

The Effect of Human Resources, Internal Control Systems, and Information Technology on Local Government Financial Statement Consolidation

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ABSTRACT

This study is based on the importance of accurate, transparent, and timely consolidated financial reporting in local governments in accordance with public sector accounting regulations in Indonesia, which still face challenges related to human resource competence, internal control systems, and information technology utilization. The objective of this research is to analyze the influence of human resources, internal control systems, and information technology on local government financial statement consolidation, both partially and simultaneously. A quantitative explanatory design was employed using questionnaire data collected from financial management officials, which were analyzed using multiple linear regression. The findings indicate that all three variables have a positive and significant effect on financial statement consolidation, with the internal control system emerging as the most dominant factor, while simultaneously the three variables also show a significant joint influence on the dependent variable. The study concludes that the effectiveness of financial consolidation strongly depends on the integration of competent human resources, strong internal control mechanisms, and effective information technology utilization. The implication of this study is that local governments need to enhance human resource competencies, strengthen internal control systems, and optimize information technology usage to improve the quality of consolidated financial reporting.

Keywords: *Financial Statement Consolidation, Human Resources, Information Technology, Internal Control Systems.*

INTRODUCTION

In accordance with Law Number 17 of 2003 and Government Regulation Number 71 of 2010, local governments in Indonesia are required to prioritize transparency and accountability in fiscal management through the implementation of accrual-based accounting standards. These regulations emphasize the importance of producing reliable and relevant financial statements as a foundation for public sector accountability. Within this framework, consolidated financial statements play a crucial role because they provide a comprehensive representation of the financial position and operational performance of local governments. Consolidation involves integrating financial reports from Village Apparatus (*Perangkat Desa*/PD) into a single reporting entity through account combination and elimination of reciprocal transactions (Lukason & Camacho-Miñano, 2021). In the Indonesian public sector, this process is carried out by the regional financial management office acting as the reporting entity representative (Lestari & Yadiati, 2022).

Despite the existence of clear regulatory guidelines, many local governments continue to experience delays and technical obstacles in consolidating financial statements. These problems may reduce the reliability and relevance of financial information, even though

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both are recognized as essential qualitative characteristics of public sector reporting under Government Regulation Number 71 of 2010 (Suliyantini & Kusmuriyanto, 2017). Timeliness is particularly important because local governments are obligated to submit financial reports no later than three months after the fiscal year ends. Delays in consolidation not only hinder administrative efficiency but may also influence audit evaluations and central government transfer allocations. Therefore, the consolidation process has become a strategic issue in ensuring fiscal sustainability and strengthening public governance.

One important factor influencing the success of financial statement consolidation is human resource competence. Previous studies by Kaye-Essien (2020) consistently demonstrate that staff capacity significantly contributes to the quality of government financial reporting. Adequate knowledge of government accounting standards and technical skills is essential for ensuring effective reporting procedures, while a limited understanding often results in inefficiencies and reporting delays (Bethlendi & Lentner, 2018). In addition to human resources, internal control systems are also critical in maintaining the accuracy and reliability of financial statements. Government internal control systems are designed to safeguard assets, ensure regulatory compliance, and improve the quality of financial reporting. Empirical evidence indicates that strong internal control mechanisms significantly enhance financial management effectiveness (Brusca et al., 2018; Vidyattama et al., 2022). Furthermore, the utilization of information technology has become increasingly important in public financial management. Integrated accounting information systems accelerate data processing, minimize human error, and improve reporting timeliness (Ziying, 2024; Hossen, 2025). Fiorillo and Quaresima (2025) also confirm that optimal technology utilization positively affects the quality and timeliness of financial reporting.

Previous research by Wulandari and Rahmadani (2024) has examined human resources, internal control systems, and information technology in relation to financial reporting quality, but limited attention has been given to their role in local government financial statement consolidation. Most studies focus on reporting outcomes rather than the consolidation process, indicating a clear research gap. This study addresses this gap by analyzing the combined effect of human resource competence, internal control systems, and information technology utilization on financial statement consolidation, emphasizing it as a strategic element of regional financial governance. The empirical context of Bone Bolango Regency is relevant, as it has received favorable audit opinions, yet Audit Board of Indonesia (*Badan Pemeriksa Keuangan/BPK*) reports still show recurring compliance issues and reporting delays, reflecting unresolved consolidation challenges. The study is grounded in RBV, highlighting internal resource capabilities, Agency Theory, emphasizing internal controls for accountability, and the Technology Acceptance Model (TAM), explaining technology adoption through perceived usefulness and ease of use.

