly enhances the quality of financial reporting through improvements in data processing, storage, and retrieval functionalities. Empirical studies indicate that the proficient application of IT positively influences the quality of financial reporting, as demonstrated by organizations utilizing advanced IT frameworks encountering fewer inaccuracies and heightened reporting precision (Anggraini & Putri, 2024). Moreover, the expertise of human resources, coupled with robust internal control frameworks, enhances the benefits of information technology, thereby guaranteeing the delivery of precise, reliable, and prompt financial data (Alviola et al., 2023; Muzammil et al., 2024). The competency of human resources plays a crucial role in determining the quality of financial reporting across both governmental and private sectors (Syahputri et al., 2024). Additionally, governmental accounting standards and regional accounting frameworks yield positive impacts; however, their successful execution is contingent upon the proficiency of human resources (Yamin et al., 2025). Ongoing training initiatives are strongly advocated to bolster financial transparency and accountability.

Internal control systems play a critical role in improving the quality of financial statements by ensuring accuracy, reliability, and compliance with applicable regulations. Research shows that an effective internal control system positively affects the quality of financial reporting by safeguarding assets, processing information accurately, and promoting compliance with laws and standards. For example, studies have shown that implementing internal controls significantly correlates with the characteristics of high-quality financial statements, such as comprehension, relevance, and reliability (Alviola et al., 2023). Furthermore, the internal control environment, risk evaluation, and control measures represent vital elements that enhance the overall efficacy of financial reporting, as demonstrated by a multitude of empirical research (Sumito et al., 2021). As a result, a comprehensive internal control system enhances the dependability of financial reports and increases the confidence of stakeholders in the information presented in the financial disclosures.

The culture within an organization plays a crucial role in determining the quality of financial reporting by influencing the behaviors and perspectives of employees engaged in the financial reporting process. Empirical evidence indicates that a robust organizational culture cultivates an atmosphere that is favorable for the generation of high-caliber financial statements, as demonstrated by studies revealing a positive relationship between organizational culture and the quality of financial reports across various settings, including Indonesian enterprises and specific institutions such as the Jakarta Regional Water Resources Office (Kuraesin et al., 2022). Furthermore, the amalgamation of a robust internal control framework and advanced information technology, coupled with an encouraging organizational culture, enhances the dependability of financial reports. Specifically, hierarchical cultures have been linked to heightened revenue quality during the implementation of International Financial Reporting Standards (IFRS), indicating that such cultures foster precision and responsibility in financial reporting (Bansal, 2023). In summary, cultivating a constructive organizational culture is vital for entities that seek to elevate the quality of their financial statements.

This study seeks to investigate the combined influence of IT utilization, HR competence, internal control systems, and organizational culture on the quality of financial statements in local governments, with public accountability as a mediating variable. The primary objective is to examine how these four factors directly contribute to producing accurate, reliable, and transparent financial reports that comply with Government Accounting Standards. By focusing on local governments in Bangka Belitung, the study addresses the contextual gap in prior research, capturing unique administrative and cultural dynamics that may shape financial reporting practices. Additionally, the study aims to explore the mediating role of public accountability in enhancing the relationships between these factors and financial statement quality. This involves assessing how accountability channels the effects of IT, HR competence, internal controls, and organizational culture to foster transparency and public trust. The use of SEM-PLS allows for a robust analysis of both direct and indirect effects, providing a comprehensive understanding of the interplay among these variables. By addressing the identified research gaps, this study contributes to the literature on public sector financial reporting and offers practical implications for policymakers. It seeks to inform strategies for enhancing HR capacity, optimizing IT systems, strengthening internal controls, and fostering a culture of accountability. Ultimately, the research aims to support local governments in achieving higher standards of financial transparency and governance.

LITERATURE REVIEW

Theoretical Framework

This study is anchored in Agency Theory, which elucidates the dynamics between the government (agent) and the community (principal) in the administration of public resources. Financial statements function to mitigate information asymmetry and exhibit public accountability (Pramiudi, 2024). To enhance the comprehension of variables,

various ancillary theories are utilized. Resource-Based Theory posits that the competence of human resources constitutes a strategic asset in generating credible financial reports. The Technology Acceptance Model (TAM) elucidates how the perceived ease of use and utility of technology amplifies the efficiency and precision of reporting (Alsyof et al., 2023). Finally, Contingency Theory underscores that the efficacy of internal control systems and organizational culture is contingent upon their alignment with organizational structure, processes, and external circumstances.

Information Technology Utilization on the Quality of Financial Reports

The use of Information Technology (IT) is very important in improving the quality of financial reporting systems. The quality of information systems has a direct impact on the quality of financial reports. IT improves the accuracy, timeliness, and ease of processing financial data, which leads to better quality financial reports. When government agencies adopt a reliable financial information system, the risk of errors and data manipulation can be minimized. Research by Berliana et al. (2024), the findings elucidate a notable correlation between the deployment of a robust regional financial information system and the enhancement of transparency and accountability in regional governmental financial disclosures. Hadrah and Latief (2024) established that augmented information technology utilization elevates the caliber of financial reporting within the public sector. These investigations substantiate the notion that information technology serves as a pivotal instrument in financial management, streamlining the processes of financial documentation and reporting. Consequently, there exists a favorable association between the application of information technology and the quality of financial statements.

