



## Human Resource Competence Effect on the Quality of Regional Work Unit of Financial Reports with the Government's Internal Control System

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### Abstract

The purpose of this study is to examine the influence of human resource competence on the quality of financial reports of Local Government Work Units (SKPD), with the government internal control system as a moderating variable. This research adopts an explanatory approach utilizing quantitative methods. The population consists of 38 SKPD holding general functional positions responsible for financial reporting in the West Java Provincial Government. The sampling method employed is census, encompassing the entire population as the research sample. Data collection involves primary data gathered through questionnaires. Hypothesis testing utilizes Moderation Regression Model with the assistance of Statistical Product and Service Solution (SPSS) version 25. The findings of this study demonstrate that human resource competence has a positive and significant influence on the quality of SKPD financial reports. However, the government's internal control system does not enhance the influence of human resource competence on the quality of SKPD financial reports. Recommendations stemming from this research include urging the West Java Provincial Government to enhance human resource competence, particularly in accounting cycle skills and regulatory knowledge. Additionally, it is advised to strengthen the Internal Control System (SPIP) with a focus on effective communication of risk management, regular briefing sessions, workload analysis, implementation of measurable rewards and punishments, clear Standard Operating Procedures (SOP), and structured internal control monitoring.

## Introduction

Governments use financial statements based on Government Accounting Standards (SAP) to communicate their financial performance to the public and other interested parties. Local government financial statements made in line with SAP can explain from the perspective of local communities how the government allocates development funds to improve social welfare. The issuance of Government Regulation Number 71 of the Year concerning Government Accounting Standards is an affirmation of these standards. (Government Regulation (PP) Number 71 of 2010 concerning Government Accounting Standards, 2010) (Ramandei et al., 2020).

Quality financial statements must be prepared in accordance with government accounting regulations, human resources (HR) must be proficient in the field of accounting (Prasetio et al., 2023). HR with expertise in the field of financial management provides high-quality financial reports. In carrying out human resource management, one of the obstacles that is often faced by the government, especially local governments, is what is often done not in accordance with the demands, both quantity and quality (Adawiah & Nuryaman, 2023; Zubaidi et al., 2019).

The quality of financial statements is very important in an effort to maintain public trust by protecting the accountability and transparency of public money and facilitating effective and efficient decision-making (Anto & Yusran, 2023). Government Regulation Number 71 of 2010 explains the criteria for the elements that form the quality of information, so that the resulting government financial statements have value or benefits consisting of relevant, reliable, comparable, and understandable.

Problems related to the quality of financial statements are increasingly being discussed, and the number of cases regarding the weak quality of local government financial statements in Indonesia is still a topic of problem that must be studied more deeply. The government is still trying to change all aspects of achieving state welfare, especially in the management of state financial statements that are reliable, accountable, and transparent (Hariani & Fakhrorazi, 2021; Yuliusman & Zulma, 2023).

Management may change their financial statement disclosures, particularly around subjective estimates, if they fear the auditor will make potentially negative comments on areas of the financial statements (Gold et al., 2020). states that financial statements aim to provide a variety of information related to finance, financial performance and cash flow statements. The party that handles finance that produces financial statements that are not in accordance with monetary accounting standards causes the quality of financial statements to not be optimal (Reid et al., 2019; Halim & Kusufi, 2017; Susanto & Rambano, 2022).

Based on the results of the audit by the Audit Board (BPK) of the Republic of Indonesia Representative of West Java Province on the Regional Government Financial Statements (LKPD) of the West Java Provincial Government for the 2022 Fiscal Year (FY), that the Regional Government of West Java Province received a Fair Opinion Without Exception (Rosnawaty & Silviana, 2024). The WTP opinion achieved by the Regional Government of West Java Province has been 12 times in a row from the 2011 Fiscal Year (FY). The WTP opinion achieved by the Regional Government of West Java Province is not a guarantee to be free from findings, the weakness of SPI in the management of regional finances and assets is part of the findings of the audit of the LKPD of West Java Province. There are repeated findings and there are still recommendations from the previous year that have not been followed up.