Based on these considerations, this study aims to analyze the influence of human resource competence, internal control systems, and information technology utilization on the consolidation of local government financial statements in Bone Bolango Regency, both partially and simultaneously. Using a quantitative approach through survey data and multiple linear regression analysis, this research is expected to contribute theoretically by enriching the literature on public sector financial consolidation and practically by providing recommendations for improving governance and fiscal management effectiveness in local governments.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Influence of Human Resources on Consolidated Financial Reporting

Human resources play an important role in the preparation and consolidation of local government financial statements because the quality of financial reporting is strongly influenced by the capability of government officials to manage financial data accurately and appropriately (Bandi et al., 2025). Human resource competence includes knowledge

of government accounting standards, technical skills in financial management, and professional capabilities in carrying out regional financial administration procedures (Oliveira et al., 2006; Kamath, 2017; Sellami & Fendri, 2017). Government personnel with adequate competence are more capable of preparing financial statements in accordance with applicable regulations, thereby minimizing recording errors and improving the efficiency of the financial consolidation process. In the context of local government administration, the ability of employees to understand accrual-based accounting systems is an essential factor in producing relevant and reliable financial reports. Brackley (2025) explained that government officials with strong accounting competencies tend to produce more accurate financial statements that comply with government accounting standards.

In addition, human resource competence contributes to the timeliness of consolidated financial reporting because employees with strong technical capabilities are better able to manage financial data from multiple organizational units effectively (Wardani et al., 2023). In the consolidation process, government officials must be able to perform verification, reconciliation, and elimination of inter-unit transactions to ensure that financial statements are integrated properly (Suwanda, 2015; Hendratni, 2025). Limited understanding of consolidation procedures frequently leads to delays and lower-quality financial reports in local governments. Previous studies indicate that human resource competence significantly influences the quality of government financial reporting because competent personnel are more capable of managing financial data and reducing reporting errors (Djumyati & Susilawati, 2025). Therefore, higher levels of human resource competence within local governments are expected to improve the effectiveness of the consolidated financial reporting process.

H1: Human resources has a positive influence on consolidated financial reporting.

The Influence of Internal Control Systems on Consolidated Financial Reporting

Internal control systems represent an important component of local government financial management because they function to ensure that all financial administration and reporting processes are conducted in accordance with established procedures. Internal control systems include policies, procedures, and supervisory mechanisms used to maintain operational effectiveness, safeguard government assets, and ensure compliance with applicable regulations. In the process of consolidating financial statements, internal control systems play a role in ensuring that financial data originating from various regional government units is accurately recorded and accountable. Santis et al. (2019) stated that internal control systems consist of procedures and guidelines required to maintain operational efficiency and regulatory compliance. Through the implementation of effective control systems, local governments can reduce the risk of recording errors and irregularities in financial management.

In addition to ensuring data accuracy, internal control systems also contribute to improving the quality of consolidated financial statements through continuous supervision and evaluation processes. Effective internal controls enable local governments to verify financial transactions, ensure data consistency among organizational units, and prevent discrepancies in consolidated financial reporting. In the public sector context, strong internal control systems serve as a fundamental basis for producing reliable, transparent, and trustworthy financial reports. Yao et al. (2017) and Musyoki (2023) explained that internal control systems aim to maintain the reliability of financial reporting and protect public resources from irregularities. Empirical findings further demonstrate that internal control mechanisms significantly influence the quality of government financial statements (Rachmad et al., 2024; Yasis, 2024). Therefore, the stronger the implementation of internal control systems, the more effective the consolidated financial reporting process will become.

H2: Internal control systems have a positive influence on consolidated financial reporting.