H1: Information Technology Utilization has a significant influence on the Quality of Financial Statements.

Human Resource Competence on the Quality of Financial Reports

Human resource (HR) competence is a key factor in ensuring the effectiveness and accuracy of financial statement preparation. Competence theory, competence encompasses knowledge, skills, attitudes, and work behaviors that influence individual performance. In regional financial management, competent employees are better equipped to understand government accounting principles, operate financial systems, and apply regulations, which ultimately enhances financial statement quality. Several studies support this, including Syahputri et al. (2024), which found that employee education and training significantly improve the accuracy and transparency of local government financial reporting.

Enhanced accounting proficiency among personnel is imperative for the preparation of financial statements that adhere to governmental regulations, as it facilitates a comprehensive comprehension of the recording and reporting mechanisms, thereby mitigating errors and the potential for data manipulation. Empirical research consistently indicates that human resource competencies exert a favorable influence on the quality of financial statements. Denada et al. (2024) established that human resource expertise markedly enhanced the caliber of financial statements within local government entities. Furthermore, it has been demonstrated that an increase in human resource competence correlates with an improvement in the quality of financial statements (Syahputri et al., 2024). The interaction between HR competencies and internal control frameworks serves to elevate the quality of financial statements. Pardede and Rohmah (2021) and Nelawat et al. (2023) emphasized that the integration of HR competencies with the internal control system has a significant effect on the quality of financial reports, this shows that these components are very important in producing accurate and reliable financial information. Thus, investment in training aimed at enhancing HR competencies is crucial. Advancing accounting knowledge through professional development ensures adherence to governmental accounting standards and maximizes the effectiveness of accounting

information systems, ultimately fostering more trustworthy financial management (Fadhilah et al., 2023).

H2: Human Resource Capability has a significant influence on the Quality of Financial Reports.

The Internal Control System on the Quality of Financial Statements

The internal control framework delineated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model serves as a fundamental aspect in safeguarding the accuracy of financial statements and in the successful attainment of organizational goals. This model comprises five primary components, that the control environment, risk assessment, control activities, information and communication systems, and monitoring processes. The control environment acts as the cornerstone that cultivates the ethical principles, integrity, and managerial approach that influence the organizational culture (Kulić, 2018). Risk assessment allows organizations to identify and analyze risks that may hinder the achievement of objectives, including the impact of external and internal environmental changes (Surbakti, 2018).

Control activities include policies and procedures, such as authorization, verification, and separation of duties, to ensure the implementation of management directives at all levels of the organization (Kurniawan et al., 2024). Information and communication systems support the collection and distribution of relevant information so that each individual can carry out his or her responsibilities effectively, with communication running vertically and horizontally (Kulić, 2018). Meanwhile, monitoring is carried out to assess the effectiveness of the control system on an ongoing basis, both through routine supervision and separate evaluations, in order to maintain the quality and reliability of the system in the long term (Surbakti, 2018; Younas & Veerasamy, 2024).

A comprehensive System of Internal Control (*Sistem Pengendalian Internal/SPI*) serves to avert and identify inaccuracies within financial transactions, thereby bolstering the precision and integrity of financial disclosures. Within the realm of public administration, SPI fosters transparency and accountability. Empirical research substantiates the favorable correlation between SPI and the caliber of financial statements, as evidenced by Jatmiko et al. (2022), which demonstrated that a robust SPI enhances the dependability of financial reporting by local governments in Indonesia. Efficient internal oversight mitigates significant errors in reports. A meticulously executed SPI methodically validates financial transactions, thereby diminishing the likelihood of fraudulent activities or manipulation. Consequently, SPI is instrumental in elevating the quality of financial statements, rendering them more trustworthy and compliant with established standards.

H3: The Internal Control System exerts a considerable effect on the Quality of Financial Statements.

Organizational Culture on the Quality of Financial Statements

Organizational culture, which encompasses values, norms, and collective behaviors, influences integrity and professionalism in financial statement preparation. According to Schein (2010) theory, a strong organizational culture shapes employee behavior, emphasizing ethics, accountability, and commitment to quality work. In public sector financial reporting, a culture that promotes transparency, responsibility, and adherence to regulations supports the creation of high-quality financial reports. Research by Amyar et al. (2023) shows that organizational cultures centred on integrity and professionalism lead to more accurate and accountable financial statements. Collaborative culture positively impacts the timeliness and transparency of local government financial reporting. A culture that encourages discipline, accountability, and honesty fosters a work environment that minimizes data manipulation and reporting errors. Consequently, the culture within an organization is instrumental in facilitating pertinent, dependable, and clear financial disclosures, thereby enhancing the integrity of financial statements.

H4: Organizational Culture has a significant influence on the Quality of Financial Statements.

