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Journal of Management, Accounting, General Finance and International Economic Issues
https://ojs.transpublika.com/index.php/MARGINAL
Online ISSN 2809-8013 | Print ISSN 2809-9222

https://doi.org/10.55047/marginal.v4i4.1766

Literature Review

The Role of Human Resource Competence and Internal Control on Financial Reporting Quality

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Received : 30 May - 2025
Accepted : 24 July - 2025
Published online : 28 July - 2025

Abstract

This study addresses the issue of weak accountability and transparency in public sector financial management, which is often linked to limited human resource competence and ineffective internal control systems. The primary objective is to analyze how these two factors contribute to improving public sector financial governance. A systematic literature review method was used, reviewing scientific articles published between 2018 and 2025 obtained from Google Scholar, Semantic Scholar, and Crossref. The findings indicate that human resource competence including technical expertise, regulatory understanding, and integrity has a significant impact on budget accountability. Moreover, comprehensive internal control mechanisms, such as layered supervision, effective reporting systems, and periodic audits, play a critical role in reducing the risk of fraud and enhancing public trust. These results suggest that improving the capacity of public sector personnel and reinforcing internal controls are essential strategies for sustainable financial governance. The study implies that policymakers and institutions should invest in continuous training and strengthen audit frameworks to support effective financial management in the public sector.

Keywords: Accountability, Human Resource Competence, Internal Controls, Public Financial Management.

1. Introduction

Clear public sector financial management is a crucial aspect in realizing good governance. In recent years, demands for transparency and accountability in public finance have increased along with public expectations for a clean, efficient government free from fraudulent practices. If a government agency does not implement a proper recording system, it will result in fraud or irregularities in reporting practices. Therefore, the role of human resource competence and internal control becomes very important in creating an effective and trustworthy financial management system.

Human Resource Competence is defined as a combination of knowledge, skills, and work attitudes demonstrated by an individual in carrying out their duties professionally (Spencer & Spencer, 2008). According to Clardy (2008), human resource competence as the sufficient ability to carry out tasks, encompassing the necessary skills and capacities. This includes a person's aptitude, capabilities, and habitual behaviors, both in personal and professional contexts, including leadership roles. In the context of the public sector, competence not only includes technical ability in budget management and reporting, but also includes integrity, accountability, and understanding of regulations and government accounting standards. The Regulation of the Minister of State Apparatus Empowerment and Bureaucratic Reform No. 38 of 2017, competence consists of technical, managerial, and socio-

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cultural competencies, all of which are needed to support the performance of government personnel.

On the other hand, internal control refers to a structured process aimed at offering a reasonable level of assurance that an organization's goals will be met, particularly in terms of accurate financial reporting, adherence to applicable laws, and the efficiency of operational activities. The Committee of Sponsoring Organizations of the Treadway Commission (COS), describes internal control as a comprehensive system composed of five interconnected components which are the control environment, risk assessment, control activities, information and communication, and monitoring. Similarly, Ferdia and Kammoun (2024) views internal control as an organized arrangement of structures, procedures, and actions that work together to protect organizational assets, enhance efficiency, ensure the accuracy of accounting information, and support compliance with management policies. In the public sector, internal control serves a vital function in minimizing irregularities, enhancing the accuracy and reliability of financial reporting, and reinforcing public confidence in the administration of government finances.

However, challenges such as the low technical competence of employees, limited training, and weak implementation of internal control systems still hinder the optimization of public sector financial governance. Therefore, it is important to review the extent to which HR competence and the effectiveness of internal control can contribute to improving transparency, accountability, and the quality of financial management in the public sector. This study uses a literature review approach to explore relevant scientific findings in order to provide strategic recommendations for strengthening the country's financial governance in a sustainable manner.

2. Literature Review

2.1. Human Resource Competence

Human resource competence is a combination of knowledge, skills, attitudes, and behaviors required to perform work effectively. Human resource competence encompasses the capacity of individuals, organizations, or systems to perform their roles or responsibilities effectively in order to reach intended objectives. This capacity reflects the capability to deliver performance by generating desired outputs and outcomes.

As noted by Winidyaningrum (2009), evaluating the capacity and competence of human resources in carrying out specific functions, such as accounting, can be done by examining their level of responsibility and expertise. Responsibility is typically reflected through a clearly defined job description, which serves as a foundation for effective task execution. Without such clarity, tasks may not be performed efficiently. Competence, on the other hand, is evident through factors such as educational qualifications, participation in relevant training programs, and the skills applied during task implementation.