The Influence of Information Technology on Consolidated Financial Reporting

Information technology has become an important factor in supporting the effectiveness of local government financial management, particularly in the consolidation of financial statements (Dewi et al., 2019). The utilization of information technology enables the processes of collecting, processing, and presenting financial data to be conducted more quickly, accurately, and in an integrated manner. Within government institutions, the use of technology-based accounting information systems assists officials in managing financial data from multiple regional work units, thereby making the consolidation process more efficient. Integrated information systems also facilitate reconciliation and elimination procedures among organizational units, which helps minimize recording errors and improve the quality of consolidated financial statements. Njonde and Kimanzi (2014), Abdulai (2020), and Nurfadila (2024) explained that the utilization of information technology significantly improves the efficiency and accuracy of public financial management, particularly during the consolidation stage of government financial reporting.

In addition to improving administrative efficiency, information technology also supports the timeliness of local government financial reporting because data processing can be conducted automatically and in real time. The capability of information systems to integrate data from multiple organizational units enables local governments to produce consolidated financial statements more rapidly and reliably. Fomin and Potokina (2019) and Oulasvirta (2023) stated that rapid and integrated data-processing capabilities allow government financial reports to be prepared more effectively. Previous studies by Xiao et al. (1997) and Lopes and Lopes (2019) also indicate that the use of information technology positively affects the quality and reliability of public sector financial reporting because it reduces human error in data processing. Therefore, the more optimal the utilization of information technology in local government financial management, the better the resulting consolidated financial reporting process will be.

H3: Information technology has a positive influence on consolidated financial reporting.

The Simultaneous Influence on Consolidated Financial Reporting

The consolidation of local government financial statements is a complex process because it involves integrating financial data from multiple regional government units into a single unified financial report. The success of the consolidation process is not determined by a single factor but rather requires the simultaneous support of competent human resources, effective internal control systems, and adequate information technology utilization. Human resources with strong accounting competence and technical capabilities are better able to manage financial data accurately, while internal control systems ensure that all reporting procedures are implemented appropriately and free from errors or irregularities. At the same time, information technology accelerates the processing and integration of financial data, enabling consolidated financial statements to be prepared more efficiently and accurately. The World Bank (2023) emphasized that consolidated public sector financial reporting requires strong internal control systems and high-quality financial data to ensure reliable reporting outcomes.

The simultaneous relationship among human resources, internal control systems, and information technology demonstrates that these three variables complement one another in improving the quality of local government consolidated financial reporting (Pratiwi et al., 2022; Anggraini et al., 2024). Competent government personnel are more capable of utilizing information technology effectively and implementing internal control procedures appropriately. Conversely, integrated information technology systems strengthen the effectiveness of internal controls and assist government officials in managing financial data more efficiently. Previous studies by Vidyattama et al. (2022) and Himawan et al. (2023) indicate that the combination of employee competence, internal control systems, and information technology utilization positively influences the quality of local government financial reporting. Therefore, the more effectively these three factors are

implemented simultaneously, the more optimal the consolidated financial reporting process of local governments will become.

H4: Human resources, internal control systems, and information technology simultaneously have a positive influence on the consolidation of financial statements.

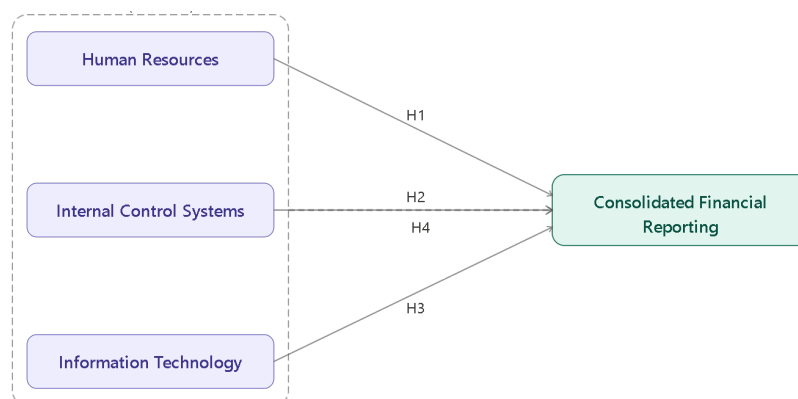


Figure 1. Conceptual Framework

Figure 1 presents the research framework in which human resource competence, internal control systems, and information technology utilization are proposed to influence local government financial statement consolidation. Human resource competence supports the implementation of consolidation activities, internal control systems ensure the reliability of financial information, and information technology facilitates data processing and integration. These factors are expected to contribute to a more effective consolidation process in local government financial reporting.