Local government financial statements are basically assertions or statements from local government leaders that provide information to other parties, namely existing stakeholders regarding the financial condition of local governments (Yusran, 2023). The audit of financial statements is intended to assess the fairness of financial statements based on generally accepted accounting principles. Protecting users of financial statements requires a third party, namely an independent auditor in assessing the quality of local government financial statements. The Audit Board of the Republic of Indonesia is an institution authorized to conduct an audit of the management and accountability of state and regional finances (Yuliusman & Zulma, 2023; Prihantoro & Kuntadi, 2022; Anto & Yusran, 2023).

According to Government Regulation Number 8 of 2006 in article 33, the review of the LKPD is carried out by the Government Internal Supervisory Apparatus (APIP) in order to provide limited confidence regarding the accuracy, reliability, and validity of the information presented in the financial statements before the regional head signs a statement of responsibility and submits the LKPD to the BPK (Vonna et al., 2024). There are still several significant problems that are recorded as a result of the review by the Regional Inspectorate for the financial statements of the Regional Apparatus Work Unit (SKPD) of the West Java Provincial Government for the 2020, 2021 and 2022 Fiscal Years (FY). In terms of the Budget Realization

(LRA) report, there is a correction in the revenue that has not been recorded; and expenditure accountability from grants that have not been recorded (Hakim et al., 2023).

The balance sheet contains records in the form of changes in inventory accounting policies and reclassification of inventory accounts to other accounts or vice versa and reclassification from fixed asset accounts to other asset accounts or vice versa and the fixed asset grants from the Regency Government have not been recorded. The Operational Report (LO) contains records in the form of additional revenue that has not been booked; additional expenses in the form of building/building maintenance from capital expenditure that is not capitalized in fixed assets; uncharged electricity/telephone/water bills in December; and the advantages/disadvantages of the depreciation of fixed assets.

The Report on the Internal Control System recorded in the 2020 Fiscal Year (FY) is in the form of many corrections to the Regional Apparatus Financial Statements (unreviu) which are dominated by fixed asset accounts. This shows the inaccuracy of fixed assets/BMD administration; and the 2020 Education Office Financial Report (unreviu) was prepared late. The results of the review found that the 2020 Education Office Financial Statements (unreviewu) until the end of the review period had not been completed (only completed on March 19, 2021). FY 2021 records at the Education Office in the form of still having a cash balance at the Treasury due to excess expenditure realization exceeding the budget ceiling and inventory management in 846 schools is still manual, making it difficult to consolidate the realization and calculation of the remaining inventory as of December 31, 2021; and financial statements are prepared manually except for the Budget Realization Report (LRA) this is because the Regional Government Information System (SIPD) is inadequate. FY 2022 records in the form of cash balances at the Expenditure Treasurer of the West Java Provincial Education Office resulting from payment errors on capital expenditure on equipment and machinery paid through 2 (two) SP2D to 2 (two) different companies; and financial statements are prepared manually except for the Budget Realization Report (LRA) this is because the Regional Government Information System (SIPD) is inadequate. In accordance with the records and problems that exist in the quality of the financial statements of the West Java Provincial SKPD for the 2020, 2021 and 2022 Fiscal Years (FY) can show poor results.

Bahri (2016) argues that financial statements are a product produced by the field or discipline of accounting, so that whether or not a financial report is influenced by both internal and external factors. Many studies on factors that affect the quality of financial statements have been carried out by previous research, including the competence of human resources (Agustining Tyas et al., 2020; Bagjana & Rachman, 2021; Goddess et al., 2019; Rahmawati et al., 2022; Safitri et al., 2023; Silviana & Zahara, 2015).

The Internal Control System according to Permendagri No. 4 of the Year Guidelines for the Implementation of Review of Regional Financial Statements Article 1 (10) is: (Regulation of the Minister of Home Affairs Number 4 of 2008 concerning Implementation Guidelines Review Regional Government Financial Statements, 2008)

*"An internal control system is a process influenced by management that is created to provide adequate confidence in the creation of effectiveness, efficiency, compliance with applicable laws and regulations and the reliability of regional financial presentation."*

The internal control system is a procedure that is a unit with steps or activities that are carried out continuously by leaders and employees in order to create confidence that is satisfactory

enough for the realization of organizational goals with effective and efficient activities, financial reliability (Sumaryati et al., 2020).

