International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

The Role Of Internal Control Systems In Mediating The Effect Of Human Resource Competence And Information Technology Utilization On The Quality Of Financial Statements

Desy Anggraini[1)], Wirmie Eka Putra[2)], Yuliusman[3)]

[1,2,3]Accounting Study Program, Faculty of Economics and Business, Jambi University

Corresponding Email: desyanggrn800@gmail.com[1)], wirmie.eka@unja.ac.id[2)], yuliusman@unja.ac.id[3)]

Abstract

Financial statement quality is one of the key indicators in achieving accountability and transparency in public sector financial management. This study aims to analyze the effect of human resource competence and information technology utilization on the quality of financial statements, with the internal control system acting as a mediating variable at the Jambi Provincial Forestry Office. The study was motivated by various issues related to the competence of government personnel, the optimization of information technology utilization, and the effectiveness of internal control systems, all of which may influence the quality of financial statements.This research employed a quantitative approach using a survey method. Data were collected through questionnaires distributed to 50 respondents who were directly involved in financial management and reporting activities. Data analysis was conducted using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method with the assistance of SmartPLS 4 software. The results indicate that human resource competence has a positive and significant effect on both financial statement quality and internal control systems. Information technology utilization has a positive and significant effect on internal control systems but does not have a significant direct effect on financial statement quality. Furthermore, internal control systems have a positive and significant effect on financial statement quality and are proven to mediate the relationship between human resource competence, information technology utilization, and financial statement quality. These findings highlight the

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importance of strengthening human resource competence and enhancing the effectiveness of internal control systems as efforts to improve the quality of financial statements in public sector organizations.

Keyword : Human Resource Competence, Information Technology Utilization, Financial Statement Quality, and Internal Control System.

INTRODUCTION

The management of government financial reporting in Indonesia is a phenomenon worthy of in-depth study, given the increasing demands for accountability that require governments to produce high-quality financial statements at both the national and regional levels. Local governments are obligated to manage regional finances optimally in order to achieve the objectives of honest, transparent, and clean governance. Sound regional financial management can be defined as the ability to implement regional financial policies in an orderly, efficient, transparent, and accountable manner. (Hartadi et al., 2023).

Local government financial management must be carried out in accordance with the principles of good governance, which encompass transparent and accountable management practices. These principles enable stakeholders and users of financial statements to access information regarding the achievement of performance outcomes in the implementation of local government administration (Dewi et al., 2022). Within the framework of good governance, high-quality financial statements not only fulfill compliance requirements with applicable accounting standards but also reflect the level of accountability demonstrated by government institutions in serving the broader public interest..

Financial statement quality reflects the degree of credibility, relevance, comparability, and understandability of the financial information presented. The fulfillment of these qualitative characteristics plays a crucial role in assisting stakeholders in making informed decisions while promoting greater transparency within public sector organizations. Furthermore, high-quality financial statements serve as an indication of sound accountability and effective financial management practices within the governmental context (Nadhifah *et al*., 2024).

The Jambi Provincial Forestry Office is one of the Regional Government Organizations (Organisasi Perangkat Daerah/OPD) characterized by a high level of complexity in financial management practices. This complexity arises from the nature of

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the forestry sector, which encompasses a wide range of activities, including natural resource asset management, licensing supervision, forest and land rehabilitation programs, and various community empowerment initiatives. The complexity of financial transactions in the forestry sector, combined with the extensive geographical coverage and diversity of operational activities, creates a strong demand for financial reporting systems that are accurate, transparent, and accountable.

The quality of local government financial statements is greatly influenced by the competence of human resources responsible for regional financial management. Therefore, it is essential to have personnel who possess adequate knowledge, skills, and experience to prepare high-quality financial statements. The availability of competent human resources is a crucial factor in supporting the implementation of good governance within public sector organizations (Nurpala & Arrozi, 2023). Prior research conducted by Endarwati *et al*., (2025) found that human resource competence has a significant effect on financial statement quality. This finding indicates that the higher the level of human resource competence, the better the quality of the financial statements produced. The presence of skilled personnel with expertise in accounting enables government institutions to perform their functions and responsibilities more effectively in achieving organizational objectives and producing high-quality financial statements.