RESEARCH METHODS

This research adopted a quantitative approach with an explanatory design to investigate the effects of human resources, internal control systems, and information technology on financial statement consolidation. A quantitative method was considered appropriate because the study seeks to assess the relationships among variables using measurable indicators and statistical procedures. Through this approach, the relationships between variables can be examined in an objective and systematic manner based on empirical evidence (Sugiyono, 2016).

The study was conducted within regional government institutions responsible for public financial management, particularly units involved in the preparation and consolidation of local government financial statements during the 2024 research period. The population consisted of government personnel engaged in financial management and reporting, including financial administration officers, accounting staff, and other related employees. A purposive sampling technique was used to select respondents who were directly involved in financial reporting and had practical experience in preparing or consolidating financial statements. The study involved 43 financial management officials across local government work units. This selection ensured that all respondents had sufficient knowledge and experience relevant to the variables under investigation, thereby supporting the accuracy and validity of the data collected for analyzing human resources, internal control systems, and information technology in financial statement consolidation.

Data were gathered through a structured questionnaire developed to capture the main variables of the study, namely human resources, internal control systems, information technology, and financial statement consolidation. The questionnaire items were formulated with reference to established theoretical perspectives and prior studies in public sector accounting. Each variable was represented by a set of indicators related to staff competence, organizational procedures, technological support, and financial

reporting practices. Respondents' views on these indicators were measured using a Likert scale.

Before the data were analyzed, the instrument was subjected to reliability testing to confirm that it adequately reflected the constructs being studied. Questionnaires were distributed directly to respondents who met the predetermined sampling criteria, and participants were asked to answer based on their knowledge and practical experience in financial management and reporting within their respective institutions. Once collected, the responses were organized and prepared for statistical analysis. To achieve the research objectives, a quantitative approach was adopted, leveraging SPSS as the primary tool for data analysis. Descriptive statistics were initially employed to synthesize the characteristics of the participants and provide a clear overview of the response trends across the studied variables. Subsequently, multiple regression analysis was conducted to validate the proposed hypotheses, specifically focusing on the individual and synergistic effects of information technology, internal controls, and human resources on the consolidation process. This rigorous statistical framework was designed to facilitate accurate data handling and ensure the consistency of the findings.

RESULTS

A reliability test was carried out to evaluate the consistency of the research instrument in measuring the study variables. The assessment used Cronbach's Alpha with a minimum acceptable threshold of 0.60. The reliability test results are presented in Table 1 below.

Table 1. Reliability Test

Variable	Cronbach Alpha	Standard	Description
Human Resource (X1)	0.643		
Internal Control System (X2)	0.792	0.60	Reliable
Information Technology (X3)	0.755		
Consolidated Financial Reporting (Y)	0.737		

Table 1 indicates that all research variables achieved Cronbach's Alpha values higher than the minimum criterion of 0.60, confirming that the instrument is reliable. The human resource variable recorded a value of 0.643, the internal control system variable 0.792, information technology 0.755, and consolidated financial reporting 0.737. Therefore, all variables demonstrate adequate consistency and can be used for subsequent statistical analysis.

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Financial Statement Consolidation

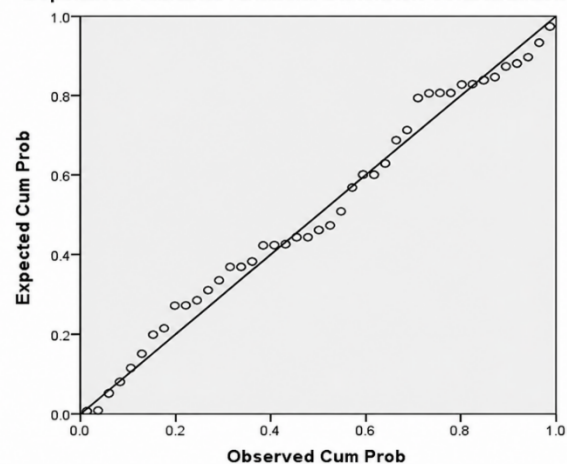


Figure 2. Normality Test

Figure 2 indicates that the plotted points are distributed around and near the diagonal line on both sides. The normality assumption is evaluated by observing the distribution of the points in relation to the diagonal line. Data are considered normally distributed when the points tend to follow the diagonal line and the histogram demonstrates a bell-shaped distribution pattern. In contrast, if the points are spread far from the diagonal line or the histogram reflects an irregular distribution pattern, the data are regarded as not normally distributed and fail to fulfill the normality assumption.