Public Accountability on the Quality of Financial Statements

Public accountability reflects the responsibility of government agencies to act transparently and in the public's interest. According to Verdiesen et al. (2021), public accountability serves as a social control mechanism, requiring agencies to explain and justify their actions and use of resources. In public sector financial reporting, high accountability demands financial statements that are honest, timely, comparable, and compliant with government accounting standards. Research by Dimitrov (2024) shows that regions with strong accountability produce more transparent financial statements with fewer errors. Increased accountability leads to greater care and responsibility in financial reporting. Public accountability not only serves as a normative value but also directly drives the quality of financial information. When accountability is upheld, financial management processes—from planning to reporting—are conducted with integrity and compliance, fostering an environment that minimizes manipulation and ensures accurate, reliable, and standard-compliant financial reports.

H5: Public Accountability has a significant influence on the quality of Financial Reports

The Mediating Role of Public Accountability

Public accountability refers to the responsibility of governmental institutions to openly report on the utilization of public assets. As stated by Romzek et al. (2012), public accountability reflects the extent to which institutions respond to stakeholders through open and responsible reporting. In financial reporting, it directs organizational components—technology, HR, control systems, and culture—toward quality outcomes. Accountability mediates the impact of competence, internal control, and technology on financial reporting quality. Without accountability, technical improvements may not enhance reporting quality. Therefore, public accountability ensures that all systems work synergistically toward transparency. Additionally, technology improves efficiency and accuracy, but only contributes to quality when used responsibly. Technology is a tool whose value depends on being implemented within an accountable framework. Thus, accountability is essential in maximizing the role of technology and other factors in achieving high-quality financial reporting.

Public accountability is pivotal in enhancing the integrity of financial statements by facilitating the connection between human resource (HR) competencies and the application of information technology. Accountability not only promotes transparency and bolsters public trust in the financial management of the public sector but also acts as a mediating factor that fortifies the correlation between financial reporting and organizational performance (Astuti et al., 2023; Allisa & Suryaningrum, 2023). In this regard, robust accountability is an essential condition for the efficacy of information technology in augmenting the efficiency of financial reporting (Purwandari & Widajantie, 2024).

In addition, human resource competence is a key determinant in ensuring accuracy and compliance with financial reporting standards. A skilled workforce can manage the reporting system optimally, especially if supported by continuous training and mastery of technology (Fadhilah et al., 2023; Wahongan et al., 2024). Eliana et al. (2023), information technology contributes to the efficiency of data processing, but its impact on the quality of reporting will be optimal only if it is supported by accountability and competent human resources. In a broader framework, a comprehensive internal control system is vital for ensuring the credibility of financial statements and for mitigating possible risks, creating positive synergies with human resource and technology competencies in improving the quality of reporting.

Accountability strengthens the link between accounting systems and reporting performance. In terms of HR, competence in financial management is essential, but without public accountability, its impact is limited. Based on the resource-based view theory Syahputri et al. (2024), HR competence is a strategic asset that must be guided by strong values. Nelawat et al. (2023), showed that the influence of competence is significantly higher when accountability is present. Competent employees lacking accountability may commit irregularities. Thus, public accountability functions as a normative filter, ensuring that skills are applied transparently and responsibly to produce high-quality financial reports. It is assumed to mediate HR competence and reporting quality.

The Internal Control System (SPI) ensures financial activities run effectively, efficiently, and following regulations. However, its effectiveness depends on the organization's public accountability culture. According to institutional theory Jatmiko (2023), formal systems like SPI require normative values to function optimally. Diya (2022), found that a weak accountability culture limits SPI's impact on reporting quality. Accountability strengthens SPI's influence on transparency and reliability. Public accountability acts as a moral filter, ensuring SPI is applied seriously, not formally, leading to accurate and trustworthy financial statements.

H6: Public Accountability mediates the Influence of Information Technology Utilization on the Quality of Financial Statements

H7: Public accountability mediates the influence of human resource competence on the quality of financial statements.

H8: Public accountability mediates the influence of the internal control system on the quality of financial statements.

H9: Public accountability mediates the influence of organizational culture on the quality of financial statements.