Information technology encompasses all components related to computers, software, and other systems that have experienced significant advancements in the current digital era. The optimal utilization of information technology enables personnel to perform complex calculations, process large volumes of data efficiently, and generate timely and accurate information in the form of high-quality financial statements (Wahyuni, 2024). Research on information technology utilization conducted by Endarwati *et al*., (2025) regarding information technology utilization revealed that the implementation of information technology has a significant effect on financial statement quality. These findings indicate that financial management units have processed financial transaction data by optimizing the use of software applications in accordance with applicable laws and regulations.

Another factor that may influence financial statement quality is the Internal Control System (ICS). An Internal Control System can be defined as a set of policies and procedures designed to safeguard organizational assets, ensure the accuracy of financial data, and promote overall operational efficiency. In the context of financial statement preparation, the Internal Control System functions as a monitoring mechanism that ensures accounting processes are carried out in accordance with applicable accounting

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standards and minimizes the risk of fraud or errors in the presentation of financial informatio (Endarwati et al., 2025).

Therefore, the implementation of an ineffective internal control system can have a significant adverse impact on the quality of financial statements within a government entity. Consequently, the implementation of a robust internal control system is essential for safeguarding government assets and resources. If a government entity has a weak internal control system, the fairness and accuracy of its financial statements may not be adequately assured, thereby reducing the level of confidence placed in them by the Audit Board of Indonesia (Pratama et al., 2024). Human resource competence in the preparation of high-quality financial statements can be enhanced through organizational control systems that optimize the utilization of human resources in an efficient and effective manner to achieve organizational objectives. Human resources constitute a fundamental element of the internal control mechanism, where employee competence and integrity serve as key determinants of the reliability of the financial statements produced.

This study is a replication of previous research. Replication studies are necessary to determine whether the findings remain consistent or differ from those reported in earlier studies. However, this study offers several novel contributions through the development of the previous research model by incorporating information technology utilization as an additional independent variable examined alongside human resource competence, while also investigating the mediating role of the internal control system in influencing financial statement quality. Previous studies primarily focused on human resource factors and internal control systems. Consequently, the role of information technology as a strategic factor in enhancing financial statement quality has not been comprehensively addressed. By integrating information technology utilization into the research framework, this study is expected to provide a more comprehensive understanding of the factors affecting financial statement quality within public sector organizations.

LITERATUR RIVIEW

The concept of agency theory was first proposed by Jensen & Meckling, (1976) which explains the contractual relationship between two parties, namely the principal, who delegates authority, and the agent, who receives that authority and acts on behalf of the principal. The application of Agency Theory in government institutions requires the existence of effective monitoring mechanisms to ensure that government officials perform their duties in accordance with the mandate entrusted to them by the public. In this

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context, local governments, as agents, are accountable to the public, as principals, for conducting transparent and accountable financial management. This accountability is reflected in the preparation and presentation of financial statements that can be properly justified and relied upon (Mawarnisa, 2025).

Financial Statement Quality

Financial statements are accountability instruments that reflect the financial performance of a government entity's management to the public, which has entrusted it with authority and responsibility. The information contained in financial statements is widely utilized by various stakeholders. These stakeholders rely on the information presented in financial statements as a basis for decision-making processes. The resulting decisions are expected to be optimal and based on careful consideration of the available financial information (Putra et al., 2021).

Human Resource Competence

Human resource competence can be understood as the capacity of individuals and groups within an organization to perform their duties and responsibilities optimally in order to achieve organizational objectives effectively and efficiently. This level of competence plays a significant role in supporting the preparation of accurate, high-quality, and accountable local government financial statements. Competence encompasses not only technical aspects but also cognitive abilities, work attitudes, and performance outcomes that are consistently aligned with the achievement of organizational goals (Ridzal *et al*., 2022).

Information Technology Utilization

Information technology utilization refers to the use of technology for data processing purposes, encompassing activities such as data processing, acquisition, compilation, storage, and manipulation through various methods to generate high-quality information. The implementation of information technology has the potential to produce high-quality financial statements by providing relevant, accurate, and up-to-date information that serves as a basis for decision-making processes. The utilization of accounting information technology is highly significant in the processing and storage of information. In addition, it functions as a communication technology that facilitates the dissemination of information to a wide range of stakeholders (Pratiwi *et al*., 2023).