Table 2. Heteroscedasticity Results

Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t-statistics	Sig.
Human Resource (X1)	-0.221	0.723	–	-0.306	0.761
Internal Control System (X2)	-0.029	0.035	-0.162	-0.821	0.416
Information Technology (X3)	0.029	0.042	0.170	0.690	0.495

Table 2 presents the Glejser heteroscedasticity test results, indicating that all independent variables have significance values greater than 0.05, namely human resource (0.761), internal control system (0.416), and information technology (0.495). These findings suggest that none of the independent variables significantly affect the absolute residuals, indicating the absence of heteroscedasticity in the regression model. Therefore, the model satisfies the homoscedasticity assumption and is considered appropriate for further regression analysis.

Table 3. Multicollinearity Results

Variable	Zero-order	Partial	Part	Tolerance	VIF
Human Resource (X1)	0.661	0.326	0.106	0.620	1.613
Internal Control System (X2)	0.920	0.787	0.392	0.395	2.534
Information Technology (X3)	0.810	0.562	0.209	0.487	2.053

Table 3 presents the correlation analysis and multicollinearity diagnostics for the independent variables in the regression model. The zero-order correlation coefficients show the bivariate relationship between each independent variable and the dependent variable, with the internal control system exhibiting the strongest relationship (0.920), followed by information technology at 0.810 and human resources at 0.661.

The multicollinearity assessment is indicated by tolerance and Variance Inflation Factor (VIF) values. All variables demonstrate tolerance values above 0.10 and VIF values below the threshold of 10, confirming that multicollinearity is not a concern in the model. Specifically, human resources has a tolerance of 0.620 and a VIF of 1.613, internal control system records a tolerance of 0.395 and a VIF of 2.534, while information technology shows a tolerance of 0.487 and a VIF of 2.053. These results indicate that the independent variables are sufficiently independent of one another, allowing them to be appropriately included in the regression analysis.

Table 4. Multiple Linear Regression Results

Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t-statistics	Sig.
Constant	0.554	1.229		0.451	0.654
Human Resource (X1)	0.129	0.060	0.134	2.150	0.038
Internal Control System (X2)	0.564	0.071	0.624	7.978	0.000
Information Technology (X3)	0.284	0.067	0.299	4.246	0.000

Table 4 presents the results of the multiple linear regression analysis, which indicate that human resources, internal control systems, and information technology all have a positive and statistically significant effect on consolidated financial reporting. The human resource variable has a coefficient of 0.129 with a significance value of 0.038, showing a significant positive relationship. The internal control system demonstrates the strongest influence, with a coefficient of 0.564 and a significance level of 0.000, while information

technology also shows a significant positive effect with a coefficient of 0.284 and a significance value of 0.000. The findings confirm that all independent variables contribute significantly to improving financial statement consolidation, with the internal control system emerging as the most influential factor.

Table 5. F-Test Result

Model	Sum of Squares	df	Mean Square	F-statistics	Sig.
Regression	118.291	3	39.430	124.881	0.000 ^b
Residual	12.314	39	0.316		
Total	130.605	42			

Table 5 shows the results of the F-test, which assesses the combined influence of human resources, internal control systems, and information technology on consolidated financial reporting. The model produces an F-statistic of 124.881 with a significance level of 0.000, which is below the 0.05 threshold, indicating that the regression model is statistically significant. This means that all independent variables collectively have a significant effect on the dependent variable. In addition, the regression sum of squares (118.291) is much greater than the residual sum of squares (12.314), suggesting that the model is able to explain most of the variation in consolidated financial reporting. These results confirm that the three independent variables simultaneously have a significant impact on the consolidation of financial statements.

DISCUSSION

This study highlights that the quality of consolidated financial reporting in local government is shaped by the interaction of human capital, organizational control mechanisms, and information technology within the reporting system (Suhardi, 2025). Rather than functioning as isolated determinants, these factors operate in an integrated manner that collectively influences the effectiveness of financial consolidation. In this sense, financial statement consolidation is not merely a technical accounting procedure, but a governance outcome that reflects the institutional capacity of local governments to manage financial information in a coordinated and reliable manner.