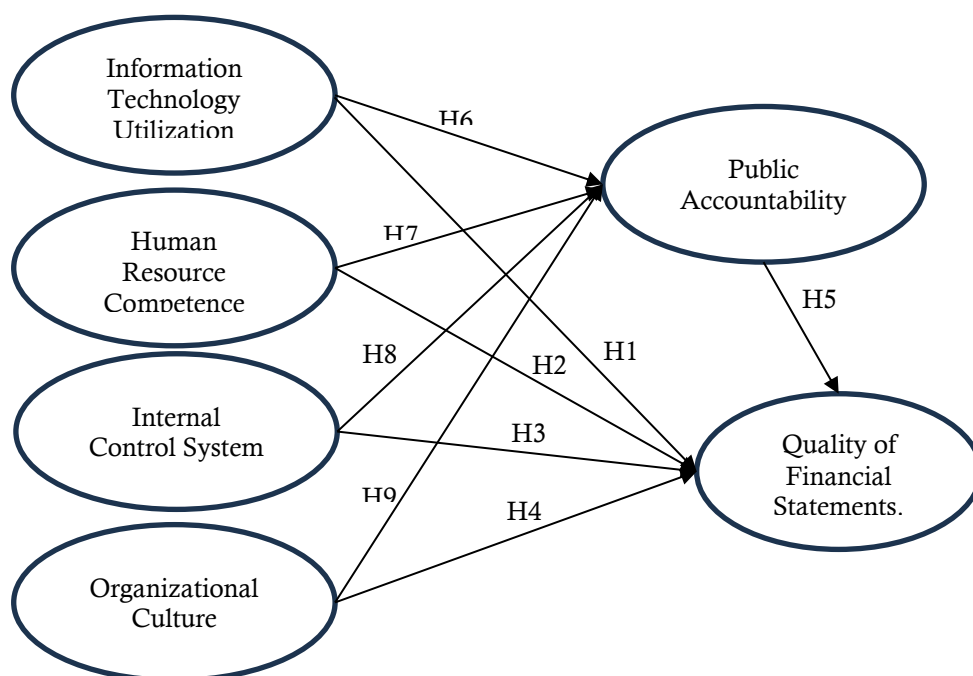


Figure 1. Conceptual Framework

The Figure 1 illustrates the hypothesized relationships, with solid arrows for direct effects (H1–H5) and dashed arrows for mediated effects (H6–H9). This framework provides a comprehensive understanding of how these factors interact to enhance financial statement quality in local governments, with public accountability amplifying

their impact. It addresses research gaps by integrating multiple factors and their mediated effects, offering a robust model for improving transparency and governance in public sector financial reporting.

METHODS

The methodological approach utilized in this study embraces a quantitative paradigm. It employs a survey method to evaluate the influence of information technology application, human resource proficiency, internal control systems, and organizational culture on the quality of financial statements generated by local governmental entities, with public accountability acting as a mediating factor. Data acquisition was conducted via questionnaires distributed to participants who are directly engaged in the governance of regional fiscal matters. The sample encompassed individuals who are actively involved in the formulation of financial reports, the execution of internal control measures, the application of financial information systems, and the compliance with principles of public accountability. Participants were selected from distinguished institutions, including the Regional Financial and Asset Management Agency, the Regional Inspectorate, Development Planning Agency at Sub-National Level (*Badan Perencanaan Pembangunan Daerah/Bappeda*), regional secretariats, and various Regional Financial Management Work Units. This cohort included treasurers, Financial Administration Officers from Regional Work Units, budget analysts, internal auditors, and operators of financial systems, such as the Regional Management Information System or the Regional Financial Management Information System, across provincial, regency, and municipal levels in Bangka Belitung.

A purposive sampling technique was used to select respondents with direct involvement in financial reporting, internal controls, financial system operations, or public accountability processes. An initial sample of 250 questionnaires was distributed to account for potential non-responses or incomplete submissions. After screening for eligibility and completeness, 200 valid responses were retained for analysis, yielding an 80% response rate. The final sample of 200 respondents was deemed sufficient for Structural Equation Modeling (SEM) analysis, based on the guideline of 10 observations per indicator variable, given the model's complexity and number of indicators (Fong & Law, 2013).

Data analysis was conducted using SEM with Partial Least Squares (PLS) via SmartPLS 4. The analysis involved two stages, the first is measurement model assessment, evaluating convergent validity (outer loadings > 0.70 , Average Variance Extracted > 0.50), discriminant validity (cross-loadings), composite reliability, and Cronbach's Alpha; and the second is structural model assessment, examining R^2 , f^2 , and path significance. To ensure robust path coefficient estimates, bootstrapping was performed with 5,000 subsamples, as recommended for PLS-SEM to assess the stability and significance of relationships (Fong & Law, 2013). Mediation effects were tested using the indirect effect method with bootstrapping. Model fit was evaluated using Standardized Root Mean Square Residual (SRMR < 0.08) and Normed Fit Index (NFI > 0.9), ensuring the model's adequacy for hypothesis testing.)

RESULTS

The subsequent section presents a synthesis of the findings derived from the evaluation of the measurement model and structural model assessments conducted in this research. The test begins by assessing convergent validity through outer loading and AVE values that have met the criteria. Discriminant validity has also been met based on the results of cross-loading, which shows that each indicator is stronger in measuring its own construct than other constructs. Furthermore, the model is tested to determine the predictive power through the R-square value on each dependent variable. The results show that the model has good explanatory power and is efficient for use in further analysis.

