



Determinants of HR Competence, Internal Control, and GAS on Public Financial Reporting Quality

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Abstract

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This study aims to analyze the relationship between human resource competency, the effectiveness of internal control systems, and an understanding of Government Accounting Standards on the quality of public sector financial reports using a Systematic Literature Review approach. The study was conducted on Google Scholar-indexed articles published in the last five years. The results of the review indicate that human resource competency is a key factor in ensuring the accuracy and precision of financial recording and reporting processes. Internal control systems play a strategic role in reducing the risk of errors and ensuring compliance with procedures, but their effectiveness is greatly influenced by the capacity and discipline of implementers. An adequate understanding of Government Accounting Standards serves as a normative foundation that ensures consistency in reporting across government units. These three factors have been shown to reinforce each other and play a complementary role in improving the quality of financial reports. In addition, leadership commitment and the use of information technology emerged as supporting factors that strengthen the implementation of these three main variables. This study emphasizes the need for a holistic approach to improving reporting quality, including sustainable human resource development, strengthening internal control systems, and harmonizing the understanding of Government Accounting Standards.



1. Introduction

Public sector financial statements are a key element in realizing accountability and transparency in government financial management. The information in public financial statements must not only be relevant and comparable, but also reliable and understandable so that stakeholders such as the public, legislatures, and supervisory agencies can make decisions based on accurate financial data. This makes the quality of financial statements an important indicator of good governance. One of the main factors that affects the quality of public financial statements is the competence of human resources (HR). Accounting and human resources in the government are needed to ensure that the process of recording, verification, and financial reporting follows applicable accounting principles. Lubis et al. (2023) found that human resource competence has a significant positive influence on the quality of government financial statements, especially when combined with a strong internal control system. In addition, research by Rahmawati et al. (2022) shows that the internal control system acts as a mediator between HR competence and the quality of financial statements. These findings confirm that without competent human resources, even formal control mechanisms such as internal control will be difficult to implement effectively.

The second very important factor is the Internal Control System/ICS (*Sistem Pengendalian Internal/ICS*). These systems include policies, procedures, and organizational structures designed to manage risk, prevent irregularities, and ensure compliance with regulations. In many empirical studies, ICS has been shown to contribute significantly to the quality of financial statements. For example, Putri and

colleagues (2023) found that the internal control system and human resource competencies both have a positive effect on financial quality in local governments. Qualitative research by Ibrahim, Tuli, & Mahmud (2024) in the District Court also highlights that the implementation of ICS can improve the reliability of public financial statements.

In addition, an understanding of Government Accounting Standards (GAS) is the main normative pillar in the preparation of public financial statements. GAS provides a regulatory basis for financial statements to meet quality characteristics, such as relevance and comparability. Research by Rohmah et al. (2020) shows that understanding GAS has a significant effect on the quality of Regional Work Unit (*Satuan Kerja Perangkat Daerah/SKPD*) financial statements, although the influence of internal control in the study is not always significant. Meanwhile, Rahayu, Zulfa, & Wijayanti (2023) in the context of Madiun Regency found that the effective implementation of GAS together with improving human resource competencies can improve the quality of local government financial statements.

Furthermore, leadership commitment emerged as a supporting factor that strengthened the competency effect of HR and ICS. According to Lubis et al. (2023), when government leaders show a high commitment to internal control and human resource development, the quality of financial statements tends to be better. This commitment can be realized through training policies, budget allocation, and strengthening the culture of internal control. Furthermore, in the modern context of government, information technology is also increasingly playing a role. The use of accounting information systems and financial technology can speed up the reporting

process, reduce manual errors, and strengthen transparency. Although not always the main variable, many studies say that the use of IT strengthens the synergy between HR and internal control systems.

Although there have been many studies that have examined human resource competencies, ICS, and GAS understanding separately or in pairs, there are still research gaps. For example, most studies have not simultaneously tested the interactions of the three variables in a single conceptual model. This is important because in government practice, human resource competencies, internal controls, and accounting standards function as synergistic systems. In addition, supporting variables such as internal audit, organizational commitment, and IT utilization have not received adequate attention in the current empirical literature.

