

DETERMINANTS OF THE QUALITY OF GOVERNMENT FINANCIAL REPORTS: MODERATION OF HUMAN RESOURCE COMPETENCE AT THE SURAKARTA CITY BPKAD

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Abstract: This study was conducted with the aim of partially determining the effect of understanding government accounting standards and internal control systems on the quality of financial reports with human resource competency as a moderating variable at the BPKAD of Surakarta City. The population was all 85 employees working at the BPKAD of Surakarta City. The sampling technique used purposive sampling, resulting in a sample of 74 employees. This type of research is quantitative with primary data. Data collection techniques used questionnaires. Data analysis methods used descriptive respondent data, validity tests, reliability tests, and classical assumption tests (normality tests, multicollinearity, heteroscedasticity, and autocorrelation). Hypothesis testing used multiple linear regression tests, F tests, t tests, coefficient of determination tests (adjusted R^2) and moderated regression analysis tests. The results of this study are that partially understanding government accounting standards has a positive and significant effect on the quality of financial reports, internal control systems have a positive and significant effect on the quality of financial reports, human resource competency cannot strengthen the effect of understanding government accounting standards on the quality of financial reports, and human resource competency cannot strengthen the effect of internal control systems on the quality of financial reports.

Keywords: *Financial Report Quality, Human Resource Competence, Internal Control Systems, Understanding of Government Accounting Standards.*

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1. Introduction

The quality of financial reports is a crucial indicator for achieving transparent and accountable government financial governance. Government financial reports must meet the characteristics of relevance, reliability, comparability, and ease of understanding to provide accurate information for decision-making and public accountability. In practice, the quality of government financial reports is reflected in the opinion issued by the Supreme Audit Agency (BPK), where an Unqualified Opinion (WTP) is an indicator that the financial reports have been prepared in accordance with Government Accounting Standards (SAP). Therefore, various supporting factors are needed to improve the quality of local government financial reports.

One crucial factor is an understanding of Government Accounting Standards (SAP). Based on Government Regulation Number 71 of 2010, SAP serves as a guideline for the preparation and presentation of government financial reports. A good understanding of SAP can help government officials prepare financial reports that are standardized and reliable. Research by (Rohmah et al., 2020) shows that understanding SAP has a positive impact on the quality of local government financial reports in Malang City. However, (Ramadhan & Nurabiah, 2024) found a different result, stating that understanding SAP has no effect on the quality of financial reports in the Regional Apparatus Organization (OPD) of the Regional Revenue and Expenditure Agency (BPKAD) of the Bima City Government. These differences in results indicate that understanding of Government Accounting Standards (SAP) alone is not sufficient to ensure the quality of financial reports.

Another factor influencing the quality of financial reports is the Internal Control System (SPI). According to Government Regulation Number 60 of 2008, SPI is a continuous control process to provide assurance that organizational goals are achieved, including the reliability of financial reporting. Research by (Fathia et al., 2020) indicates that SPI influences the quality of regional financial reports of OPD in Rokan Hilir Regency, while (Purwati et al., 2022) found that SPI has no significant effect on financial report quality of the Surakarta City BPKAD. This suggests that SPI effectiveness is also influenced by other factors, one of which is human resource (HR) competency.

HR competency is a crucial factor because the implementation of SAP and SPI requires the ability, knowledge, and skills of regional government officials in managing regional finances. (Djumiyati et al., 2024) explain that HR competency is an individual characteristic that supports performance in carrying out their duties and responsibilities. Research by (Taviana & Riharjo, 2020) shows that HR competency can strengthen the influence of SAP understanding on financial report quality of Regional Apparatus Organizations (OPD) in Surabaya City. Furthermore, (Indrayani & Widiastuti, 2020) found that human resource competency strengthened the relationship between Internal Audit Unit (SPI) and financial report quality of Regional Apparatus Organizations (SKPD) in Klaten Regency. However, (Ramadhan & Nurabiah, 2024) found that human resource competency cannot strengthen the influence of understanding government accounting standards on the quality of financial reports at the Regional Apparatus Empowerment Agency (BPKAD) in Bima City and (Azyiah & Yanto, 2022) found that human resource competency cannot moderate the relationship between the internal control system and the quality of regional financial reports at the OPD in Batang Regency. These discrepancies in research findings indicate that the role of human resource competency requires further study.