Human Resource competence is also very important in supporting the implementation of accrual- based government accounting. Dewi et al. (2019) found that the capability of government personnel is positively associated with the quality of financial reporting and the level of public accountability.

2.2. Internal Control

Internal control in the public sector is a system designed to provide assurance on the achievement of organizational objectives effectively, efficiently, reliably, and in compliance with regulations. Moeller (2013) states that internal control is a process designed and

implemented by management to provide reasonable assurance regarding the achievement of organizational goals related to operations, reporting, and compliance. This view emphasizes that internal control is not merely an administrative tool, but a part of a continuous managerial process.

Consistent with this perspective, Arens et al. (2012) describe internal control as a framework of policies and procedures designed to help organizations achieve their objectives efficiently. Similarly, Hall (2011) characterizes internal control as a collection of tools and processes implemented to protect assets, ensure accurate accounting information, enhance operational performance, and support adherence to management directives. This interpretation highlights both the preventive and corrective roles of internal control systems.

Romney and Steinbart (2018) add that internal control internal control also encompasses measures aimed at ensuring goal attainment, maintaining accurate recordkeeping, and adhering to relevant regulations. In the public sector, internal control is more specifically outlined within the Government Internal Control System (SPIP), which is described as a continuous and integrated process involving both leadership and staff to provide reasonable assurance in achieving organizational objectives.

2.3. Transparency

Transparency refers to the ability of an organization or system to provide access to information openly, clearly, and reliably to stakeholders. In the context of financial management, transparency ensures that information related to budgeting, expenditures, and fund management can be accessed and understood by interested parties, both internal and external. According to Hood and Heald (2006), transparency is a core element of good governance. He emphasizes that transparency can reduce the risk of abuse of power, enhance accountability, and foster public trust in institutions.

Roberts (2009) explains that transparency should be seen as a commitment to proactively share information, not merely to provide data when requested. This involves disclosing information relevant to the decision-making process and providing the public with access to organizational activities, including financial management.

2.4. Accountability

Accountability refers to the obligation of individuals or organizations to take ownership of their decisions, actions, and resulting outcomes, and to justify them to relevant stakeholders (Nita & Kwarto, 2024). In the realm of financial management, it involves the duty to oversee, report on, and ensure that financial resources are utilized in accordance with established regulations and intended purposes.

According to Bovens (2007), accountability involves three main elements: reporting, evaluation, and sanctioning or rewarding. Accountability enables government organizations to explain how and why decisions are made, as well as their impact on stakeholders.

3. Methods

This study employs the Systematic Literature Review (SLR) method. SLR is a type of secondary research aimed at mapping, identifying, critically analyzing, and synthesizing findings from primary studies related to a particular topic (A. Dresch in Rozi, 2020). It involves a structured process of locating, evaluating, and interpreting all relevant research evidence to answer specific research questions (Kitchenham and Charters in Wahono, 2015). According to Fauzi et al. (2018), SLR helps in identifying, assessing, and interpreting existing literature relevant to a defined research area. The main objectives of conducting an SLR

include summarizing current knowledge on a subject, identifying research gaps for future exploration, and establishing a foundational background for new research (Kitchenham in Fauzi et al., 2018). The SLR process typically involves three key phases: planning, execution, and reporting (Wahono, 2015).

The first stage, planning, begins with formulating the review question (RQ) and developing a structured protocol according to the research topic. The second phase, implementation, includes locating pertinent literature, reviewing abstracts, and gathering relevant data. The final phase, reporting, focuses on presenting a summary of the research results (Wahono, 2015).

3.1. Planning

This stage begins with formulating a Research Question as a reference for searching, selecting, and analyzing literature data for the research inquiry. The formulation of the Research Question is guided by the specific requirements of the chosen topic. Presented below is the Research Question for this study:

Table 1. Research Question

	Question
RQ 1	How does the role of human resource competence support transparency and accountability in public sector financial management?
RQ 2	How significantly does internal control impact the enhancement of financial management quality in the public sector?