Internal Control System

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An Internal Control System (ICS) is a systematically designed mechanism intended to provide reasonable assurance that organizational objectives can be achieved through operational effectiveness and efficiency, reliable financial reporting, and compliance with applicable laws and regulations. In the governmental context, the Government Internal Control System (SPIP) serves as an instrument to ensure that the management of public finances and state assets is carried out in accordance with the principles of accountability and transparency (Manalu & Yudianto, 2024).

RESEARCH METHOD

Research Approach

This study employed a quantitative approach and was designed as a hypothesis-testing study. According to Sekaran & Bougie, (2017) quantitative research is a scientific approach that utilizes numerical data, which are subsequently processed and analyzed using statistical and mathematical techniques. Such numerical information is generally obtained through structured questionnaires or other pre-designed research instruments.

Research Data Sources

Primary data refers to information obtained directly by the researcher from primary sources related to the variables under study for a specific research purpose (Sekaran & Bougie, 2017). In this study, primary data were collected through the distribution of questionnaires and surveys at the Jambi Provincial Forestry Office.

Techniques For Determining Informants Or Respondents

Population refers to a collection of subjects, events, or phenomena that serve as the target of inference for researchers in drawing conclusions based on sample statistics (Sekaran & Bougie, 2017). The population in this study consists of employees who are directly involved in regional financial reporting, namely staff engaged in the financial processes of the Jambi Provincial Forestry Office.

Research Instruments

The sampling technique used in this study was saturated sampling (census), which is a sampling method in which all members of the population are included as research samples (Sekaran & Bougie, 2017). The sample in this study comprised all personnel directly involved in the regional financial management process at the Jambi Provincial Forestry Office, totaling 50 individuals. The sample included various structural positions,

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namely the Secretary, Heads of Technical Implementation Units (UPTD) at the echelon III level acting as Budget Users (Kuasa Pengguna Anggaran/KPA), Expenditure Treasurers, Revenue Treasurers, Salary Treasurers, Assistant Expenditure Treasurers (Bendahara Pengeluaran Pembantu/BPP), Financial Administration Officials (Pejabat Penatausahaan Keuangan/PPK), Heads of Divisions and Heads of Sections in each unit (echelon IV officials) acting as Technical Activity Implementation Officers (Pejabat Pelaksana Teknis Kegiatan/PPTK), as well as finance sub-division staff responsible for accounting and financial administration functions.

Data Collection Techniques

The data collection method used in this study was questionnaire distribution. A questionnaire is a data collection instrument consisting of a set of pre-constructed written questions, in which respondents provide answers based on predetermined options with clear limitations. The type of questions used in this study was closed-ended questions, where respondents selected answers from options provided by the researcher. The questions were designed in both positive and negative forms, requiring respondents to remain engaged and thoughtful throughout the process of answering the questionnaire (Sekaran & Bougie, 2017).

Framework Theory (Framework) Used

Operationalization of variables is a concept used to measure variables by examining behavioral dimensions, aspects, or characteristics reflected by a construct (Sekaran & Bougie, 2019). The explanation of variable operationalization aims to avoid misinterpretation in understanding the discussion within the study, thereby making it easier to follow. The operationalization of variables in this study consists of the dependent variable, namely Financial Statement Quality; the independent variables, namely Human Resource Competence and Information Technology Utilization; and the mediating variable, namely the Internal Control System.

Data Analysis Techniques

In this study, the data analysis technique employed is Partial Least Squares (PLS), a method within the Structural Equation Modeling (SEM) framework that uses a component-based or variance-based approach. Structural Equation Modeling (SEM) is a statistical technique that allows the simultaneous testing of complex relationships among multiple variables.

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Data Credibility

The credibility of the data in this study was evaluated through measurement model (outer model) and structural model (inner model) testing using SmartPLS 4 software. The measurement model assessment was conducted to ensure the validity and reliability of the research constructs, including convergent validity, discriminant validity, and composite reliability tests. Subsequently, the structural model evaluation was carried out using R-square (R^2), effect size (f^2), and Q-square (Q^2) tests to assess the predictive relevance and the strength of relationships among variables in the research model. The overall model fit was also evaluated using the Goodness of Fit (GoF) test. After the model met the required criteria, hypothesis testing was performed using the bootstrapping procedure to determine the significance of both direct and indirect relationships among the research variables.