Therefore, this study aims to analyze the simultaneous influence of HR competencies, internal control systems, and GAS understanding on the quality of public financial statements. The main focus is to evaluate how the interaction between these variables can result in better quality financial reports, as well as the role of moderation of leadership commitments in strengthening these relationships. The findings of this study are expected to make a theoretical contribution by presenting an integrated conceptual model, as well as practical implications for government policymakers. With these findings, the government can formulate a holistic strategy to improve the quality of financial reporting, for example through accounting competency training programs, strengthening ICS, and empowering leaders to commit to internal control.

2. Literature Review

2.1. Human Resource Competence and Financial Statement Quality

Human resource (HR) competence is the operational foundation in the preparation of public financial statements. Competencies here include technical knowledge of accounting, GAS implementation skills, as well as a professional attitude that supports compliance with reporting procedures. Many empirical studies confirm the positive relationship between HR competence and the quality of financial statements. Lubis et al. (2023) found that human resources who are trained and understand internal control practices produce more reliable and accurate reports. In addition, Anggreni and Dewi (2022) show that human resource competence not only has a direct impact but also plays a role in moderating the relationship between the internal control system and the quality of reporting, so that without competent human resources, the effectiveness of internal control decreases.

Similar findings were reported by Irafah et al. (2020), who emphasized that the competency dimension (knowledge, skills, attitudes) contributes to the timeliness and completeness of information in local government financial statements. Structured training interventions, professional certifications, and career development programs have reportedly improved the technical capabilities of human resources, thereby reducing accounting errors and increasing stakeholder confidence. Therefore, reporting quality improvement policies should include an ongoing HR development plan, including GAS training, internal audit workshops, and competency-based performance evaluations.

2.2. Internal Control System (ICS) and Its Role in Reporting Quality

The internal control system (ICS) functions as a mechanism for the prevention, detection, and improvement of operational weaknesses that affect the quality of financial statements. Effective ICS includes the control environment, risk assessment, control activities, information & communication, and monitoring (COSO-like components). Recent empirical research shows that ICS has a positive influence on the quality of reporting, but its effectiveness is greatly influenced by the capacity of the implementation (HR) and organizational support. Triono and Dewi (2020) reported that the implementation of ICS at the work unit level improved the reliability of report presentation, especially in reducing external audit findings.

In addition, Khoer and Atnawi (2022) emphasized that ICS works more optimally when supported by human resources who understand control procedures and are committed to compliance. These findings are in line with the results of a study in Arista et al (2023) highlights the close relationship between GAS, HR competence, and ICS as a determinant of the quality of public financial statements. ICS best practices involve documentation of procedures, clear authorization flows, and periodic monitoring and follow-up of audit findings. However, a number of studies also indicate obstacles to the implementation of ICS, such as limited resources, organizational resistance, and fragmentation of information systems. For this reason, ICS improvement must be combined with HR training programs and strengthening leadership commitment so that the culture of internal control becomes a routine part of the organization's operations.

2.3. Government Accounting Standards (GAS) as a Normative Foundation

The Government Accounting Standards (GAS) provide a normative framework for the preparation of public financial statements so as to produce relevant, reliable, and comparable information. Understanding and application of GAS by HR is a prerequisite for reports to comply with quality characteristics. Studies over the past five years have shown that the constraints of understanding GAS lead to variations in the quality of reporting between government units. Rohmah et al. (2020) found a positive correlation between the level of understanding of GAS by the report compiler and the report quality score in the SKPD, while Rahayu et al. (2020) showed that without an adequate understanding of GAS, efforts to improve internal control and HR training have a limited impact. In addition, Muraina and Dandago (2020) in their study emphasized the need for contextual GAS training modules that are integrated with government accounting information systems to accelerate the adoption of correct accounting practices. Arista et al (2023) also emphasize the need for synchronization between GAS, HR competencies, and ICS for the accountability function to run effectively. Consistent GAS implementation requires operational guidelines, periodic training, and internal audit mechanisms that check compliance with GAS. Strategically, policymakers need to ensure that changes to standards or technical interpretations are accompanied by capacity-building programs so that HR can translate GAS provisions into consistent and transparent reporting practices.