3.2. Conducting

At this stage, several steps are involved. The first step is identifying literature, which aims to obtain relevant sources to answer the Research Questions (RQ1 and RQ2). The sources used in this study are national and international journals that discuss the role of human resource competence and internal control on financial reporting quality. The journal search process was conducted using search engines (Google Chrome and Safari) through the websites from https://scholar.google.com/, https://semanticscholar.org/, and also using https://www.crossref.org/

The second step involves setting Inclusion and Exclusion Criteria, which are used to decide if the collected data qualifies for use in the SLR study. The criteria include publications from the year 2018 to 2025, obtained through the websites from https://scholar.google.com/, https://semanticscholar.org/, and https://www.crossref.org/, and the journals used must be related to human resource competence, internal control, public sector financial reporting, transparency, and accountability.

The third step is Quality Assessment, where the data gathered in the SLR study is evaluated using specific criteria questions to determine its quality:

Table 2. Quality Assessment

	Quality Assessment Criteria	Meets the Criteria	
		Yes	No
QA1	Was the journal published between 2018–2025?	✓	
QA2	Is the journal related to human resource competence, internal control, public sector financial reporting, transparency, and accountability?	✓	
QA3	Can the journal be accessed through the websites https://scholar.google.com/, https://semanticscholar.org/, and https://www.crossref.org/?	✓	

The final step in the conducting stage is data synthesis, which aims to analyze and evaluate various research findings from different sources of literature. The data synthesis in this study is conducted in a narrative form.

Table 3. Data Search Results

Database Source	Search Intervention	Detected
Google Scholar Semantic Scholar Crossref	• Search based on the keywords "human resource competence"; "internal control"; "public sector financial reporting"; "accountability"; "transparency"	384.600
	• Selected articles	20
	• Relevant articles	14

The search string/keywords used in this study are "human resource competence," "internal control," "public sector financial reporting," "accountability," and "transparency," which ultimately led to the discovery of 14 relevant articles. The search string was utilized to explore various sections of the articlesi ncluding titles, abstracts, keywords, and main content across electronic databases such as Google Scholar, Semantic Scholar, and Crossref. This search commenced in April 2025. Following the search, articles were categorized based on inclusion and exclusion criteria as part of the mapping study, which aims to filter out irrelevant sources and retain those that are pertinent (Fauzi et al., 2018). In this research, we established specific inclusion and exclusion criteria to support the mapping process.

Table 4. Inclusion and Exclusion Criteria

Inclusion	Exclusion
1. Research that focuses on human resource competencies, internal control, public sector financial reports, transparency, and accountability. 2. In Indonesian and English. 3. Limited to journal articles and conference proceedings only. 4. Published journals/have a DOI (Digital Object Identifier).	1. Journals that do not discuss human resource competencies, internal control, public sector financial reports, transparency, and accountability. 2. Publications written in languages other than Indonesian or English. 3. Materials such as dissertations, theses, book chapters, product overviews, presentation slides, work reports, and literature lacking clarity. 4. Articles that have not been peer-reviewed.

The final phase of a systematic literature review is the reporting stage, which involves documenting the review findings in written form, following established guidelines.

4. Results and Discussion

4.1. The Role of Human Resource Competence in Public Sector Financial Reporting

A study conducted by Sindy Fuji Lestari and Hastuti (2020) demonstrated that human resource competence has a significant role in improving the quality of public sector financial reports. The research was carried out in the West Java Provincial Government, involving 111 respondents from 37 Regional Apparatus Organizations (OPDs), using multiple linear regression analysis. The findings showed that human resource competence especially in accounting and proficiency in regional financial information systems had a positive impact on the precision, completeness, and punctuality of financial reporting. This was supported by a significance level of 0.000, highlighting a strong and meaningful connection between public officials' capabilities and the quality of financial reports in the government sector. The research underlined that a thorough understanding of applicable regulations, technical expertise in financial software, and relevant job experience are essential factors in generating accurate and regulation-compliant financial statements.

Furthermore, a study by Hadis et al. (2022) found that the competence of human resources in financial management has a significant and positive influence on the quality of financial reporting at Andalas University in Padang. Employing a quantitative method with multiple linear regression analysis, the study involved 68 respondents comprising university treasurers and finance personnel. The t-test yielded a significance value of 0.000 with a coefficient of 0.558, indicating that enhanced knowledge, skillsets, and professional conduct among financial staff are linked to better-quality financial statements. The findings highlight that technical expertise, participation in training, and a professional attitude are key contributors to generating accurate, timely, and standardized financial reports. Competent financial personnel lead to more effective and transparent reporting processes, thereby promoting sound financial governance within public higher education institutions.