The Surakarta City Government was chosen as the research object because it successfully obtained an Unqualified Opinion (WTP) from the State Audit Board (BPK) for 15 consecutive financial reports in the 2024 fiscal year. However, the BPK still found weaknesses in the Internal Control System and non-compliance with laws and regulations, such as inconsistencies in the calculation of work volumes in several capital expenditure packages as well as suboptimal budget implementation and cash management, which potentially pose risks in financing expenditures in the following fiscal year. Furthermore, the Head of the Regional Financial Management Agency (BPKAD) of Surakarta City also stated that the competence of human resource managers in financial management still needs to be improved (Bantara, 2025). This situation indicates that achieving an Unqualified Opinion (WTP) does not automatically eliminate governance challenges and raises questions about the extent to which understanding of Government Accounting Standards, Internal Control

Systems, and Human Resource Competence contributes to maintaining the quality of financial reporting.

While previous studies have examined the relationships among Government Accounting Standards (SAP), Internal Control Systems (SPI), Human Resource Competence, and financial reporting quality, most were conducted in local governments with varying levels of financial reporting performance. Limited attention has been given to government institutions that have consistently maintained high accountability performance through repeated Unqualified Opinions (WTP). In such institutions, financial management systems and reporting procedures are generally more established, raising the question of whether Human Resource Competence still plays a significant moderating role in strengthening the effectiveness of SAP implementation and Internal Control Systems. Therefore, this study contributes to the literature by examining the moderating role of Human Resource Competence in a local government institution that has demonstrated sustained financial accountability performance. Thus, this study investigates the effect of understanding Government Accounting Standards and Internal Control Systems on financial reporting quality, with Human Resource Competence as a moderating variable in the Regional Financial and Asset Management Agency (BPKAD) of Surakarta City.

2. Literature Review

2.1. Agency Theory

According to Setyaningrum & Haryanto (2024), agency theory explains the contractual relationship between the principal (society/legislature) and the agent (government). In governance, the public acts as the principal who entrusts the management of public resources to the government as the agent. Consequently, the government is obliged to convey relevant and accountable information (Wahtan et al., 2025). According to Inge et al (2025), it is explained that in financial reporting, local governments act as agents tasked with compiling and presenting quality, informative, and relevant financial reports for their users, namely the public as the principal. Furthermore, the public assesses the extent to which the report reflects transparency and accountability, and can be used as a reference in decision-making in the economic, social, and political fields.

2.2. Contingency Theory

In the journal Ridwan & Ramli (2024), as quoted from Choirunisah (2020), it is stated that contingency theory was initiated by Luder. In contingency theory, Luder explains that contextual variables in the contingency model include structural aspects, such as social characteristics and political administration within a system. These characteristics influence the basic attitudes of users and information providers towards the idea of implementing a more informative public sector accounting system. Furthermore, this theory also highlights barriers to implementation, namely environmental conditions that can hinder the process of implementing a more informative accounting system. These barriers include the availability of competent resources who are able to understand their duties well and implement them in accordance with applicable regulations, including the timeliness of financial report completion. This timeliness ultimately affects performance assessments and the quality of the resulting financial reports.

2.3. Government Accounting Standards (SAP)

According to Government Regulation Number 71 of 2010, Government Accounting Standards (SAP) are accounting principles applied in preparing and presenting government financial reports (BPK, 2010).

a. Internal Control System (SPI)

Based on Government Regulation Number 60 of 2008, the Internal Control System (SPI) is an integral process of actions and activities carried out continuously by management and all employees to provide adequate assurance of achieving organizational goals through effective and efficient activities, reliable financial reporting, safeguarding state assets, and compliance with laws and regulations (Indonesia, 2008).

b. Quality of Financial Reports

The quality of financial reports is defined as financial reports that present information that can be understood and is useful for users in making decisions, is honest, is not misused, and contains no errors, so that it can be compared with the previous period (Indrayani & Widiastuti, 2020).

c. Human Resource Competency

According to Djumiyati et al (2024) human resource competency is a characteristic that a person has to achieve high performance in carrying out the tasks and responsibilities given to him with adequate education, training and experience and having skills, knowledge and abilities.