RESULT

This study tested seven hypotheses, consisting of five direct effect hypotheses and two indirect effect hypotheses. The direct effect testing includes the effect of Human Resource Competence (HRC) on Financial Statement Quality (FSQ), the effect of Information Technology Utilization (ITU) on Financial Statement Quality (FSQ), the effect of the Internal Control System (ICS) on Financial Statement Quality (FSQ), the effect of Human Resource Competence (HRC) on the Internal Control System (ICS), and the effect of Information Technology Utilization (ITU) on the Internal Control System (ICS). Meanwhile, the indirect effect testing examines the influence of Human Resource Competence and Information Technology Utilization on Financial Statement Quality through the Internal Control System as an intervening variable. All hypothesis testing in this study was conducted using the bootstrapping procedure in SmartPLS.

Hypothesis testing was carried out using the bootstrapping method in SmartPLS 4. A hypothesis is accepted if the t-statistics value is greater than 1.96 and the p-value is less than 0.05. The results of the testing are presented in the following table.

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Konstruk	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
HRC -> FSQ	0.532	0.536	0.095	5.613	0.000
HRC -> ICS	0.555	0.556	0.086	6.463	0.000
ITU -> FSQ	0.160	0.164	0.094	1.702	0.089
ITU -> ICS	0.378	0.401	0.091	4.139	0.000
ICS -> KLK	0.346	0.338	0.120	2.886	0.004
HRC-> ICS -> FSQ	0.192	0.191	0.081	2.379	0.017
ITU -> ICS -> FSQ	0.131	0.132	0.052	2.541	0.011

Reference: *Output* SmartPLS 4

The results of the study indicate that six hypotheses were supported and one hypothesis was rejected. Human resource competence and the internal control system were found to have a positive effect on financial statement quality. In contrast, information technology utilization was found to have no significant effect on financial statement quality. Furthermore, the internal control system was proven to mediate the effect of human resource competence and information technology utilization on financial statement quality.

The Effect of Human Resource Competence on Financial Statement Quality

The first hypothesis of this study states that Human Resource Competence (HRC) has an effect on Financial Statement Quality (FSQ). The test results show that Human Resource Competence (HRC) has a significant effect on Financial Statement Quality (FSQ), as indicated by a path coefficient value of 0.532 with a t-statistics value of 5.613, which is above the critical value of 1.96, and a p-value below the significance threshold of 0.05. Therefore, H1 is accepted.

The Effect of Information Technology Utilization on Financial Statement Quality

The second hypothesis of this study states that Information Technology Utilization (ITU) has an effect on Financial Statement Quality (FSQ). However, the test results indicate that Information Technology Utilization (ITU) does not have a significant effect

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on Financial Statement Quality (FSQ), as shown by a path coefficient value of 0.160 with a t-statistics value of 1.702, which is below the critical value of 1.96, and a p-value of 0.089, which exceeds the significance threshold of 0.05. Based on these results, H2 is rejected..

The Effect of Internal Control System on Financial Statement Quality

The third hypothesis of this study states that Human Resource Competence (HRC) has an effect on the Internal Control System (ICS). The test results indicate that Human Resource Competence (HRC) has a significant effect on the Internal Control System (ICS), as shown by a path coefficient of 0.555 with a t-statistics value of 6.463, which is above the critical value of 1.96, and a p-value of 0.000, which is below the significance threshold of 0.05. Therefore, H3 is accepted.

The Effect of Human Resource Competence on the Internal Control System

The fourth hypothesis of this study states that Information Technology Utilization (ITU) has an effect on the Internal Control System (ICS). The test results indicate that Information Technology Utilization (ITU) has a significant effect on the Internal Control System (ICS), as shown by a path coefficient value of 0.378 with a t-statistics value of 4.139, which is above the critical value of 1.96, and a p-value of 0.000, which is below the significance threshold of 0.05. Therefore, H4 is accepted.