Competence is defined as the basic abilities and quality of work needed to carry out a job well (Tengland, 2011). Human resource competence is a human resource skill that is useful for carrying out work and obligations entrusted to it with competent training, education, and experience capital. states that human resources are the only resources that have feelings, desires, skills, knowledge, encouragement, power, and work (ratio, taste, and karsa). All of these human resource potentials affect the organization's efforts to achieve goals, one of which can be seen from the quality of financial reports produced through the competence of human resources (Saputra et al., 2021; Sumaryati et al., 2020; Sutrisno, 2014).

The results of the study said that the implementation of the Internal Control System had a positive and significant effect on the quality of financial statements (Sitorus et al., 2020). The effectiveness of the implementation of the Internal Control System can improve the quality of financial reports. The better the implementation of the internal control system, the better the quality of the financial reports produced. However, the results of the study show that the internal control system has no effect on the quality of local government financial reports. Therefore, further research is needed whether the internal control system is able to strengthen the relationship between human resource competence and LKPD quality (Sukma, 2023; Sumaryati et al., 2020).

The results of the study show that there is a positive influence between human resource competence and regional financial accountability, so that increasing human resource competence will increase regional financial accountability. This means that the competence of human resources affects the quality of LKPD. However, it is not in line with the research that human resource competence has a positive but not significant effect on the quality of local government financial statements, and also those who say that human resource competence does not have a significant effect on the quality of LKPD (Dewi et al., 2019; Afriansyah & Paddery, 2022; Lestari & Ardini, 2020; Zubaidi et al., 2019; Anto & Yusran, 2023; AgustiningTyas et al., 2020).

Previous research has shown inconsistent results between human resource competence and the quality of SKPD's financial statements, so further research is needed to complete the existing gap. This study adds that the internal control system variable is expected to be a variable that strengthens the relationship between competence and LKPD quality. Given the slow progress in the quality of financial statements, improving the competence of human resources and the role of financial supervisors as well as the effectiveness of government internal control are very important. Regarding the issue of control, the government has issued Government Regulation Number 60 of the Government Internal Control System (SPIP) (Government Regulation (PP) Number 60 of 2008 concerning the Government Internal Control System, 2008)

Based on the research gap and the existing phenomenon in the Regional Government of West Java Province, the researcher will conduct further research to complete the existing gap. Research on the quality of SKPD financial statements in West Java Province is still very much needed, so researchers will conduct research on the quality of SKPD financial statements with the title "The Influence of Human Resources Competence on the Quality of SKPD Financial Statements with the Government Internal Control System as a Moderating Variable".

The purpose of this study is to determine the influence of human resource competence on the quality of the West Java Provincial SKPD Financial Statements. The influence of the

government's internal control system in increasing the influence of human resource competence on the quality of the West Java Provincial SKPD Financial Statements.

The results of this study are expected to provide additional knowledge and insights related to the topic of the research. In addition, it is expected to be able to contribute to the process of scientific development regarding economics and especially accounting related to the quality of government financial reports.

## Methods

The research design used in this study was an explanatory research design, whereas the type of approach used was quantitative to find out on the impact of Human Resource Competence on Quality of Financial Reports in the Regional Apparatus Work Units (SKPD) of West Java Province. Further, the government's internal control system (SPIP) was used as a mediating factor in this relationship. The main objective of the study was to find out if there was a relationship between human resource competence and the quality of financial reporting so as to seek to understand how this relationship could be either enhanced or inhibited by the internal control system.

The subjects of the research were 38 SKPDs subordinate to the West Java Provincial Government and all of them provided general functional positions that were engaged in financial reporting. As the population size was not so large, the study used census sampling technique whereby the entire population was considered as a sample. This helped in making sure that data were collected from all the 38 SKPDs hence reducing bias and ensured that all SKPDs were covered fully.