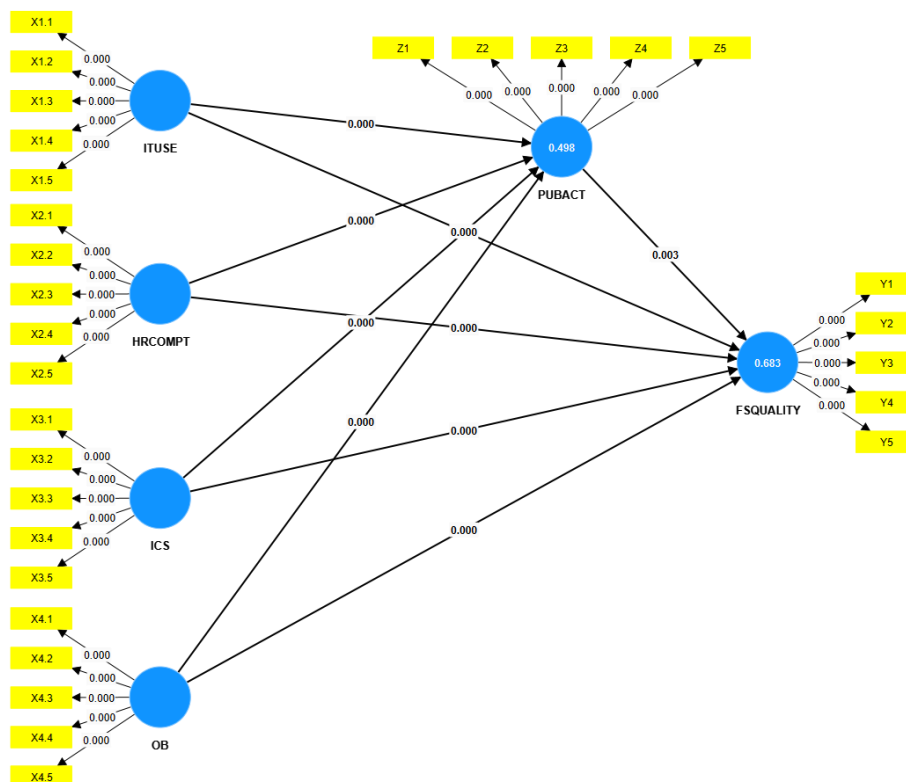


Figure 2. Hypothesis Testing with Bootstrapping

The measurement model test shows all constructs met convergent validity, with outer loading values above 0.70 and AVE values exceeding 0.50. Constructs like FSQUALITY, HRCOMPT, ICS, ITUSE, Organizational Behavior, and Public Accountability showed strong indicator consistency. Discriminant validity was confirmed through cross-loading, where each indicator loaded highest on its respective construct. The model is thus valid and reliable. FSQUALITY had an R-square of 0.683, indicating strong explanatory power, while PUBACT's R-square was 0.498, reflecting moderate influence from predictors. The minimal gap between R-squared and adjusted R-squared shows model parsimony and effectiveness. Based on the results of the statistical analysis of the path coefficients displayed, each path proposed in the model shows a significant correlation, with a p-value lower than 0.05. This indicates that each relationship between variables in the model has a statistically significant influence.

Table 1. Path Coefficients

Variable	Sample	Mean	Std. Dev	T Statistics	P Values
HRCOMPT -> FSQUALITY	0.390	0.391	0.045	8.700	0.000
HRCOMPT -> PUBACT	0.322	0.322	0.061	5.283	0.000
ICS -> FSQUALITY	0.393	0.393	0.040	9.856	0.000
ICS -> PUBACT	0.360	0.358	0.053	6.852	0.000
ITUSE -> FSQUALITY	0.365	0.366	0.049	7.485	0.000
ITUSE -> PUBACT	0.421	0.420	0.049	8.589	0.000
OB -> FSQUALITY	0.396	0.395	0.043	9.245	0.000
OB -> PUBACT	0.407	0.406	0.051	8.034	0.000
PUBACT -> FSQUALITY	0.158	0.153	0.053	3.003	0.003
HRCOMPT -> PUBACT -> FSQUALITY	0.051	0.049	0.020	2.569	0.010
ICS -> PUBACT -> FSQUALITY	0.057	0.055	0.021	2.678	0.007
ITUSE -> PUBACT -> FSQUALITY	0.067	0.064	0.024	2.828	0.005
OB -> PUBACT -> FSQUALITY	0.065	0.062	0.022	2.950	0.003

Table 1 presents the path coefficients from the PLS-SEM analysis, detailing the relationships among the study's variables. All hypothesized paths are statistically

significant ($p < 0.05$), supporting the proposed relationships. The direct effects show that HR competence (HRCOMPT \rightarrow FSQUALITY: $\beta = 0.390$, $t = 8.700$, $p = 0.000$), internal control system (ICS \rightarrow FSQUALITY: $\beta = 0.393$, $t = 9.856$, $p = 0.000$), IT utilization (ITUSE \rightarrow FSQUALITY: $\beta = 0.365$, $t = 7.485$, $p = 0.000$), and organizational behavior (OB \rightarrow FSQUALITY: $\beta = 0.396$, $t = 9.245$, $p = 0.000$) significantly and positively influence financial statement quality, confirming H1, H2, H3, and H4, respectively. These results indicate that each independent variable substantially contributes to producing accurate, reliable, and transparent financial reports in local governments. Additionally, the paths from the independent variables to public accountability are significant, supporting the role of public accountability as a mediator. Specifically, HR competence (HRCOMPT \rightarrow PUBACT: $\beta = 0.322$, $t = 5.283$, $p = 0.000$), ICS (ICS \rightarrow PUBACT: $\beta = 0.360$, $t = 6.852$, $p = 0.000$), IT utilization (ITUSE \rightarrow PUBACT: $\beta = 0.421$, $t = 8.589$, $p = 0.000$), and organizational behavior (OB \rightarrow PUBACT: $\beta = 0.407$, $t = 8.034$, $p = 0.000$) positively influence public accountability. The direct effect of public accountability on financial statement quality (PUBACT \rightarrow FSQUALITY: $\beta = 0.158$, $t = 3.003$, $p = 0.003$) confirms H5, indicating that accountability enhances transparency and compliance in financial reporting.