The Effect of Information Technology Utilization on the Internal Control System

The fifth hypothesis of this study states that the Internal Control System (ICS) has an effect on Financial Statement Quality (FSQ). The test results indicate that the Internal Control System (ICS) has a significant effect on Financial Statement Quality (FSQ), as shown by a path coefficient value of 0.346 with a t-statistics value of 2.886, which is above the critical value of 1.96, and a p-value of 0.004, which is below the significance threshold of 0.05. Therefore, H5 is accepted.

The Mediating Role of the Internal Control System in the Effect of Human Resource Competence on Financial Statement Quality

The sixth hypothesis of this study states that Human Resource Competence (HRC) affects Financial Statement Quality (FSQ) through the Internal Control System (ICS) as a mediating variable. The test results indicate that Human Resource Competence (HRC) has a significant indirect effect on Financial Statement Quality (FSQ) through the Internal

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Control System (ICS), as shown by a path coefficient value of 0.192 with a t-statistics value of 2.379, which is above the critical value of 1.96, and a p-value of 0.017, which is below the significance threshold of 0.05. Therefore, H6 is accepted.

The Mediating Role of the Internal Control System in the Effect of Information Technology Utilization on Financial Statement Quality

The seventh hypothesis of this study states that Information Technology Utilization (ITU) affects Financial Statement Quality (FSQ) through the Internal Control System (ICS) as a mediating variable. The test results indicate that Information Technology Utilization (ITU) has a significant indirect effect on Financial Statement Quality (FSQ) through the Internal Control System (ICS), as shown by a path coefficient value of 0.131 with a t-statistics value of 2.541, which is above the critical value of 1.96, and a p-value of 0.011, which is below the significance threshold of 0.05. Therefore, H7 is accepted.

DISSCUSION

The Effect of Human Resource Competence on Financial Statement Quality

The hypothesis testing results indicate that human resource competence has a positive and significant effect on financial statement quality. The positive path coefficient suggests a unidirectional relationship between human resource competence and financial statement quality. This means that the higher the competence of financial management personnel, the better the quality of financial statements produced. The significance of the results shows that human resource competence is one of the factors that explains variations in financial statement quality.These findings are consistent with previous studies conducted by Endarwati et al., (2025), Nurpala & Arrozi (2023), Rozi et al., (2022), Binawati & Nindyaningsih (2022) which also found that human resource competence has a positive and significant effect on financial statement quality.

In relation to Agency Theory, financial management personnel act as agents entrusted with managing organizational resources and reporting financial information to stakeholders as principals. Based on the empirical results and discussion, it can be concluded that human resource competence plays an important role in improving the quality of financial statements. Higher levels of competence among financial management personnel lead to better financial reporting quality. Therefore, the hypothesis stating that human resource competence has an effect on financial statement quality is accepted.

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The Effect of Information Technology Utilization on Financial Statement Quality

Based on the hypothesis testing results, it was found that Information Technology Utilization (ITU) does not have a significant effect on Financial Statement Quality (FSQ). This is indicated by a path coefficient value of 0.160 with a t-statistics value of 1.702, which is below the critical value of 1.96, and a p-value of 0.089, which is above the significance threshold of 0.05. Although the path coefficient shows a positive direction, the effect is not statistically significant. Therefore, the hypothesis stating that Information Technology Utilization has an effect on Financial Statement Quality is rejected. These findings are not consistent with the results of previous studies conducted by Endarwati et al. (2025), Luthfya et al. (2024), Hartadi et al. (2023), Susanto et al. (2023), Hadis et al. (2022), and Imelia et al. (2021) which concluded that information technology utilization has a significant effect on financial statement quality.

From the perspective of Agency Theory, information technology is expected to help reduce information asymmetry between agents and principals by providing faster, more accurate, and more transparent information. Based on the empirical results and discussion, it can be concluded that information technology utilization has not been able to significantly influence financial statement quality. Therefore, the hypothesis stating that information technology utilization has an effect on financial statement quality is rejected.