Both primary data were collected by the use of questionnaires that were in structure form. The questionnaires were administered to the different employees involved in the financial reporting in the 38 SKPDs. The questions used in the study were closed ended questions whereby respondents could only select options that they deemed most suitable in regard to their knowledge and experience in the areas of human resource competence and internal control system. By using closed-ended questions it was easier to be precise when expecting particular replies and the analysis that followed was purely numerical. The questionnaires focused on HR competence issues such as the knowledge in accounting standards, capacity to do accounting and prior reporting experience. They also contained questions related to efficiency of the internal control, including the issues related to identification of risk, control activities, and monitoring in the SKPDs. To accrue accuracy in constructing the study instruments, the questionnaire was pre-tested before the distribution.

After the data had been gathered, they were sorted and analyzed with the help of SPSS version 25 and according to the Moderation Regression Model (MRM). The method started with tests that enabled the evaluation of the quality of the data collected, by validity and reliability tests. The validity test made sure that the questionnaire assessed the intended variables as the test supposed to while the reliability test confirmed that the results were consistent and could be repeated.

The study used the moderation regression model to analyze the net effect of human resource competence to the quality of financial reports, as well as to test internal control system influence by the government as the moderation variable. Same to the regression model, some diagnostic tests were conducted on it. Pre-analysis, multicollinearity test was run with the purpose of checking how much linear dependence existed among the coefficients of the independent variables. Second, heteroscedasticity test was conducted in order to ascertain that there is no constant variation in the residuals before conducting the regression analysis. Finally,

coefficient of determination ( $R^2$ ) was computed in order to determine the proportion of the independent and moderating variables accountable for variability in the dependent variable which is the quality of the financial reports. Thus, it was possible to find out the overall performance of the model in terms of explanation.

## Result and Discussion

### Multicollinearity Test Results

Table 1. Multicollinearity Test Results

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	21,729	2,314		9,390	,000		
	HR Competencies	,135	,046	,234	2,934	,006	,574	1,742
	SPIP	,213	,022	,764	9,589	,000	,574	1,742

a. Dependent Variable: Quality of SKPD Financial Statements

Source: Primary data processed with SPSS 25, 2024

The test results in table 1, multicollinearity show that all independent variables (human resource competence) have a *tolerance* value greater than 10% (0.10) and a VIF value less than 10 so it can be concluded that multicollinearity does not occur.

### Heteroscedaity Test Results

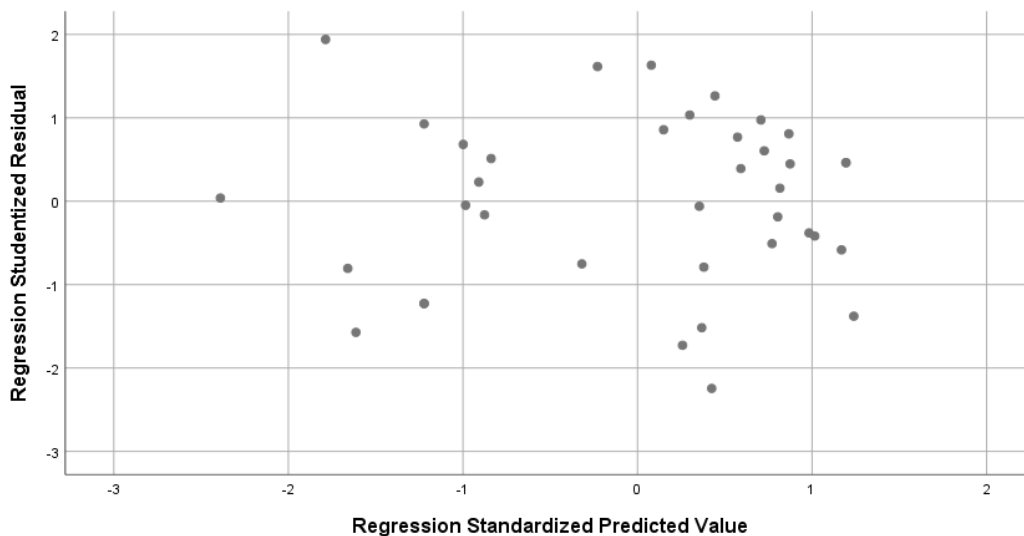


Figure 1. Heterokedasticity Test Results

### Determination Coefficient Test Results ( $R^2$ )

Table 2. Results of the Determination Coefficient Test of the Equation Model 1

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,934a	,872	,865	1,186

a. Predictors: (Constant), SPIP, HR Competencies  
b. Dependent Variable: Quality of SKPD Financial Statements

Source: Primary data processed with SPSS 25, 2024

Based on table 2, the *Adjust R Square value* for regression model 1 is 0.865, which can be interpreted that the independent variable (human resource competence) and moderation variable (SPIP) can explain the dependent variable (quality of SKPD financial statements) of 86.5% while the rest is explained by other factors in the study.