Research Hypothesis

The Effect of Understanding Government Accounting Standards on the Quality of Financial Reports

Based on Agency Theory, local governments act as agents who are responsible for managing public resources and reporting their performance to the public as principals. In this relationship, information asymmetry may arise because government officials possess more information regarding financial management than the public. Therefore, agents are required to provide transparent, reliable, and accountable financial reports to reduce information asymmetry and maintain public trust. Government Accounting Standards (SAP) serve as a formal mechanism to ensure that financial information is prepared and presented consistently in accordance with established accounting principles. A strong understanding of SAP enables government officials to properly apply recognition, measurement, recording, and reporting procedures in the preparation of financial statements. Consequently, financial reports are more likely to meet the qualitative characteristics of relevance, reliability, comparability, and understandability. In line with Agency Theory, a better understanding of SAP helps agents fulfill their accountability obligations and provide higher-quality financial information to principals

Research conducted by Rohmah et al. (2020) found that understanding Government Accounting Standards has a positive and significant effect on the quality of local government financial reports. Taviana & Riharjo (2020) also stated that a better understanding of SAP improves the quality of financial reporting. Based on these explanations, the following hypothesis is proposed:

H₁: Understanding Government Accounting Standards has a positive and significant effect on the quality of financial reports.

The Effect of Internal Control System on the Quality of Financial Reports

Agency theory recognizes the risk that agents (local governments) may act contrary to the interests of their principals (the public and the legislature). To mitigate this risk, a robust oversight mechanism, namely an internal control system, is necessary. The existence of an internal control system plays a crucial role in improving the quality of government financial reports. The internal control system not only serves as a monitoring mechanism for all financial activities but also as a tool to ensure that agents carry out their duties in accordance with applicable regulations. Government Regulation Number 60 of 2008 concerning the Government Internal Control System (SPIP) requires every government agency, both central and regional, to implement SPIP to ensure the achievement of organizational goals through effectiveness and efficiency, reliable financial reporting, safeguarding state assets, and compliance with regulations. This indicates that the better the implementation of the internal control system, the higher the quality of the resulting financial reports.

Research conducted by Aziyah & Yanto (2022) and Fathia et al. (2020) found that the internal control system positively affects the quality of local government financial reports. Therefore, the following hypothesis is proposed:

H₂: Internal Control System has a positive and significant effect on the quality of financial reports.

Human Resource Competency Strengthens the Effect of Understanding Government Accounting Standards on the Quality of Financial Reports

Contingency theory asserts that the successful implementation of guidelines, in this case government accounting standards, is highly dependent on situational or contextual factors inherent within the organization. This theory states that no single system is best for all conditions. In the effort to produce quality government financial reports, one of the determining factors influencing the success of understanding government accounting standards is the competence of the human resources who implement them in the field. Human resource competence, encompassing the knowledge, skills, and attitudes of government officials, determines the extent to which a theoretical understanding of government accounting standards can be implemented in practice. Government accounting standards serve as guidelines for preparing and presenting government agency financial reports. In this regard, human resource competence plays a crucial role in strengthening the influence of an understanding of government accounting standards on the quality of financial reports. Understanding government accounting standards will not be optimal without the support of officials who possess adequate knowledge, skills, and attitudes regarding government accounting principles. Competent human resources will be able to grasp the principles of government accounting standards in depth, thereby producing reliable, relevant, comparable, and understandable financial reports. However, if human resource competency is low, even though the desire to understand government accounting standards is high, then the resulting financial reports will be at risk of containing errors.

Research conducted by Taviana & Riharjo (2020) found that human resource competency strengthens the effect of understanding SAP on the quality of financial reports. Based on these explanations, the following hypothesis is proposed:

H₃: Human resource competency strengthens the effect of understanding Government Accounting Standards on the quality of financial reports.

Human Resource Competency Strengthens the Effect of Internal Control System on the Quality of Financial Reports

Contingency Theory explains that the effectiveness of a system's implementation within an organization is largely determined by its suitability to existing situational or contextual factors. This theory asserts that the success of a system depends on how it interacts with the organization's internal characteristics, including its structure, culture, and resources. In the effort to produce quality government financial reports, the successful implementation of an internal control system is highly dependent on the competence of the human resources implementing it. The relationship between the internal control system and the quality of financial reports is inextricably linked to the human resources who implement and control the system. A well-designed internal control system will not operate effectively without personnel possessing the knowledge, skills, and attitudes to properly implement control procedures. Competent human resources will not only implement control procedures correctly but also be able to understand each policy adopted, thus identifying weaknesses in the system and adapting to new situations. However, if human resource competence is low, well-designed internal control procedures risk not being implemented as intended or even being ignored, thereby reducing the overall effectiveness of the internal control system.