The Effect of Internal Control System on Financial Statement Quality

Based on the hypothesis testing results, it was found that the Internal Control System (ICS) has a positive and significant effect on Financial Statement Quality (FSQ). This is indicated by a path coefficient value of 0.346 with a t-statistics value of 2.886, which is above the critical value of 1.96, and a p-value of 0.004, which is below the significance threshold of 0.05. The positive path coefficient indicates a unidirectional relationship between the Internal Control System (ICS) and Financial Statement Quality (FSQ). This implies that the more effective the internal control system implemented within an organization, the higher the quality of the financial statements produced. Therefore, the hypothesis stating that the Internal Control System has an effect on Financial Statement Quality is accepted.

These findings are consistent with previous studies conducted by Endarwati et al. (2025), Azwari et al. (2024), Luthfya et al. (2024), Nurpala dan Arrozi (2023), Puspita dan Ariani (2023), Yuditiya et al. (2023), serta Rozi et al. (2022) which concluded that the internal control system has a positive and significant effect on financial statement quality. However, these results are not in line with the studies conducted by Hartadi et al. (2023),

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Dewi et al. (2022), dan Imelia et al. (2021) which found that the internal control system does not have a significant effect on financial statement quality.

In relation to Agency Theory, the internal control system functions as a monitoring mechanism that can reduce conflicts of interest between agents and principals. In an agency relationship, agents have greater access to information compared to principals, which may lead to information asymmetry. Based on the empirical results and discussion, it can be concluded that the internal control system has a positive and significant effect on financial statement quality. Therefore, the hypothesis stating that the internal control system has an effect on financial statement quality is accepted.

The Effect of Human Resource Competence on the Internal Control System

Based on the hypothesis testing results, it was found that Human Resource Competence (HRC) has a positive and significant effect on the Internal Control System (ICS). This is indicated by a path coefficient value of 0.555 with a t-statistics value of 6.463, which is above the critical value of 1.96, and a p-value of 0.000, which is below the significance threshold of 0.05. The positive path coefficient indicates a unidirectional relationship between Human Resource Competence (HRC) and the Internal Control System (ICS). This implies that the higher the competence of government officials, the more effective the internal control system implemented within the organization. Therefore, the hypothesis stating that Human Resource Competence has an effect on the Internal Control System is accepted. These findings are consistent with previous studies conducted Endarwati et al. (2025) dan Saputra (2021) which stated that human resource competence has a positive and significant effect on the internal control system.

In relation to Agency Theory, human resource competence plays an important role in assisting agents in performing their duties and responsibilities in a professional, effective, and accountable manner. In an agency relationship, agents are granted authority to manage organizational resources on behalf of the principal. Based on the empirical results and discussion presented earlier, it can be concluded that Human Resource Competence (HRC) is one of the key factors influencing the effectiveness of the Internal Control System (ICS) within an organization. This indicates that the higher the competence of government officials, the more optimal the implementation of the Internal Control System (ICS) within the organization. Therefore, the hypothesis stating that Human Resource Competence has an effect on the Internal Control System is accepted.

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The Effect of Information Technology Utilization on the Internal Control System

Based on the hypothesis testing results, it was found that Information Technology Utilization (ITU) has a positive and significant effect on the Internal Control System (ICS). This is indicated by a path coefficient value of 0.378 with a t-statistics value of 4.139, which is above the critical value of 1.96, and a p-value of 0.000, which is below the significance threshold of 0.05. The positive path coefficient indicates a unidirectional relationship between Information Technology Utilization (ITU) and the Internal Control System (ICS). This implies that the more optimal the utilization of information technology within an organization, the more effective the implementation of the internal control system. Therefore, the hypothesis stating that Information Technology Utilization has an effect on the Internal Control System is accepted.

These findings are consistent with previous studies conducted by Endarwati et al. (2025) dan Saputra (2021) which concluded that information technology utilization has a positive and significant effect on the internal control system.

In relation to Agency Theory, information technology can serve as a tool to reduce information asymmetry between agents and principals. In an agency relationship, agents have greater access to information than principals, which may lead to information imbalance. Based on the empirical results and discussion presented earlier, it can be concluded that Information Technology Utilization (ITU) is one of the factors that plays a significant role in enhancing the effectiveness of the Internal Control System (ICS) within an organization. This indicates that the more optimal the utilization of information technology implemented in an organization, the better the internal control system that is established. Therefore, the hypothesis stating that Information Technology Utilization has an effect on the Internal Control System is accepted.