In addition, the study by Afifah et al. (2018) demonstrated that the competence of human resources significantly and positively affects the quality of financial reports produced

by local governments in Bengkulu Province. Utilizing a quantitative research method with multiple linear regression analysis, the study surveyed 72 participants from 36 Regional Government Organizations (OPD). The analysis revealed a regression coefficient of 0.204 with a significance level of 0.049. These results indicate that increased levels of knowledge, technical skills, and professional conduct among financial staff contribute to the improved quality of financial reporting. The research reinforces the notion that HR competence is a critical element in delivering financial statements that are relevant, reliable, clear, and comparable, in accordance with Government Accounting Standards (SAP).

Moreover, research conducted by Prabawati and Rasmini (2023) indicates that the competence of human resources significantly influences financial reporting in the public sector, especially in minimizing fraud related to village fund management. The regression analysis produced a coefficient of 0.473 with a significance level of 0.000, suggesting that greater HR competence correlates with reduced fraud risk and improved financial report quality. In this context, HR competence encompasses an understanding of responsibilities, proficiency in financial planning and reporting, and adherence to applicable regulations. The study highlights that qualified human resources not only possess the technical ability to prepare financial statements but also uphold the accuracy, credibility, and accountability of the reported information.

Furthermore, the research by Ardiyanti and Supriadi (2018) reveals that human resource competence has a significant and positive role in enhancing village financial governance in Tangerang Regency. Through SEM analysis involving 150 respondents from village officials, HR competence emerged as a key factor in achieving effective financial management, particularly through stronger accounting knowledge, professional conduct, and the ability to implement governance principles. The results emphasize that capable human resources contribute not only to administrative efficiency but also to the development of a financial system at the village level that is both transparent and accountable.

Similarly, the study conducted by Nashikhin (2024) demonstrates that the competence of human resources significantly and positively affects the quality of village financial reporting in Sukorejo District, Ponorogo Regency. Employing a quantitative method with multiple linear regression analysis, the research surveyed 131 village officials. The results revealed a regression coefficient of 0.211 and a significance level of 0.000, confirming that higher levels of employee knowledge, skill, and professional behavior contribute to better financial reporting quality. These findings reinforce the perspective that HR competence is a fundamental factor in ensuring financial reports are relevant, trustworthy, easy to understand, and aligned with the Government Accounting Standards (SAP).

Research conducted by Deviyanti and Wati (2022) found that the quality of human resources has a significant and positive impact on the accountability of regional financial reporting in Bali Province. Using a quantitative method with multiple linear regression analysis, the study surveyed 140 participants from various Regional Work Units (SKPD). The analysis produced a regression coefficient of 0.153, with a t-value of 2.059 and a significance level of 0.041. These results indicate that enhancing HR quality which includes knowledge, capabilities, and professional conduct plays a vital role in strengthening the accountability of regional financial statements. The findings highlight the critical role of effective HR management in fostering transparent, responsible, and high-quality financial governance at the regional level.

Furthermore, a study by Diansari et al. (2023) emphasized that the accountability of village fund management in Indonesia is significantly enhanced by the competence of village apparatus. Applying the PLS-SEM method and involving 689 respondents from multiple

village governments, the research demonstrated that human resources with adequate knowledge, technical abilities, and appropriate attitudes contribute substantially to the preparation of accountable and precise financial reports. The statistical results, reflected in a path coefficient of 0.169 and a t-value of 3.201, confirm a notable positive association. This indicates that capable personnel are pivotal in promoting financial transparency, accuracy, and adherence to public sector reporting regulations, particularly in the context of decentralized fiscal administration at the village level.

Recent findings by Miller and Song (2024) highlight the significance of how public sector employee competence is perceived, particularly within the realm of public service delivery. Their experimental research suggests that such perceptions directly influence public attitudes toward appropriate levels of compensation for government employees. Moreover, when public servants are visibly engaged in critical efforts such as during the COVID-19 pandemic these real-world contributions can mitigate negative biases regarding their competence. This indicates that human resource competence not only functions as an internal capability but also generates external trust, which is vital for ensuring the credibility and quality of public sector financial reporting.