Research by Indrayani & Widiastuti (2020) found that human resource competency strengthens the effect of internal control systems on the quality of local government financial reports. Therefore, the following hypothesis is proposed:

H₄: Human resource competency strengthens the effect of Internal Control System on the quality of financial reports.

3. Research Method

This study uses a quantitative research method, designed to examine the relationships between variables through statistical analysis. According to (Sugiyono, 2020), quantitative research emphasizes testing theories and hypotheses using numerical data and statistical procedures. This study aims to analyze the influence of understanding Government Accounting Standards (SAP) and Internal Control Systems (SPI) on the quality of financial reports, with Human Resources (HR) competency as a moderating variable.

The data used in this study are primary data obtained through questionnaires distributed to employees involved in financial management at the Surakarta City Regional Finance and Asset Management Agency (BPKAD). The population in this study was all BPKAD employees. The sampling technique used was purposive sampling. Respondents were selected based on specific criteria relevant to the research objectives: 53 civil servants and 21 contract employees working in areas related to financial report quality.

The variables used in this study include understanding Government Accounting Standards (SAP), Internal Control Systems (SPI), Human Resources competency, and financial report quality. The SAP understanding indicator refers to Government Regulation Number 71 of 2010, while the SPI indicator refers to Government Regulation Number 60 of 2008, including the control environment, risk assessment, control activities, information and communication, and monitoring. Human Resource competency indicators include knowledge, skills, and attitudes, as explained by (Djumiyati et al., 2024). Meanwhile, financial report quality is measured based on the characteristics of relevance, reliability, comparability, and understandability.

Data collection in this study was conducted using a questionnaire. Data analysis techniques used descriptive respondent data, validity and reliability tests, classical

assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), hypothesis testing using multiple linear regression analysis, F-tests, t-tests, coefficient of determination tests, and Moderated Regression Analysis (MRA) using SPSS version 23. The results of this analysis are expected to explain the influence of SAP understanding and Internal Control Systems on financial report quality, with Human Resource competency as a moderating variable at the Surakarta City Regional Financial and Asset Management Agency (BPKAD).

Conceptual Framework

Based on the theoretical review, this study is built on the assumption that the quality of financial reports is influenced by several key factors. The conceptual framework illustrates the relationship between independent variables, dependent variables, and moderating variables in this research.

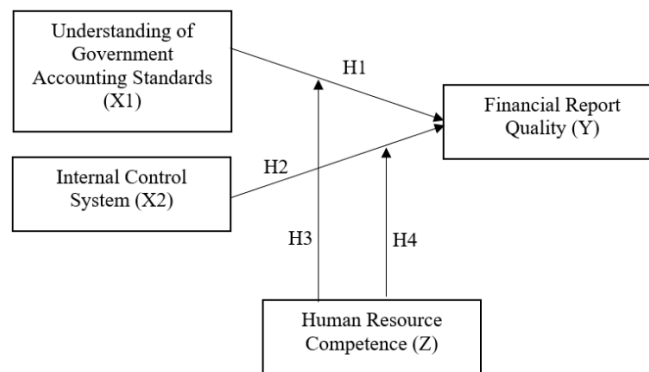


Figure 1. Conceptual Framework

The Regression Model used in this research is:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + e \dots \dots \dots (1)$$

$$Y = -3,789 + 0,121X_1 + 0,692X_2 + e$$

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3Z + \beta_4X_1*Z + \beta_5X_2*Z + e \dots \dots \dots (2)$$