The Mediating Role of the Internal Control System in the Effect of Human Resource Competence on Financial Statement Quality

Based on the hypothesis testing results, it was found that Human Resource Competence (HRC) has a positive and significant indirect effect on Financial Statement Quality (FSQ) through the Internal Control System (ICS) as a mediating variable. This is indicated by an indirect effect coefficient of 0.192 with a t-statistics value of 2.379, which is above the critical value of 1.96, and a p-value of 0.017, which is below the significance threshold of 0.05. These results indicate that the Internal Control System (ICS) is able to mediate the effect of Human Resource Competence (HRC) on Financial Statement Quality (FSQ). Therefore, the hypothesis stating that the Internal Control System

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mediates the effect of Human Resource Competence on Financial Statement Quality is accepted.. These findings are consistent with previous studies conducted by Rozi et al. (2022) dan Saputra (2021) which concluded that the internal control system is able to mediate the effect of human resource competence on financial statement quality.

In relation to Agency Theory, the Internal Control System (ICS) functions as a monitoring mechanism that helps ensure agents perform their duties and responsibilities in accordance with the interests of the principal. High Human Resource Competence (HRC) enhances the ability of agents to carry out financial management functions optimally, while the Internal Control System (ICS) ensures that all activities are managed in accordance with applicable procedures and regulations. Based on the empirical results and discussion, it can be concluded that the Internal Control System (ICS) is able to mediate the effect of Human Resource Competence (HRC) on Financial Statement Quality (FSQ). This implies that improvements in human resource competence will enhance the effectiveness of the internal control system, which in turn leads to improved financial statement quality. Therefore, the hypothesis stating that the Internal Control System mediates the effect of Human Resource Competence on Financial Statement Quality is accepted.

The Mediating Role of the Internal Control System in the Effect of Information Technology Utilization on Financial Statement Quality

Based on the hypothesis testing results, it was found that the Internal Control System (ICS) is able to mediate the effect of Information Technology Utilization (ITU) on Financial Statement Quality (FSQ). This is indicated by an indirect effect coefficient of 0.131 with a t-statistics value of 2.541, which is above the critical value of 1.96, and a p-value of 0.011, which is below the significance threshold of 0.05. These results indicate that the effect of Information Technology Utilization (ITU) on Financial Statement Quality (FSQ) occurs indirectly through the Internal Control System (ICS). Therefore, the hypothesis stating that Information Technology Utilization affects Financial Statement Quality through the Internal Control System is accepted. These findings are consistent with previous studies conducted by Endarwati et al. (2025) and Saputra (2021) which concluded that the internal control system is able to mediate the effect of information technology utilization on financial statement quality.

In relation to Agency Theory, information technology and the internal control system are instruments that can be used to reduce information asymmetry between

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agents and principals. Information technology enables financial information to be presented more quickly, completely, and accurately.

Based on the empirical results and discussion presented earlier, it can be concluded that the Internal Control System (ICS) is able to mediate the effect of Information Technology Utilization (ITU) on Financial Statement Quality (FSQ). This indicates that Information Technology Utilization (ITU) will be more effective in improving Financial Statement Quality (FSQ) when supported by a strong and well-functioning Internal Control System (ICS). Therefore, the hypothesis stating that Information Technology Utilization affects Financial Statement Quality through the Internal Control System is accepted.

CONCLUSION

Based on the research results, it can be concluded that human resource competence has a positive and significant effect on both financial statement quality and the internal control system at the Jambi Provincial Forestry Office. Meanwhile, information technology utilization does not have a significant direct effect on financial statement quality, but it has a positive and significant effect on the internal control system. The results also show that the internal control system has a positive and significant effect on financial statement quality. In addition, the internal control system is proven to mediate the effect of human resource competence and information technology utilization on financial statement quality.

These findings indicate that improvements in financial statement quality are not only determined by human resource competence and information technology utilization, but are also highly dependent on the effectiveness of the internal control system as a mechanism that strengthens the relationships among these variables. Therefore, efforts to improve financial statement quality at the Jambi Provincial Forestry Office should be carried out in an integrated manner through strengthening human resource competence, optimizing information technology utilization, and implementing an effective internal control system in order to produce high-quality, transparent, and accountable financial statements.

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