3. Methods

This study uses the Systematic Literature Review (SLR) approach to identify, evaluate, and synthesize empirical findings related to the influence of human resource (HR) competence, internal control system (ICS), and understanding of Government Accounting Standards (GAS) on the quality of public sector financial statements. SLR was chosen because it was able to provide a comprehensive overview of research developments over the past five-year period and allow researchers to draw research patterns, consistency, and gaps from various studies conducted in government contexts. The SLR process begins with the preparation of research questions that focus on three main issues: (1) how human resource competencies affect the quality of financial reporting; (2) the extent to which the effectiveness of ICS contributes to improving the quality of financial statements; and (3) the role of GAS understanding in creating compliance standards and reporting compliance. Furthermore, the literature search process was carried out using structured keywords with a combination of terms such as “human resource competence”, “internal control system”, “Government Accounting Standards”, and “quality of government financial statements”.

The research inclusion criteria include empirical articles published between the last five years, indexed by Google Scholar, using quantitative or qualitative methods, and directly examining related variables. Exclusion criteria include articles that do not provide empirical data, are not relevant to the public sector, or use a time span prior to 2019. Articles that met the criteria were then analyzed using data extraction techniques, including information related to the research method, sample

size, independent and dependent variables, and main results. This technique also examines the rigor of the methodology, the validity of the construct, and the relevance of the findings to the research objectives. Literature such as Lubis et al. (2023), Anggreni and Dewi (2022), and Triono and Dewi (2020) are considered as core parts of the synthesis because of their association with research variables.

The synthesis process is carried out with a narrative synthesis approach, which is grouping findings based on main themes such as the direct effects of variables, moderation relationships, and organizational factors that strengthen the relationship between variables. In addition, several documents were also analyzed as important reference parts because they contain relevant findings regarding GAS, HR competencies, and ICS in the context of government.. The triangulation process is done to ensure that the synthesis is unbiased and is consistently supported by most studies. Thus, this SLR method provides a strong foundation for the formation of a comprehensive framework of thought and appropriate policy recommendations to improve the quality of government financial statements.

4. Results

The results of the synthesis of the systematic literature review of the last five years of research reveal general patterns, variable relationships, and variations in results that provide a comprehensive picture of the influence of human resource (HR) competencies, internal control systems (ICS), and understanding of Government Accounting Standards (GAS) on the quality of public sector financial statements. These findings reflect that the quality of financial statements is the result

of a complex interaction between technical, structural, and organizational behavioral factors.

First, the majority of studies confirm that human resource competence has a direct and significant influence on the quality of financial statements. Lubis et al. (2023) emphasized that competence facilitates employees' ability to implement accounting procedures, understand regulations, and complete the reporting process accurately. Research by Leiwakabessy (2020) shows that competence in the use of accounting information systems also increases the efficiency and accuracy of the recording process. Meanwhile, Herindraningrum and Yuhertiana (2021) found that competence also has an impact on the preparation of accounting estimates, account classification, and compliance with the principles of recognition and measurement. The combination of technical capabilities and professional integrity is the main factor that determines the extent to which HR is able to produce relevant, reliable, and auditable financial reports. These studies consistently show that investments in human resource training, certification, and capacity building are strategies that have a direct impact on improving the quality of reporting.

Second, the analysis of ICS shows that this factor is the most considered structural component in research on the quality of financial statements. ICS is understood as a set of policies and procedures designed to provide adequate assurance of the effectiveness of operations, reliability of financial reporting, and regulatory compliance. Research by Triono and Dewi (2020) revealed that the effectiveness of ICS is reflected in the low findings of external audits, the increasing accuracy of transaction recording, and the stability of the authorization process in

the budget cycle. Sari et al. (2021) emphasized the importance of the separation of functions, control documentation, and periodic monitoring as the main pillars in reducing the risk of errors and fraud. However, a number of studies show that the success of ICS is highly dependent on the competence of the human resources who run it (Anggreni & Dewi, 2022; Khoer & Atnawi, 2022). Without an adequate understanding, ICS policies are often just administrative formalities that are ineffective in implementation. This means that ICS cannot stand alone; The control function must be carried out by HR who truly understands the objectives, procedures, and risks being controlled.