$$Y = -2,647 + 0,083X_1 + 0,620X_2 + 0,137Z + 1,508E-10X_1*Z - 4,438E-11X_2*Z + e$$

4. Results and Discussion

4.1. Results

Descriptive Respondent Data

The questionnaires distributed to respondents used in this study included all employees working in the secretariat, treasury and accounting, budget, and assets departments, resulting in a total of 74 respondents. Based on the respondent characteristics, it is known that out of 74 respondents, 45 respondents (60.8%) were male and 29 respondents (39.2%) were female. In terms of educational background, the majority of respondents held a Bachelor’s Degree with 41 respondents (55.4%), followed by Master’s Degree holders with 13 respondents (17.6%), SMA/SMK graduates with 11 respondents (14.9%), and Diploma graduates with 9 respondents (12.1%). Based on length of service, most respondents had worked for more than 10 years, totaling 29 respondents (39.2%), while 19 respondents (25.7%) had worked for 1–5 years, 16 respondents (21.6%) had worked for 6–10 years, and 10 respondents (13.5%) had worked for less than 1 year. Furthermore, based on the field of work, the majority of respondents worked in the Secretariat division with 26 respondents (35.1%), followed by

Treasury and Accounting with 23 respondents (31.1%), Budget with 13 respondents (17.6%), and Assets with 12 respondents (16.2%).

Data Instrument Test

Data Validity Test

To determine whether the items in the questionnaire are valid, compare the calculated r_{count} with the r_{table} and compare the p-value with the α value of 0.05 (5% error rate). For the degree of freedom (df) = n-2. So the df in this study is 74-2 = 72, then the table r_{count} is 0.2287. All statement items are declared valid because they have a calculated $r_{count} > r_{table}$ and significance < 0.05.

Data Reliability Test

This reliability test calculates the Cronbach's Alpha value if Item Deleted for each research variable using SPSS version 23. The calculation method is if the alpha value of the resulting data is > 0.6 then the data is declared reliable. All statement items X1, X2, Y, and Z obtained a Cronbach's Alpha value if Item Deleted is more than 0.6 then the data is declared reliable.

Classical Assumption Test

Data Normality Test

Based on the One Sample Kolmogorov-Smirnov test, the Asymp. Sig. (2-tailed) value was 0.078 in the main model and 0.175 in the moderated model. Both values are greater than 0.05, so it can be concluded that the data is normally distributed and meets the assumption of normality.

Multicollinearity Test

The results of the multicollinearity test show that all variables have a tolerance value > 0.10 and a Variance Inflation Factor (VIF) value < 10. This indicates that there are no symptoms of multicollinearity in either the main model or the moderation model.

Heteroscedasticity Test

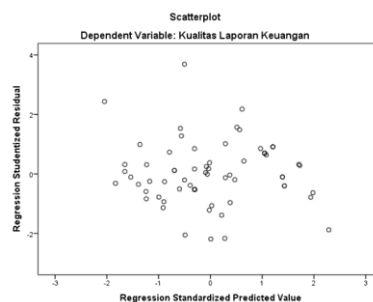


Figure 2. Heteroscedasticity Test

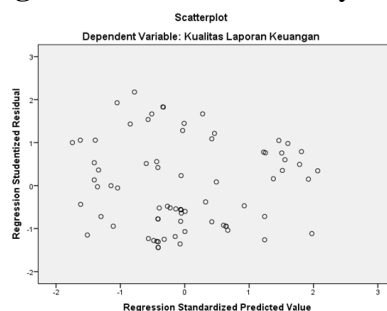


Figure 3. Moderation Heteroscedasticity Test

The heteroscedasticity test was conducted using the scatter plot method. The test results showed that the points on the graph were randomly distributed, did not form a specific pattern, and were spread above and below the zero axis on the Y axis. This indicates that there were no symptoms of heteroscedasticity in the research model, either in the main model or the moderation model.

Autocorrelation Test

Based on the Durbin–Watson test decision criteria, there is no autocorrelation if the DW value lies between dU and $(4 - dU)$. In the first regression model, the obtained DW value was 2.178, which is within the range of $1.6785 < 2.178 < 2.3215$, indicating that the regression model does not experience autocorrelation. Likewise, in the moderation regression model, the DW value obtained was 2.127, which is within the range of $1.7694 < 2.127 < 2.2306$, indicating that the moderation regression model also does not experience autocorrelation.