Table 3. Results of the Determination Coefficient Test of the Equation Model 2

Model Summary <sup>b</sup>				
Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,935a	,875	,864	1,192
a. Predictors: (Constant), X1 M, HR Competencies, SPIP				
b. Dependent Variable: Quality of SKPD Financial Statements				

Source: primary data processed, 2024

Based on table 3, the *adjusted R square* value for regression model 2 is 0.864, it can be interpreted that the *moderating variable* (government internal control system) is not able to increase the influence of the independent variable (human resource competence) on the dependent variable (quality of SKPD financial statements) by 86.4% while the rest is explained by other factors in the study.

### Test Results F Model

Table 4. F Model Test Results

ANOVA <sup>a</sup>						
Type	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	336,496	2	168,248	119,525	,000B
	Residual	49,267	35	1,408		
	<b>Total</b>	<b>385,763</b>	<b>37</b>			
a. Dependent Variable: Y1						
b. Predictors: (Constant), SPIP, HR Competencies						

Source: primary data processed, 2024

It can be seen in table 4 based on calculations with the help of SPSS software, a significant value of F in the regression model is obtained =  $\alpha 0.000 < 0.05$  and  $F_{\text{calculates}} > F_{\text{table}} 119.525 > 3.27$ , so it is concluded that all X variables are able to affect the Y variable together and at the same time show that the regression model built is declared feasible to be used.

### Moderation Regression Model

Table 5. Results of Model 1 Moderation Equation

Coefficients <sup>a</sup>								
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	21,729	2,314		9,390	,000		
	HR Competencies	,135	,046	,234	2,934	,006	,574	1,742
	SPIP	,213	,022	,764	9,589	,000	,574	1,742

a. Dependent Variable: Quality of SKPD Financial Statements

Source: Primary data processed with SPSS 25, 2024

Regression between human resource competence and the quality of SKPD's financial statements. Based on the regression calculation between the competence of human resources and the quality of LKPD financial statements with the assistance of the SPSS program (Table 5), the regression equation model 1 is:

$$Y_1 = 21,729 + 0,135 K + 0,213 SPIP$$

The results of the simple regression equation mentioned above provide an understanding that: The constant value of 21.729 is a positive value and can be interpreted that there is a unidirectional influence between the independent variable and the dependent variable and moderation. This shows that the HR Competency variable is valued at 0 percent or has not changed, then the Quality of SKPD Financial Statements is 21,729.

b1 (the value of the regression coefficient of Human Resources Competence) has a positive value of 0.135, which means that if the Human Resources Competence increases or experiences an increase of 1%, the Quality of SKPD Financial Statements will increase by 0.135. A positive sign means that there is a unidirectional influence between independent variables and dependent variables, it indicates that Human Resources Competence can improve the Quality of SKPD Financial Statements.

Table 6. Results of Model 2 Moderation Equations

Coefficients <sup>a</sup>						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,136	22,967		,137	,892
	HR Competencies	,451	,391	,781	1,153	,257
	SPIP	,368	,192	1,323	1,915	,064
	X1 M	-,003	,003	-1,006	-,814	,421

a. Dependent Variable: Quality of SKPD Financial Statements

Source: Primary data processed with SPSS 25, 2024

Regression between the government's internal control system in moderating the competence of human resources on the quality of SKPD's financial statements. Based on the regression calculation between the competence of human resources on the quality of SKPD financial statements and the moderation of the government control system, assisted by the SPSS program (Table 4.15), the regression equation model 2 is:

$$Y_2 = 3,136 + 0,451 K + 0,368 SPIP - 0,003 K * SPIP$$

The results of the multiple regression equation mentioned above provide an understanding that: The constant value of 3.136 is a positive value and can be interpreted that if the quality of SKPD's financial statements is constant or fixed, then the government's internal control system moderates the competence of human resources with a positive value.