Third, the results of the review confirm the central role of understanding GAS as a normative foundation. GAS is designed to ensure that government financial statements meet quality characteristics such as relevance, reliability, comparability, and comprehensibility. Rohmah et al. (2020) research shows that the level of understanding of GAS is directly proportional to the level of correctness of account classification, measurement consistency, and application of accounting bases. Rahayu et al. (2020) added that a weak understanding of GAS is a common cause of financial statements not conforming to accounting standards, which ultimately reduces the quality of reporting and improves audit findings. Muraina and Dandago (2020) emphasized that understanding GAS is a determining factor, even when ICS is running well, ignorance in the application of accounting principles can still produce less reliable reports. Therefore, understanding GAS is seen as a technical prerequisite that allows HR and organizational structures to function optimally.

Fourth, a very interesting finding from this SLR is the identification of mediating and moderating relationships between key variables. Rahmawati et al. (2022) show that ICS mediates the relationship between human resource competence and the quality of financial statements. This means that competent human resources will be better able to implement ICS effectively, so that ICS improves the quality of reporting. On the contrary, Anggreni and Dewi (2022) found that HR competence can act as a moderator that strengthens the influence of ICS on report quality. In organizations with competent human resources, the effectiveness of ICS increases significantly; however, in organizations with less competent human resources, the impact of ICS tends to be weak. These findings show that the relationships between variables are not simple linear, but rather dynamic and mutually reinforcing. Khoer and Atnawi (2022) research also confirms the same thing by stating that the quality of ICS implementation is greatly influenced by the capacity of human resources as the main implementer of internal control.

Fifth, SLR identifies the role of leadership commitment as a contextual factor that affects the effectiveness of the implementation of the three main variables. From research conducted by Arista et al (2023), it can be seen that leadership support affects the speed of the organization in adopting standards and strengthening ICS. Lubis et al. (2023) emphasized that leadership is a determining variable in ensuring the sustainability of training programs, the enforcement of ICS rules, and the alignment of accounting practices with GAS. In many government contexts, leadership commitment determines whether changes in the reporting system are systematic or just a formality.

Sixth, information technology (IT) has emerged as an important catalyst that accelerates the process of improving the quality of financial statements. Leiwakabessy (2020) show that the use of an integrated accounting information system provides a significant improvement in the accuracy of recording and reporting. However, technology is not an independent factor; Its effectiveness is highly dependent on the ability of human resources to operate the system, and the adequacy of the ICS controls that govern access and authorization. Muraina and Dandago (2020) also found that IT strengthens the relationship between GAS understanding and the presentation of financial statements, particularly in the application of accounting bases and account classification. Thus, IT not only supports process efficiency but also improves compliance with GAS through automation.

Seventh, the results of the review show that there are differences in contexts and organizational conditions that affect the relationship of variables. Research by Irafah et al. (2020) found that government organizations with large budgets are better able to provide HR training and strengthen ICS, so the quality of reports tends to be better. On the other hand, small organizations or villages face limited personnel, low access to training, and limited technology (Herindraningrum & Yuhertiana, 2021). These contextual variations suggest that improving the quality of financial statements cannot apply a single approach; A strategy tailored to the capacity of the organization is needed.

Eighth, SLR revealed several research gaps. First, few studies have explicitly assessed the effects of internal audits, even though the internal audit function is

closely related to ICS. Second, there is a lack of longitudinal research that assesses the long-term impact of HR training or changes in ICS policies. Third, there have not been many studies that test integrative models that include all variables at once, including leadership and information technology commitments. Fourth, financial report quality indicators often vary between articles, thus limiting the consistency of evaluation.

Ninth, the integration of research results shows that the quality of financial statements increases when competent human resources, strong ICS, and GAS are well understood, plus supporting factors in the form of leadership and IT. This complementarity explains why some government organizations can produce quality reports despite limited resources: they rely on disciplined governance. The results of the SLR confirm that improving the quality of public sector financial statements cannot be done only through structural reforms, but requires an integrated strategy that involves improving human resource competencies, strengthening ICS, and understanding GAS systematically.