The mediated effects further validate the hypotheses. Public accountability significantly mediates the relationships between HR competence (HRCOMPT \rightarrow PUBACT \rightarrow FSQUALITY: $\beta = 0.051$, $t = 2.569$, $p = 0.010$), ICS (ICS \rightarrow PUBACT \rightarrow FSQUALITY: $\beta = 0.057$, $t = 2.678$, $p = 0.007$), IT utilization (ITUSE \rightarrow PUBACT \rightarrow FSQUALITY: $\beta = 0.067$, $t = 2.828$, $p = 0.005$), and organizational behavior (OB \rightarrow PUBACT \rightarrow FSQUALITY: $\beta = 0.065$, $t = 2.950$, $p = 0.003$) and financial statement quality, supporting H6, H7, H8, and H9, respectively. These indirect effects, though smaller in magnitude (β ranging from 0.051 to 0.067), highlight that public accountability amplifies the impact of the independent variables by fostering a transparent and responsible reporting environment. These findings underscore the critical roles of IT, HR competence, ICS, and organizational culture in directly improving financial statement quality, with public accountability serving as a vital mediator. The high t-statistics and low p-values across all paths indicate robust relationships, reinforcing the model's explanatory power. The results suggest that local governments can enhance financial reporting by strengthening these factors and fostering accountability, aligning with the study's objective to improve transparency and governance in public sector financial management.

DISCUSSION

The Effect of Human Resource Competence

The study confirms that human resource (HR) competence significantly enhances the quality of financial statements in local governments ($\beta = 0.390$, $t = 8.700$, $p = 0.000$). This finding aligns with Resource-Based Theory, which views HR competence as a strategic asset for reliable reporting (Syahputri et al., 2024). Empirical studies, such as Denada et al. (2024), similarly found that HR expertise improves accuracy and compliance with government accounting standards, supporting the current results. The strong effect size ($\beta = 0.390$) reflects HR critical role in reducing errors and ensuring transparency, consistent with Kartika and Ningsih (2024). Yamin et al. (2025) noted contextual variations in HR impact, suggesting that organizational support and training intensity may moderate outcomes. The alignment in this study is likely due to the focus on experienced officials (minimum two years) in Bangka Belitung, where standardized training is prevalent. This study contributes by confirming HR universal importance in public sector contexts, addressing gaps in prior research that often focused on private sectors or lacked mediation analysis.

HR competence significantly influences public accountability ($\beta = 0.322$, $t = 5.283$, $p = 0.000$), supporting Agency Theory's emphasis on competent agents reducing

information asymmetry (Pramiudi, 2024). This result corroborates Syifanika et al. (2024), who found that skilled HR enhances transparency in financial oversight. The current study's findings extend Pertiwi (2023), which linked HR competence to effective resource allocation, by demonstrating its role in fostering accountability. Unlike Muttaqien et al. (2024), who suggested that organizational culture heavily moderates HR effect on accountability, this study's results indicate a direct influence, possibly due to the standardized financial roles of respondents. The contribution lies in highlighting HR competence as a direct driver of accountability in local governments, addressing the gap in studies that underexplore this relationship in public sector settings.

The Effect of Internal Control System

The internal control system (ICS) significantly improves financial statement quality ($\beta = 0.393$, $t = 9.856$, $p = 0.000$), aligning with Contingency Theory's assertion that effective controls depend on organizational alignment (Jatmiko, 2023). This finding supports Jatmiko et al. (2022), who demonstrated that robust ICS enhances reporting reliability in Indonesian local governments. The high t-statistic underscores ICS's role in reducing errors and ensuring compliance, consistent with Hamid (2019). However, Dewi and Susilowati (2022) suggested that ICS's impact is mediated by financial accountability, which this study partially confirms through public accountability's role. The strong direct effect in this study may reflect the rigorous ICS implementation in Bangka Belitung, unlike contexts with weaker oversight. This study contributes by quantifying ICS's direct and mediated effects, addressing gaps in prior research that often focused solely on direct impacts.

ICS positively influences public accountability ($\beta = 0.360$, $t = 6.852$, $p = 0.000$), supporting Agency Theory's view that controls ensure transparent resource use (Pramiudi, 2024). This aligns with Sugiarto (2024), who found that ICS fosters accountability in South Sulawesi's financial reporting. Fitri and Hanif (2024) similarly noted that ICS prevents fraud, enhancing stakeholder trust. Unlike studies highlighting implementation challenges (e.g., weak oversight reducing ICS effectiveness), this study's results suggest robust ICS application, likely due to the structured financial management in Bangka Belitung. The contribution lies in clarifying ICS's role as a direct antecedent of accountability, addressing the gap in prior research that often treated accountability as an outcome rather than a mediator.