The importance of human resource competence in public sector financial management has been widely recognized in the literature. Mediaty et al. (2025) emphasize that accounting knowledge and technical skills are essential for ensuring compliance with government accounting standards and enhancing reporting quality. In addition, Benfante et al. (2025) argue that the success of public sector accounting reforms largely depends on the readiness and adaptability of human resources. Their studies suggest that continuous investment in training and professional development is necessary to strengthen administrative capacity and support effective financial reporting practices.

Internal control systems, on the other hand, emerge as the most influential factor in enhancing consolidated financial reporting quality. This can be explained by the central role of internal controls in ensuring procedural consistency, data reliability, and compliance with established financial regulations across organizational units. In complex public sector environments, internal control systems function as the primary governance mechanism that coordinates financial processes and minimizes discrepancies in reporting. The significance of internal control systems has been extensively discussed in the public sector accounting literature. Brusca et al. (2018) emphasize that strong internal control mechanisms are fundamental for ensuring the reliability and credibility of financial information. Likewise, Iswanaji et al. (2025) argue that effective internal controls promote accountability and transparency, thereby supporting good governance and enhancing public trust in government financial management.

Information technology also plays a significant role in supporting the consolidation process by enabling more efficient, standardized, and integrated financial data management. The use of digital financial systems allows local governments to streamline data collection and reporting processes across multiple organizational units. From a

modern public administration perspective, digital transformation not only improves operational efficiency but also enhances the quality and consistency of financial information used for decision-making. Prior studies by Octaviani and Amelia (2023) confirm that information technology contributes to improving the reliability and standardization of accounting practices in public sector organizations. In addition, digital governance systems strengthen transparency and accountability by enabling better monitoring and control over financial processes (Lino et al., 2023).

Simultaneously, the findings demonstrate that human resources, internal control systems, and information technology collectively exert a significant influence on consolidated financial reporting. This suggests that effective financial consolidation cannot be achieved through a single factor alone, but rather through the synergistic interaction of multiple organizational components. From an Agency Theory perspective, the integration of these three factors helps reduce information asymmetry between the government as the agent and stakeholders as principals by improving the accuracy and transparency of financial reporting. Furthermore, the results support the view that the effectiveness of public sector financial reporting systems is highly dependent on institutional readiness and organizational capacity in managing integrated financial information (Santis et al., 2019; Iswanaji et al., 2025).

These findings imply that improving the quality of consolidated financial reporting in local governments requires a comprehensive approach that simultaneously strengthens human resource competence, optimizes internal control systems, and enhances the utilization of information technology. Such an integrated strategy is expected to improve the effectiveness of public financial management, strengthen accountability mechanisms, and ultimately enhance public trust in government financial governance.

CONCLUSION

This study concludes that human resources, internal control systems, and information technology each have a positive and significant influence on the consolidation of local government financial statements, both individually and simultaneously. Among these variables, the internal control system demonstrates the most dominant effect, followed by information technology and human resources. These findings indicate that effective financial statement consolidation in local government is highly dependent on the integration of competent personnel, strong governance mechanisms, and adequate technological infrastructure. The results further imply that improving the quality of consolidated financial reporting requires a comprehensive strategy that simultaneously strengthens human resource capacity, reinforces internal control mechanisms, and optimizes the use of information systems to enhance transparency, accountability, and the reliability of financial information.

However, this study has several limitations. First, the scope is limited to a single regional government, namely Bone Bolango Regency, which may restrict the generalizability of the findings to other local government contexts with different institutional capacities and levels of technological development. Second, the study relies on self-reported questionnaire data, which may introduce subjective bias in respondents' answers. Third, only three explanatory variables were examined, while other potentially relevant factors, such as organizational culture, leadership effectiveness, and regulatory compliance, were not included in the analysis. Future research is recommended to expand the geographical scope by involving multiple local governments to improve generalizability. In addition, future studies should consider incorporating additional variables and applying mixed-method approaches to provide a more comprehensive understanding of the determinants of financial statement consolidation in the public sector.

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