5. Discussion

The results of the literature review show that the quality of public sector financial statements is greatly influenced by the interaction between human resource (HR) competencies, the effectiveness of the internal control system (ICS), and the level of understanding of Government Accounting Standards (GAS). These findings confirm that the quality of reporting cannot be improved only through strengthening institutional structures, but requires human and regulatory elements that function

synergistically. HR competencies serve as the foundation that determines the organization's ability to translate accounting standards into appropriate practices. The findings of Lubis et al. (2023) show that competent human resources are able to carry out reporting procedures correctly while understanding internal control mechanisms so that they can minimize errors and ensure accountability. The effectiveness of ICS also depends heavily on the capacity of human resources, as shown by Anggreni and Dewi (2022), who explain that internal control will only function optimally if implementers understand procedures and the importance of compliance.

On the other hand, understanding GAS is a normative component that ensures the consistency of the presentation of financial information between government units. Rohmah et al. (2020) emphasized that a low understanding of GAS can lead to differences in interpretation and inconsistency in financial information, thereby reducing the quality of reporting. Thus, human resource competence and understanding of GAS are two complementary factors that ensure that the preparation of financial statements runs according to standards. In addition, the study by Rahayu et al. (2020) revealed that GAS not only plays a direct role in the quality of reporting but also strengthens the effectiveness of ICS as a control tool, reflecting GAS's role as a link between technical and structural aspects in financial reporting.

These findings are also in line with Arista et al (2023), which confirms the importance of synergy between GAS, HR competencies, and ICS as determinants of the quality of government financial statements. In this context, leadership is a key

factor that can strengthen or weaken this synergy. Leadership that is highly committed to financial reporting encourages disciplined implementation of ICS, encourages HR capacity building, and ensures that any GAS updates are well socialized within the organization. Lubis et al. (2023) show that the commitment of leaders strengthens the relationship between ICS and HR competence on the quality of reporting.

In addition to these three main variables, supporting factors such as the use of information technology cannot be ignored. Muraina and Dandago (2020) emphasized that the use of the right accounting information system is able to speed up the reporting process and reduce the risk of manual errors. However, technology cannot stand alone if HR does not understand its application or if ICS does not adequately regulate data access, authorization, and security procedures. Thus, technology serves as a strength of the relationship between human resources and ICS.

The overall analysis shows that improving the quality of financial statements requires a holistic approach. Strengthening human resources through training, certification, and competency evaluation needs to be integrated with the improvement of ICS and the overall GAS understanding improvement program. In addition, policymakers need to ensure that changes in accounting standards or reporting systems are always followed by training and development. For further research, it is important to test an integrative model that includes internal audits, organizational commitments, and other structural variables in order to provide a more comprehensive understanding. Thus, the findings of this study are expected to

be a conceptual basis for policy interventions aimed at improving the accountability and financial transparency of the public sector.

6. Conclusion

This study concludes that the quality of public sector financial statements is determined by the integration between human resource competencies, the effectiveness of internal control systems, and the level of understanding of Government Accounting Standards. These three factors do not work in isolation, but reinforce each other in forming an accurate, reliable, and standard-compliant reporting process. Human resource competencies are the basic elements that ensure the implementation of accounting procedures can be carried out correctly, while the internal control system provides a supervisory framework that is able to prevent errors, fraud, and irregularities. On the other hand, understanding GAS provides normative guidelines that ensure uniformity and consistency in the presentation of reports between government units. The results of the synthesis also show that leadership support, strong organizational culture, and the use of information technology play a supporting role as factors that strengthen the effectiveness of the three main variables.

These findings underscore the importance of a comprehensive policy approach, not only focusing on improving the technical capacity of human resources, but also improving internal control mechanisms and strengthening the understanding of accounting standards. Thus, improving the quality of public sector financial statements requires a sustainable capacity building strategy, adequate

integration of information systems, and an organizational commitment to transparent and accountable reporting practices. This holistic approach is expected to be able to improve the quality of government financial governance and strengthen public trust in state financial management.

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