F-Test Statistic

The calculated F value in the first regression model was 96.197, which is greater than the F table value of 3.126, with a significance probability value of $0.000 < 0.05$. This indicates that the understanding of government accounting standards and internal control systems simultaneously have a significant effect on the quality of financial statements, meaning that the research model is feasible to use. Furthermore, the calculated F value in the moderation regression model was 38.094, which is greater than the F table value of 2.507, with a significance probability value of $0.000 < 0.05$. This shows that the understanding of government accounting standards, internal control systems, and their interaction with the moderating variable, namely human resource competence, simultaneously have a significant effect on the quality of financial statements, indicating that the moderation research model is also feasible to use.

t-Test Statistic

Table 1. t-Test Statistic

Variable	t_{count}	t_{table}	Sig.	Description
Understanding of Government Accounting Standards (X1)	2,347	1,99394	0,022	There is a significant influence
Internal Control System (X2)	11,725	1,99394	0,000	There is a significant influence

The t-test results show that the variable understanding of government accounting standards (X1) obtained a calculated t-value of 2.347, which is greater than the t-table value of 1.99394, with a significance value of $0.022 < 0.05$. This indicates that the understanding of government accounting standards has a positive and significant influence on the quality of financial reports. Meanwhile, the internal control system variable (X2) obtained a calculated t-value of 11.725, which is greater than the t-table value of 1.99394, with a significance value of $0.000 < 0.05$. This means that the internal control system also has a positive and significant influence on the quality of financial reports.

Coefficient of Determination (Adjusted R²)

The results of the coefficient of determination test showed that the Adjusted R² value in the first regression model was 0.723 or 72.3%. This indicates that the variables of understanding government accounting standards (X1) and internal control systems (X2) are

able to explain the quality of financial statements variable (Y) by 72.3%, while the remaining 27.7% is influenced by other variables outside this study. Furthermore, the Adjusted R² value in the moderation regression model was 0.718 or 71.8%, meaning that the variables of understanding government accounting standards (X1), internal control systems (X2), and their interaction with human resource competence (Z) are able to explain the quality of financial statements variable (Y) by 71.8%, while the remaining 28.2% is influenced by other variables not examined in this study.

Moderated Regression Analysis (MRA) Test

Table 2. MRA Test

Variable	Sig.
Understanding of Government Accounting Standards*Human Resource Competency (X1*Z)	0,453
Internal Control System* Human Resource Competency (X2*Z)	0,804

Source: Primary data processed with SPSS version 23, 2026

Based on the results of the Moderated Regression Analysis (MRA) test, both moderation hypotheses in this study were rejected. This is indicated by the significance value of the interaction between the understanding of government accounting standards and human resource competency (X1*Z) of 0.453 (> 0.05), so that human resource competency is unable to strengthen the relationship between the understanding of government accounting standards and the quality of financial reports. In addition, the significance value of the interaction between the internal control system and human resource competency (X2*Z) of 0.804 (> 0.05) is also greater than 0.05, so that human resource competency is unable to strengthen the relationship between the internal control system and the quality of financial reports.

4.2. Discussion

The Effect of Understanding Government Accounting Standards on the Quality of Financial Reports

The partial test results (t-test) indicate the effect of understanding Government Accounting Standards (SAP) on the quality of financial reports. The calculated t_{count} is 2.347 $> t_{table}$ 1.99394 and the significance value is 0.022 < 0.05 . Therefore, H_0 is rejected and H_1 is accepted. This means that understanding Government Accounting Standards (SAP) has a positive and significant effect on the quality of financial reports.

These results reinforce agency theory, which explains that a good understanding of Government Accounting Standards (SAP) facilitates government officials (agents) in preparing financial reports in accordance with applicable accounting principles. Thus, government officials (agents) can present relevant and reliable information to their principals (the public), thereby eliminating information asymmetry and increasing public trust. In the context of the Surakarta City Regional Financial Management Agency (BPKAD), this condition is reflected in its role as the agency that coordinates and consolidates the financial reports of all Regional Apparatus Organizations (OPD). Surakarta City BPKAD officials possess a sound understanding of SAP, ensuring that every financial report prepared complies with applicable standards, both in terms of recognition, measurement, and presentation. Furthermore, the use of an integrated regional financial information system further supports officials in consistently implementing SAP.

A sound understanding of SAP also enables BPKAD officials to minimize recording errors and reduce the potential for audit findings, resulting in more accurate, transparent, and accountable financial reports. This ultimately contributes to maintaining public trust in regional financial management and supports the local government in maintaining an Unqualified Opinion (WTP).