In the same vein, the study by Helmy and Silviana (2024) reveals that human resource competence has a significant and positive impact on the financial report quality within the finance division of the Lahat Police Department. Adopting a quantitative design with a simple linear regression model, the research involved 35 finance personnel as respondents. The analysis showed a regression coefficient of 0.693, a t-value of 9.148, and a significance level of 0.000. These findings suggest that enhancements in HR competence encompassing knowledge, technical abilities, and professional attitudes contribute meaningfully to improving the quality of financial statements. The results support the conclusion that greater HR competence correlates with more accurate and reliable financial reporting.

Additionally, Syafira et al. (2023) research indicates that the competence of human resources has a significant and positive influence on the quality of financial reports prepared by the Revenue, Financial Management, and Regional Asset Office in Sukabumi City. The study utilized a multiple linear regression analysis and involved a sample of 34 staff members working in accounting, reporting, and asset management. The results showed a regression coefficient of 0.528, a t-value of 2.610, and a significance level of 0.014. These outcomes suggest that employees with strong competencies such as adequate knowledge, relevant skills, and professional conduct play an essential role in enhancing the quality of financial statements. The study emphasizes the need for ongoing HR capacity building to ensure the production of financial reports that are accurate, consistent, and compliant with the Government Accounting Standards (SAP).

Mebratie et al. (2025) investigated public universities in Ethiopia and underscored the importance of human resource management strategies grounded in knowledge in driving organizational effectiveness. Their findings revealed that key HR practices namely recruitment, employee development, performance assessment, and compensation have a substantial impact on non-financial aspects of institutional performance. Additionally, the study identified human capital, defined by employees' expertise, abilities, and qualifications, as a significant moderating variable enhancing overall outcomes. This evidence supports the view that improving employee competence within the public sector is essential not only for realizing institutional objectives but also for ensuring greater accountability and transparency in public service, particularly in financial reporting.

Similarly, Kim et al. (2024) investigated how the COVID-19 pandemic disrupted public sector workplaces in South Korea and emphasized the role of human resource strategies aimed

at boosting employee resilience. Their research found that initiatives like remote work flexibility, participatory decision-making, and health-focused HR programs shaped how employees perceived their workloads and the intensity of their responsibilities. These interventions were linked to decreased intentions to resign and helped maintain a skilled and adaptable public workforce. The study underscores that enhancing human resource capabilities plays a vital role not only in navigating organizational stress but also in maintaining consistent and trustworthy financial reporting within the public sector.

Echoing previous findings, the research conducted by Kim and Cho (2024) investigated the relationship between employee involvement in human resource decision-making and access to formal complaint procedures collectively known as employee voice opportunities and the performance of public organizations in South Korea. Their findings revealed that such participatory HR practices had a notably positive impact on organizational outcomes, particularly under conditions of heightened external pressure. The authors suggest that enabling public employees to engage in HR-related matters enhances institutional responsiveness to stakeholder demands, which in turn supports improved accountability and organizational resilience. Thus, cultivating human resource competence through participative and inclusive HRM strategies emerges as a key factor in strengthening internal control and ensuring the reliability of financial reporting within public sector entities.

Aligning with the evolving approach to strategic human resource management, De Jong et al. (2023) proposed the idea of distributed strategic capacity to evaluate how public organizations can encourage strategic thinking and behavior across all employee levels. Based on an in-depth case study within a Dutch public agency, their findings suggest that equipping frontline staff with collaborative skills and involving them in strategic choices enhances organizational responsiveness in complex governance settings. The study emphasizes that human resource capabilities should extend beyond technical expertise to include strategic insight, interdepartmental cooperation, and the ability to balance hierarchical accountability with external stakeholder engagement. Accordingly, developing distributed strategic capacity contributes to a more accountable and agile organizational culture, reinforcing internal control systems and elevating the quality of financial reporting in the public sector.

In addition, Ud Din et al. (2021) highlighted that human resource capability, particularly the accounting proficiency of audit committee chairs, plays a critical role in improving the quality of financial reporting. Their analysis of 302 firms listed on the Pakistan Stock Exchange indicated that female audit committee chairs with strong accounting backgrounds were more successful in reducing earnings management than their male counterparts. This underscores the importance of having financially skilled personnel to ensure reliable, transparent, and accurate financial disclosures.