The Effect of Information Technology Utilization

IT utilization significantly enhances financial statement quality ($\beta = 0.365$, $t = 7.485$, $p = 0.000$), consistent with the Technology Acceptance Model (TAM), which posits that IT's utility improves efficiency (Alsyounf et al., 2023). This finding supports Hadrah and Latief (2024), who found that IT improves reporting accuracy in the public sector. Judijanto (2024) similarly noted IT's role in speeding up data processing, aligning with the current results. However, Basiru et al. (2023) emphasized that IT's effectiveness depends on user competence, which this study's strong direct effect may downplay, possibly due to the respondents' familiarity with systems. This study contributes by confirming IT's direct impact in a local government context, addressing gaps in studies that often focused on private sectors or neglected mediation effects.

IT utilization strongly influences public accountability ($\beta = 0.421$, $t = 8.589$, $p = 0.000$), the highest effect among the predictors, supporting TAM's assertion that IT enhances transparency (Alsyounf et al., 2023). This aligns with Aprilla et al. (2024), who found that digital platforms like e-government foster real-time accountability. Heeks (1998), highlighted challenges like data security limiting IT's impact, this study's results suggest effective IT implementation, possibly due to standardized systems in Bangka Belitung. The contribution lies in quantifying IT's role as a primary driver of accountability, addressing gaps in prior research that underexplored IT's mediating pathways in public sector governance.

The Effect of Organizational Behavior

Organizational behavior significantly enhances financial statement quality ($\beta = 0.396$, $t = 9.245$, $p = 0.000$), aligning with Contingency Theory's view that a transparent culture improves outcomes (Amyar et al., 2023). Ngebursian et al. (2024), who found that strong cultural values produce better financial reports. Rachmad et al. (2022) similarly noted that ethical behavior ensures reporting integrity. The current study's findings extend Kuraesin et al. (2022) by confirming the effect in a broader local government context, unlike their focus on a specific institution. The contribution lies in demonstrating organizational behavior's universal impact, addressing gaps in studies that often limited culture's role to private sectors.

Organizational behavior significantly influences public accountability ($\beta = 0.407$, $t = 8.034$, $p = 0.000$), supporting Agency Theory's emphasis on transparent cultures reducing information asymmetry (Pramiudi, 2024). Tavares (2024), transparency to improved governance outcomes. Tania et al. (2025) similarly noted that cultural values enhance financial stewardship. Unlike studies highlighting resistance to accountability (e.g., lack of commitment), this study's strong effect suggests a supportive culture in Bangka Belitung. The contribution lies in clarifying organizational behavior's role as a direct driver of accountability, addressing gaps in prior research that underexplored this relationship.

The Effect of Public Accountability

Public accountability significantly enhances financial statement quality ($\beta = 0.158$, $t = 3.003$, $p = 0.003$), supporting Agency Theory's view that accountability ensures transparent reporting (Pramiudi, 2024). This aligns with Kurniawati and Sadeli (2021), who found that accountability explains 51.5% of reporting quality variance. Purwasih et al. (2023) similarly noted that adherence to standards improves reporting. The smaller effect size ($\beta = 0.158$) compared to direct effects suggests that accountability's impact is partly channeled through mediation, consistent with Allisa and Suryaningrum (2023). This study contributes by measuring the direct impact of accountability, and addresses a gap in studies that often focus only on its mediating role.

The Effect of Public Accountability as a Mediator

Public accountability significantly mediates the relationship between HR competence and financial statement quality ($\beta = 0.051$, $t = 2.569$, $p = 0.010$), supporting Resource-Based Theory's view that HR's strategic value is amplified by normative accountability (Syahputri et al., 2024). This aligns with Nelawat et al. (2023), who found that accountability enhances HR's impact on reporting quality, as competent employees ensure transparency when guided by accountability. Lubis et al. (2023), internal controls over accountability's mediating role, this study's results highlight accountability's unique contribution, likely due to the structured training and oversight in Bangka Belitung's financial units. The smaller β value (0.051) indicates partial mediation, suggesting HR's direct effect ($\beta = 0.390$) remains dominant, consistent with Denada et al. (2024). This finding diverges from Puspitawati and Virginia (2022), who found stronger mediation effects in private sectors, possibly due to differing accountability pressures. Agency Theory explains this alignment, as accountability ensures HR skills reduce information asymmetry (Pramiudi, 2024). The study contributes by quantifying public accountability's mediating role in a public sector context, addressing gaps in prior research that often overlooked mediation or focused on direct HR effects, thus offering insights for enhancing HR-driven transparency in local governance.