These results align with research conducted by (Rohmah et al., 2020) and (Taviana & Riharjo, 2020) that found that understanding government accounting standards partially has a significant positive effect on the quality of local government financial reports. However, this is inconsistent with research conducted by (Ramadhan & Nurabiah, 2024), which found that understanding government accounting standards had no effect on the quality of financial reports.

The Effect of the Internal Control System on the Quality of Financial Reports

The partial test results (t-test) indicate the effect of the internal control system on the quality of financial reports. The calculated t_{count} of 11.725 is greater than the t_{table} value of 1.99394, and the significance value is $0.000 < 0.05$. Therefore, H_0 is rejected and H_2 is accepted, meaning that the internal control system variable has a positive and significant effect on the quality of financial reports.

These results reinforce agency theory, which states that the stronger and more effective the implementation of the internal control system as a monitoring tool by the agent (government), the higher the quality of the resulting financial reports. Within the Surakarta City Regional Financial Management Agency (BPKAD), the internal control system has been systematically implemented through standardized procedures, the use of a regional financial information system, and multi-layered supervision from superiors to internal supervisory officials. Every financial transaction processed by BPKAD employees must go through clear verification, authorization, and recording stages, thus minimizing errors and the potential for fraud.

With a robust and structured system, the Surakarta City BPKAD apparatus is able to produce more accurate, transparent, and accountable financial reports. This enables local officials to fulfill their obligation to provide relevant, reliable, comparable, and easily understood financial information. Thus, public (principal) trust in the financial governance of the Surakarta City regional government can be maintained and enhanced, while maintaining an Unqualified Opinion (WTP).

These results align with research conducted by (Aziyah & Yanto, 2022) and (Alpi & Akbar, 2024) that found that the internal control system partially has a significant positive effect on the quality of local government financial reports. However, this is inconsistent with research by (Purwati et al., 2022), which found that the internal control system had no significant effect on the quality of financial reports.

Human Resource Competence Strengthens the Influence of Understanding of Government Accounting Standards on Financial Report Quality

The results of the Moderated Regression Analysis (MRA) test show a significant value of the interaction between the understanding of government accounting standards and human resource competency ($X_1 * Z$) of $0.453 > 0.05$. This indicates that H_0 is accepted and H_3 is rejected, indicating that the human resource competency variable is unable to strengthen the influence of understanding of Government Accounting Standards (SAP) on financial report quality.

The results of this study indicate that the improvement in financial report quality at the Surakarta City Regional Financial Management Agency (BPKAD) is more directly influenced by the level of understanding of Government Accounting Standards (SAP) than by the role of human resource competency as a moderating variable. From a contingency theory perspective, the successful implementation of a public sector accounting system is fundamentally influenced by various situational conditions or contextual factors within the organization, such as the organizational environment, the characteristics of the system used, and the availability of resources. However, in this study, human resource competency was not able to function as a contingency factor that could strengthen the relationship between understanding of SAP and financial report quality.

This situation is thought to be due to several factors. First, understanding SAP has become a basic competency required for all officials involved in preparing financial reports. Within the Surakarta City Regional Financial Management Agency (BPKAD), officials who understand SAP effectively automatically prepare financial reports in accordance with applicable standards. Second, the financial report preparation process at the Surakarta City BPKAD is supported by a financial information system and standardized procedures, resulting in a more structured and systematic work process, ultimately reducing reliance on individual skills.

Third, within the Surakarta City BPKAD, a homogeneity of competency was found among respondents, reflected in their shared knowledge; the majority of respondents had similar educational backgrounds and had participated in the same technical guidance activities. In terms of skills, local officials are capable of operating financial information systems and preparing financial reports in accordance with applicable procedures. Meanwhile, in terms of attitudes, local officials demonstrate a relatively uniform level of compliance and responsibility towards Government Accounting Standards (SAP). This homogeneity results in the competency variable not having sufficient variation to act as a moderating variable. Fourth, in the context of public sector organizations at the Surakarta City Regional Financial and Asset Management Agency (BPKAD), regulatory compliance is more important than individual competency. Officials are required to adhere to established standards, so the quality of financial reports is determined more by compliance with SAP than by variations in competency. Therefore, no significant variation in competency was found among respondents, which means that the human resource competency variable failed to moderate the relationship between SAP understanding and financial report quality at the Surakarta City BPKAD.