Finally, the research conducted by Riberu and Mirosea (2021) concludes that human resource competence has a significant and positive impact on the management of village finances in Lantari Jaya District, Bombana Regency. Using the WarpPLS method, the study analyzed responses from 98 village officials. The results revealed that HR competence accounted for 45% of the quality of village financial management, supported by a path coefficient of 0.450 and a p-value of less than 0.001. This research underscores that elements such as education level, training, work experience, knowledge, practical skills, and professional behavior are integral to competence and directly influence the efficiency of the village financial process from planning to reporting. Although overall HR competence is considered adequate, experience and skill gaps remain areas needing attention. Therefore, strengthening the capacity of human resources in financial management especially in handling

village funds transparently and in line with regulations is crucial for advancing effective and accountable public sector financial governance.

4.2. The Role of Internal Control on Public Sector Financial Statements

The study conducted by Afifah et al. (2018) found that the Government Internal Control System (SPIP) positively and significantly affects the quality of local government financial reports in Bengkulu Province. Using a multiple linear regression approach, the study involved 72 respondents from 36 regional government organizations (OPD). The results showed a regression coefficient of 0.191, a t-value of 5.352, and a significance level of 0.000. These findings indicate that stronger implementation of SPIP components such as the control environment, risk assessment, control activities, information and communication, and monitoring leads to higher quality financial reports. The study affirms that effective internal controls are essential for producing financial reports that are reliable, relevant, clear, and compliant with the prevailing accounting standards.

Moreover, research by Ardiyanti and Supriadi (2018) indicates that the effectiveness of the internal control system positively impacts the quality of financial management in the public sector, especially within village administrations in Tangerang Regency. Using Structural Equation Modeling (SEM), the study found that the internal control system directly influences the implementation of good governance by 0.510 and fraud prevention by 0.117. This internal control system contributes to enhancing the reliability of village financial reports. By encompassing components such as the control environment, risk assessment, control activities, communication and information, and monitoring, financial reporting processes become more organized, transparent, and compliant with regulations. Additionally, this system helps reduce errors in recording and limits the risk of financial data manipulation, leading to reports that are more accurate, valid, and accountable to the community.

In addition, the study conducted by Hakim and Kusumah (2025) demonstrates that the internal control system positively and significantly influences the quality of government financial reports at the Central Bureau of Statistics (BPS). The multiple linear regression analysis yielded a coefficient of 0.223 with a significance level of 0.048, indicating that the internal control system substantially contributes to enhancing the reliability, relevance, and comparability of financial reports. The internal control system in this context comprises five key components: control environment, risk assessment, control activities, information and communication, and monitoring. Through effective implementation of these controls, BPS is better equipped to manage risks, avoid errors in report preparation, and ensure adherence to regulations, thereby supporting the production of accurate and accountable financial statements in line with Government Accounting Standards.

Next, the study conducted by Indika (2020) reveals that the government's internal control system significantly impacts the effectiveness of regional financial management in North Musi Rawas Regency. The t-test results showed a t-value of 2.551 and a significance level of 0.014 for the internal control system variable, which is below the 0.05 threshold, indicating a meaningful effect on financial management effectiveness. The study confirms that the application of the Government Internal Control System (SPIP), which consists of five core components control environment, risk assessment, control activities, information and communication, and monitoring enhances the reliability of financial reporting and operational efficiency. Consequently, local government financial reports become better organized, more accountable, and comply with transparency regulations and legal requirements.

Then, the study conducted by Nokas et al. (2022) found that the internal control system positively and significantly influences the quality of local government financial reports at the

Revenue, Finance, and Asset Management Agency in Kupang Regency. The multiple linear regression analysis showed a regression coefficient of 0.639 with a significance level of 0.000, demonstrating a very strong and statistically meaningful effect. These findings indicate that effective internal control implementation enhances the reliability and accuracy of financial reports. The system supports operational controls, asset protection, and regulatory compliance, all of which contribute to improved financial reporting quality. Additionally, the study emphasizes that leveraging information technology can further strengthen the internal control system's impact, expedite reporting processes, and minimize human errors.

Recent research by Apriyanto et al. (2025) emphasizes that effective internal control, particularly when aligned with the principles of good corporate governance (GCG), plays a vital role in enhancing accountability and transparency in financial reporting within the public sector. By integrating political economy accounting, organizations can establish a reporting system that not only ensures regulatory compliance but also supports social and environmental objectives. Furthermore, internal control mechanisms such as transparent auditing, independent oversight, and ethical reporting are shown to foster stakeholder trust and minimize the risk of misreporting. These controls are instrumental in institutionalizing a culture of responsibility and fairness, thereby strengthening the quality of financial disclosures and promoting sustainable governance in the public sector.