B2 (the value of the regression coefficient of the government's internal control system in moderating human resource competence) has a negative value of -0.003, which means that if



the competence of human resources increases, the quality of SKPD's financial statements will decrease.

### Results of the Hypothesis t-Test

Table 7. Results of the t-test of the equation hypothesis 1

Coefficients <sup>a</sup>								
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	21,729	2,314		9,390	,000		
	HR Competencies	,135	,046	,234	2,934	,006	,574	1,742
	SPIP	,213	,022	,764	9,589	,000	,574	1,742
a. Dependent Variable: Quality of SKPD Financial Statements								

Source: Primary data processed with SPSS 25, 2024

The explanation of each hypothesis is as follows:

#### ***Hypothesis 1: The effect of human resource competence on the quality of SKPD financial statements***

The results of hypothesis 1 testing: the t-value of 2.934 and the t-table 2.030 were obtained. Because the t-value calculated  $>$  t table,  $2.934 > 2.030$  with a significance level of  $0.006 <$  from  $\alpha = 0.05$  and a positive coefficient value of 0.135 thus  $H_0$  is rejected and  $H_a$  is accepted, meaning that human resource competence has a positive and significant influence on the quality of SKPD financial statements. Thus, it can be concluded that  $H_1$  is accepted. The hypothesis testing in this study tests the influence of human resource competence on the dependent variables of SKPD financial report quality directly or with the government's internal control system as moderating. The results of hypothesis testing are:

Table 8. Results of the t-test of the equation hypothesis 2

Coefficients <sup>a</sup>						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,136	22,967		,137	,892
	HR Competencies	,451	,391	,781	1,153	,257
	SPIP	,368	,192	1,323	1,915	,064
	X1_M	-,003	,003	-1,006	-,814	,421
a. Dependent Variable: Quality of SKPD Financial Statements						

Source: Primary data processed with SPSS 25, 2024

#### ***Hypothesis 2: The government's internal control system in improving the influence of human resource competence on the quality of SKPD financial statements***

The results of hypothesis 2 testing: the t-value of -0.814 and the t-table 2.030 were obtained. Because the t-value calculated  $<$  t table,  $-0.814 < 2.030$  obtained with a significance level of  $0.421 >$  from  $\alpha = 0.05$  and a negative coefficient value of -0.003 thus  $H_0$  is accepted and  $H_a$  is rejected, meaning that the government's internal control system is not able to increase the

influence of human resource competence on the quality of SKPD financial statements. Thus, it can be concluded that H4 is rejected.

### **The Effect of Human Resource Competence on the Quality of SKPD Financial Statements**

The results of hypothesis 1 testing: the t-value of 2.934 and the t-table 2.030 were obtained. Because the value of t calculated  $>$  t table,  $2.934 > 2.030$  with a significance level of  $0.006 <$  from  $\alpha = 0.05$  and a positive coefficient value of 0.135 thus  $H_0$  is rejected and  $H_a$  is accepted, meaning that human resource competence has a positive and significant influence on the quality of SKPD's financial statements. Thus it can be concluded that H1 is accepted.

Human resource competence is an important factor for local governments in compiling quality SKPD financial statements. Decree Number 46A of 2007 concerning Civil Servant Competence, the Head of BKN defines competence as skills, knowledge, and behavioral attitudes that must be possessed by a Civil Servant to carry out his obligations in fulfilling his or her personnel responsibilities, so that civil servants can carry out their work professionally, effectively, and efficiently. Elements that can affect financial statements are presented and managed properly, namely human resource expertise, employees may experience difficulties in providing financial reports on time and accurately, so it is necessary to conduct periodic evaluations of the talents and competencies of each employee in the field of accounting (Rahmawati et al., 2022).