The internal control system (ICS) enhances financial statement quality through public accountability ($\beta = 0.057$, $t = 2.678$, $p = 0.007$), supporting Contingency Theory's emphasis on normative alignment for effective controls (Jatmiko, 2023). This finding aligns with Dewi and Susilowati (2022), who demonstrated that accountability mediates

ICS's impact on reporting quality, ensuring transparency and compliance. Sugiarto (2024) similarly found that ICS fosters trust through accountable practices, corroborating the current results. The small β value (0.057) indicates partial mediation, with ICS's direct effect ($\beta = 0.393$) dominating, likely due to robust control implementation in Bangka Belitung, unlike contexts with weaker oversight noted by Nor et al. (2024). This diverges from studies like Hamid (2019), which emphasized direct ICS effects without exploring mediation, possibly due to their focus on private sectors. Agency Theory explains the alignment, as accountability ensures ICS reduces information asymmetry (Pramiudi, 2024). The study contributes by quantifying the mediation effect in a local government context, addressing gaps in prior research that often neglected accountability's mediating role. This insight highlights the need for integrated ICS and accountability frameworks to enhance financial reporting reliability, offering practical implications for public sector governance.

IT utilization enhances financial statement quality through public accountability ($\beta = 0.067$, $t = 2.828$, $p = 0.005$), supporting the Technology Acceptance Model's view that IT fosters transparency when responsibly applied (Alsyouf et al., 2023). This aligns with Hadrah and Latief (2024), who found that IT improves reporting quality via accountability, as digital systems enable real-time oversight. Aprilla et al. (2024) similarly noted that e-government platforms enhance accountability, supporting the current findings. The small β value (0.067) indicates partial mediation, with IT's direct effect ($\beta = 0.365$) remaining significant, consistent with Judijanto (2024). This diverges from Anggraini and Putri (2024), who emphasized direct IT effects, possibly due to their private sector focus where accountability pressures differ. Heeks (1998), IT implementation challenges like data security, this study's results suggest effective IT use, likely due to standardized systems like SIPKD in Bangka Belitung. Agency Theory explains the alignment, as IT reduces information asymmetry through accountable practices (Pramiudi, 2024). The study contributes by clarifying IT's mediated pathway in public sector reporting, addressing gaps in prior research that underexplored accountability's role, thus informing strategies for technology-driven transparency.

Organizational behavior enhances financial statement quality through public accountability ($\beta = 0.065$, $t = 2.950$, $p = 0.003$), supporting Agency Theory's view that transparent cultures reduce information asymmetry (Pramiudi, 2024). This aligns with Kurniawati and Sadeli (2021), who found that accountability mediates culture's impact, ensuring ethical reporting. Allisa and Suryaningrum (2023) similarly noted that accountability translates cultural values into transparent financial management, corroborating the results. The small β value (0.065) indicates partial mediation, with culture's direct effect ($\beta = 0.396$) dominating, consistent with Ngebursian et al. (2024). This diverges from Kuraesin et al. (2022), who emphasized direct cultural effects in a specific institution, possibly due to weaker accountability frameworks. The strong mediation effect in Bangka Belitung likely reflects a supportive culture, unlike contexts with resistance noted by Tania et al. (2025). Contingency Theory explains the alignment, as a transparent culture enhances reporting when aligned with accountability (Amyar et al., 2023). The study contributes by quantifying accountability's mediating role in a local government context, addressing gaps in prior research that underexplored culture's mediated pathways, offering insights for fostering accountable organizational cultures.

CONCLUSION

The results of this study suggest that HR skills, strong controls, effective IT, and a transparent culture directly improve financial reporting, with accountability strengthening the impact. The findings advance several theoretical frameworks. Agency Theory is strengthened by showing how public accountability reduces information gaps between governments and citizens, particularly through its mediating role. The Resource Based Theory is supported by the confirmation of HR competency as an important asset for reliable financial reporting, highlighting the value of skilled personnel. The Technology

Acceptance Model is reinforced by demonstrating IT's role in enhancing transparency and efficiency in public sector reporting. Contingency Theory is enriched by illustrating that ICS and organizational behavior depend on contextual alignment for effectiveness. By integrating these theories and emphasizing accountability's mediation, the study offers a comprehensive model that addresses gaps in understanding how multiple factors interact to improve financial statement quality, particularly in public sector settings. The results provide actionable guidance for local governments. Officials can enhance HR competence through training to ensure compliance with accounting standards, improving report accuracy. Policymakers should strengthen ICS to prevent errors and fraud, as its strong effect underscores its importance. Financial managers can adopt IT systems to streamline data processing, boosting efficiency and transparency. Fostering a culture of transparency aligns employee behavior with ethical reporting. Public accountability mechanisms, like transparent reporting platforms, can amplify these efforts, enhancing public trust. These strategies are particularly relevant for Bangka Belitung but applicable to other regions, offering a roadmap for better financial governance.

The limitations of the study is cross-sectional design limits insights into long-term effects, as relationships may evolve over time. The sample of 200 respondents from Bangka Belitung may not fully represent Indonesia's diverse local governments. Reliance on self-reported questionnaires risks bias, and the lack of qualitative data limits contextual depth. The regional focus restricts generalizability, as administrative and cultural factors vary across regions. Future studies can address these limitations. Longitudinal designs could explore how these factors influence financial reporting over time. Including multiple regions or countries would improve generalizability. Combining surveys with objective data, like audit reports, or qualitative methods, like interviews, could reduce bias and add depth. Investigating moderating factors, such as budget constraints or leadership, could refine the model. Exploring additional mediators, like governance structures, would further clarify pathways to quality reporting. These steps would build on this study's findings, advancing public sector transparency.

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