Highlighting the influence of both institutional dynamics and organizational resources on financial reporting quality, Kabuye et al. (2021) explored the impact of intellectual capital and institutional conformity referred to as isomorphic forces on the strength of internal controls over financial reporting (ICFR) in microfinance institutions in Uganda. The study revealed that elements such as human resources, organizational infrastructure, and external relationships collectively forming intellectual capital contribute meaningfully to reinforcing control environments, risk identification, and oversight processes. Additionally, the presence of regulatory expectations, professional codes, and prevailing industry standards exerts pressure on institutions to enhance their ICFR frameworks. These findings emphasize that robust internal control systems depend not only on formal compliance mechanisms, but also on the organization's capacity to adapt to institutional norms and utilize its intangible capabilities. As a result, the development of intellectual capital alongside responsiveness to institutional pressures plays a critical role in ensuring accurate and trustworthy financial reporting in the public sector.

A recent study involving Indonesian state-owned enterprises emphasizes the essential function of internal control mechanisms in upholding the accuracy and integrity of financial reports. According to Novatiani et al. (2024), internal controls comprising elements such as a sound control environment, systematic risk evaluations, continuous oversight, and effective communication play a pivotal role in enhancing the effectiveness of internal audits and reducing the incidence of financial statement fraud. The study further indicates that internal audit quality acts as a key intermediary in the link between internal control practices and fraud mitigation efforts. These insights highlight the necessity of aligning comprehensive internal control procedures with competent auditing capabilities to improve the credibility and dependability of financial reporting within the public sector.

In a study focused on Indonesian local government organizations, Nadirsyah et al. (2024) examined how the internal audit function (IAF) contributes to strengthening internal control systems and enhancing governance. Their findings confirm that IAF has a significant positive effect on internal control effectiveness, highlighting the role of internal auditors in risk identification, compliance monitoring, and control evaluation. However, internal controls themselves did not exhibit a direct significant influence on governance quality, suggesting

potential challenges in implementation or coordination within the organizational structure. Despite this, the study underlines that robust internal audit mechanisms remain essential in safeguarding financial accountability and transparency in the public sector, particularly when integrated with proactive fraud prevention strategies.

Lastly, the research by Goo and Lamawitak (2021). demonstrates that the internal control system significantly impacts the quality of local government financial reports in Sikka Regency. The t-test results revealed a significance level of 0.000 for the internal control variable, which is far below the 0.05 threshold, indicating a strong positive effect. This finding shows that improved implementation of the internal control system leads to higher-quality financial reports. The study emphasizes that internal control functions as a crucial mechanism in managing regional finances, ensuring that the reporting process is more organized, transparent, and compliant with regulations, thereby boosting the accountability and trustworthiness of public financial data.

5. Conclusion

From the analysis of multiple studies, it can be concluded that both human resource competence and internal control are crucial in enhancing financial governance in the public sector, especially regarding accountability and transparency. Competence in human resources comprising technical skills, integrity, and knowledge of financial regulations has been shown to have a significant positive impact on the quality of financial reporting and budgetary accountability. Skilled personnel are able to produce reports that are timely, precise, and compliant with established standards, while also reducing the likelihood of administrative mistakes.

Meanwhile, effective internal control through tiered supervision, periodic audits, and transparent reporting systems plays a role in preventing fraud, as well as enhancing stakeholder trust in public financial management. Control elements that function optimally also support the establishment of a strong control mechanism throughout the budgeting cycle, from planning to reporting.

Therefore, enhancing human resource capacity and implementing a well-structured internal control system are essential steps toward achieving transparent, accountable, and sustainable public financial management. Achieving this requires strong institutional commitment and consistent policy support to ensure ongoing improvements in public financial governance in a systematic and comprehensive way. This study contributes theoretically by expanding the literature on factors influencing the quality of public sector financial reporting, particularly regarding human resource competence and internal control. Practically, the findings can guide policymakers, government leaders, and internal auditors in developing personnel strategies, designing adaptive control mechanisms, and formulating financial policies grounded in good governance principles.

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