The research strengthens the theory Sahabuddin et al. (2021) of *Stewardship* which states that competent officials have a sense of ownership of the organization and will be motivated to work for the benefit of the organization, not for their own interests so that they are able to carry out their duties well in the organization in accordance with their duties and functions, namely preparing quality SKPD financial reports. Competent human resources must carry out regional financial management where competence is the underlying characteristic of achieving higher performance at work. Referring to the Lubis et al. (2022) *Stakeholder Theory* which speaks that *Stakeholders* are parties that can be influenced or that can be influenced by an entity, there is the influence of competent human resources to produce quality financial reports

In line with research that competence affects the quality of financial statements. It can be interpreted that the better the competence of employees will affect the quality of the financial reports produced (Gumelar et al., 2022). Likewise, the research that says that the competence of human resources has the most dominant influence in influencing the quality of financial reports so that to realize quality and qualified financial reporting and meet national standards, regional financial managers must have related competencies (Bagjana & Rachman, 2021; Coryanatam & Sundawa, 2022; Novia & Sujana, 2021; Rahmawati et al., 2022; Sahabuddin et al., 2021; Saputra et al., 2021; Sumaryati et al., 2020; Susanto & Rambano, 2022).

Although the results of hypothesis testing show that HR Competence has a positive influence on the Quality of SKPD Financial Statements. However, the researcher found that there are still HR competency variables that are not optimal, especially in terms of skills and knowledge.

Skills indicate that there are still employees who state that they are not optimal in understanding the accounting cycle such as *posting* journals into the general ledger, compiling and presenting balance sheets, budget realization reports, operational reports, equity change reports, and notes on financial statements properly, quickly and accurately in accordance with applicable accounting policies. This is due to the lack of understanding of the relationship between accounts in the presentation of financial statements and accounting policies applicable in the Regional Government of West Java Province because not all financial statement compilers

have an accounting education background, and accounting policies that often change resulting in difficulties for financial statement compilers to understand and follow these changes.

Knowledge indicates that there are still employees who do not optimally understand the accounting cycle well, understand Government Regulation No. 71 of 2010 concerning SAP well, understand Government Regulation No. 8 of 2006 well, understand Governor Regulation (PERGUB) No. 02 of 2022 and Governor Regulation No. 03 of 2022, and are not optimal in reading literature to increase knowledge in work and follow technical guidance. This is due to the fact that the compilers of financial statements have not received sufficient training or education in terms of the accounting cycle in accordance with the accounting policies applicable in the Regional Government, and the leadership does not provide sufficient opportunities, support and facilities in terms of employee education and development.

### **The Influence of the Government's Internal Control System in Increasing the Influence of Human Resource Competence on the Quality of SKPD Financial Statements**

The results of hypothesis 2 testing: the t-value of -0.814 and the t-table 2.030 were obtained. Because the t-value calculated  $< t$  table,  $-0.814 < 2.030$  obtained with a significance level of  $0.421 >$  from  $\alpha = 0.05$  and a negative coefficient value of -0.003 thus  $H_0$  is accepted and  $H_a$  is rejected, meaning that the government's internal control system is not able to increase the influence of human resource competence on the quality of SKPD financial statements. Thus, it can be concluded that  $H_2$  is rejected.

According to human resource competence, it is one of the factors that can affect the success of a company in presenting and managing its financial reporting (Mardinan et al., 2018). It can be difficult for staff members to produce financial statements accurately and on time, which is why it is important to assess the skills and competencies of each person in the accounting field on a regular basis. Any institution or organization that wants to achieve its objectives must include internal controls as a component of risk management (Rahmawati et al., 2022; Mulia, 2018).

The planning process in human resource management plays a crucial role in ensuring sustainable performance and success. The planning process is influenced by the cognitive abilities of managers or leaders, including their knowledge and capacity to identify and relate factors related to performance (Pellegrini et al., 2020). However, the high level of the government's internal control system is not able to increase the influence of human resource competence on the quality of SKPD financial statements. The internal control system will run efficiently and effectively if individuals prioritize the interests of the organization, in accordance with the theory of *stewardship* which shows that people who work in an organization tend to prioritize the interests of the organization over their own interests (Widaryani & Kiswanto, 2020).

The results of the study are not in line with those that prove that non-optimal planning to maximize employee competencies leads to poor employee performance, which then has an impact on overall organizational results. It means that if the competence of employees is good, then the internal control system can increase the influence of competence on the performance of financial statements. Meanwhile, this study proves that the government's internal control system is not able to improve the relationship between employee work competence and the quality of the financial reports produced, so that the high level of a good government internal control system is not able to increase the influence of competence on the quality of SKPD's financial statements (Munawar, 2023).