This study aligns with research conducted by (Ramadhan & Nurabiah, 2024) that found that human resource competency does not strengthen the influence of understanding government accounting standards (SAP) on the quality of local government financial reports. However, this finding is inconsistent with research by (Taviana & Riharjo, 2020), which found that human resource competency moderates the relationship between understanding government accounting standards and the quality of local government financial reports.

Human Resource Competence Strengthens the Influence of the Internal Control System on Financial Report Quality

The results of the Moderated Regression Analysis (MRA) test show a significant value of the interaction between the internal control system and human resource competency ($X_2 * Z$) of $0.804 > 0.05$. This indicates that H_0 is accepted and H_4 is rejected, meaning that

the human resource competence variable is unable to strengthen the influence of the internal control system on financial report quality.

When viewed from the perspective of contingency theory, the success of a system in an organization is greatly influenced by the suitability between the implemented system and the existing situational conditions, including the human resources implementing it. Theoretically, an effective internal control system should be able to produce quality financial reports if supported by competent human resources. However, the results of this study indicate that human resource competence has not yet been able to act as a contingency factor strengthening the relationship between the internal control system and financial report quality.

First, the internal control system at the Surakarta City BPKAD is systemic and procedural in nature, designed in the form of policies, standard operating procedures (SOPs), and supervisory mechanisms that must be followed by all staff. Therefore, in practice, the quality of financial reporting is more influenced by the existence and effectiveness of these systems than by individual capabilities. Second, in the implementation of the internal control system at the Surakarta City BPKAD, procedural compliance plays a more dominant role than individual competence. Staff are required to follow each established control stage. Therefore, even if they possess high competence, this does not significantly strengthen the relationship between the internal control system and financial reporting quality.

Third, the internal control system at the Surakarta City BPKAD is supported by a multi-layered supervisory mechanism, both from direct superiors and internal supervisory officers, thus minimizing individual errors. This actual situation means that differences in staff competency levels do not have a significant effect as a moderating variable. Fourth, there is a homogeneity of competencies among the Surakarta City Regional Financial and Asset Management Agency (BPKAD) officials, so the human resource competency variable lacks sufficient variation to act as a moderating variable. This uniformity is evident in the understanding of control procedures, the ability to perform supervisory functions, and the level of compliance with established mechanisms, such as verification processes, authorization, and transaction documentation. Furthermore, the repeated involvement of officials in the same control system creates a uniform work pattern, so that the implementation of the internal control system at the Surakarta City BPKAD tends to be consistent and is not significantly influenced by differences in individual competencies.

The results of this study align with those of (Aziyah & Yanto, 2022) who found that human resource competency was unable to moderate the relationship between the internal control system and the quality of regional financial reports. However, this finding is inconsistent with research by (Indrayani & Widiastuti, 2020), which found that human resource competency positively influences the relationship between the internal control system and the quality of regional government financial reports.

5. Conclusion

This study aims to determine the effect of understanding Government Accounting Standards (SAP) and the internal control system on the quality of financial reports, with human resource competency as a moderating variable at the Regional Revenue and Expenditure Agency (BPKAD) in Surakarta City. Based on the analysis, the following conclusions can be drawn:

- a. Understanding Government Accounting Standards (SAP) has a positive and significant effect on the quality of financial reports at the BPKAD in Surakarta City. The better the staff's understanding of SAP, the higher the quality of the financial reports they produce.

- b. The internal control system has a positive and significant effect on the quality of financial reports at the BPKAD in Surakarta City. The effective implementation of internal control can improve transparency, accountability, and the reliability of financial reports.
- c. Human resource competency does not strengthen the effect of understanding SAP on the quality of financial reports because SAP understanding has become a basic competency for staff and is supported by a standardized system.
- d. Human resource competency also does not strengthen the effect of the internal control system on the quality of financial reports because internal control is procedural in nature and supported by structured supervision.

Future researchers are advised to add other variables as moderating and independent variables, such as information technology utilization, accounting information systems, audit quality, organizational commitment, organizational culture, and external oversight. Furthermore, research can be conducted with a larger sample size and a broader range of subjects across several local government agencies to ensure more representative and generalizable results. The use of more diverse data collection techniques, such as interviews and observations, is also expected to yield more accurate and in-depth data.

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