The results of the hypothesis test show that the government's internal control system is not able to increase the influence of human resource competence on the quality of SKPD financial statements. Thus, in this study, it was found that in the variables of the government's internal control system, there are still problems that are not optimal, especially in risk assessment and control activities/activities.

The risk assessment indicates that there are still employees who state that the leadership has not conducted a complete and thorough risk analysis of the possibility of violations of the accounting system, and the leadership does not always have a management plan or reduce the risk of violations of the accounting system and procedures. This is because there is still a low commitment of leadership and understanding of risks so that risk identification in the implementation of accounting systems and procedures is not mitigated as a priority risk factor.

In control activities/activities, it indicates that there are still employees who state that not all financial transactions before being processed into the system are reviewed by the leadership first, the leadership of SKPD does not always provide guidance to employees, not all policies and procedures for controlling the management of information systems have been established and implemented properly, not all policies and procedures for physical security of assets have been established and implemented well, not all SKPD leaders have determined and reviewed performance indicators and measures, and not all SKPD leaders and employees have worked in accordance with their duties and functions and understood the purpose of control activities. This is because there is still not optimal communication between superiors and subordinates in the implementation of an applicable policy/rule and the performance plan set by the organization.

In the control environment in terms of organizational structure that is in accordance with needs, it indicates that there are employees who consider the organizational structure of SKPD to have not described the division of authority and responsibility. This is because the separation of duties and functions of each employee is still not optimal in accordance with the set workload; in terms of a sound policy on human resource development, it indicates that there are employees who consider that SKPD leaders do not take firm action on violations of policies, procedures, or rules. This is because there has been no implementation of *measurable* rewards and punishments for employees and in terms of good working relationships, it indicates that there are employees who consider that leaders and subordinates do not have a good relationship so they cannot work well together. This is because there are still standard operating procedures (SOPs) that have not been fully communicated and understood and the uneven involvement of all employees and leaders in planning and assessing organizational performance.

In information and communication in terms of information system management, it indicates that there are employees who state that continuous communication channels have not been fully implemented openly and effectively. This is because information has not been identified, obtained and distributed adequately, in the right form and time so as to support the implementation of duties and responsibilities effectively and efficiently.

In the monitoring of internal control in terms of continuous monitoring, it indicates that there are employees who state the follow-up of the assessment of the quality of internal control, there are still SKPDs that have not made improvements to internal control, due to the lack of clear and structured planning in the implementation of improvements, there is still a low understanding and sense of responsibility (involvement) of everyone in the organization for the implementation of activities control, and to the lack of precision in the implementation of improvements so as to reduce the effectiveness of control; And in terms of separate evaluation, it indicates that there are employees who state that the leadership does not always review and

evaluate findings that show weaknesses. This is because information on the weaknesses of the control system is not conveyed to all employees which can cause understanding and concern to make improvements.

## Conclusion

This research showed that human resource competence has a very relevant and positive relationship in improving the quality of the financial statements produced by the Regional Apparatus Work Units (SKPD) in West Java. They show that increasing the skill and knowledge level of accountants, improving their proficiency in putting into practice accounting standards would result into the preparation of more accurate, reliable and transparent financial reports. Therefore it is imperative that the human resources that are involved in preparing the financial statements are trained on how to enhance the financial reporting competence of the SKPDs. But the study also revealed that the government internal control system, (SPIP) does not have an impact in mediating the influence of human resource competence on the quality of financial statement. In other words, internal controls designed to protect the credibility of the financial reporting may not be enough for the current state and effectiveness of SPIP in SKPDs to boost the influence of human resource competence on report quality as the findings of this study indicate. This finding also supports the need to review the internal control system that is in-place in order to assess its effectiveness in contributing towards the enhancement of sound financial practices. Therefore, the results call for more upstream for human resource development with more focus on improving accounting skill and understanding of regulations amongst preparers of financial reports. At the same time, it is necessary to improve and/or update internal controls to strengthen their alignment with the competencies of human resources for the enhancement of quality of financial statements.

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