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THE EFFECT OF INTERNAL CONTROL AND HUMAN RESOURCE COMPETENCE ON THE QUALITY OF FINANCIAL STATEMENTS WITH MEDIATION OF INFORMATION TECHNOLOGY UTILIZATION: A STUDY ON THE INDONESIAN NATIONAL ARMY NAVY

FX. Joko Prasetyo¹, Siswo Hadi Sumantri^{2*}, Sudirman,³ Sri Umiyati⁴

^{1,2,3,4} Public Administration Study Doctor Program, Faculty of Social Science and Political Science, Universitas Hang Tuah, Indonesia

*Corresponding author: siswo.hs@hangtuah.ac.id

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Abstract

One form of accountability in government administration is to realize transparency and accountability in government financial management, through the submission of accountability reports in the form of financial statements. As an integral part of the Navy, the Navy Headquarters Work Unit is also tasked with preparing accountable and transparent financial reports. However, empirical facts show that there are still several problems in realizing the quality of the financial statements (LK) of the Headquarters Satker, especially those caused by internal control, competence of human resources (HR) and utilization of information technology (IT). This study aims to determine the effect of internal control and HR competence on the quality of the Headquarters Satker financial statements. The population in this study were personnel serving in the Navy Finance Service (Diskual) with a sample of 100 people. The research method used is quantitative with a survey design. Data processing using SmartPLS tools version 3.3.3. The results of this study found that: 1) Internal control has a positive and significant effect on the quality of LK. 2) HR competence has a positive and significant effect on the quality of LK. 3) IT utilization has a positive and significant effect on the quality of LK. 4) Internal control has a positive and significant effect on IT utilization. 5) HR competence has a positive and significant effect on IT utilization. 6) Internal control has a positive and significant effect on the quality of LK mediated by IT utilization. 7) HR competence has a positive and significant effect on the quality of LK mediated by IT utilization. Novelty in this study is that IT utilization as a mediating variable is able to increase the influence of internal control and HR competence on LK quality.

Keywords: internal control, human resource competence, information technology utilization, financial report quality, Indonesia.

I. Introduction

Examination of the financial statements of the Ministry of State / Institution is carried out by the Supreme Audit Agency (BPK). This examination is carried out in order to provide an opinion / opinion on the fairness of the financial information presented in the financial statements (Ifa Ratifah, 2012). According to Law Number 15 Year 2004, the explanation of article 16 paragraph 1, opinion is a professional statement of the examiner regarding the fairness of the financial information presented in the financial statements. The criteria for giving an opinion are conformity with government accounting standards, adequate disclosures, compliance with statutory provisions, and the effectiveness of the internal control system. The

opinion given on a financial report is a mirror for the quality of management and presentation of a financial report.

To produce quality financial reports is not an easy thing, because the preparation of financial reports is influenced by several factors, including internal control, human resource competence and information technology utilization. Internal control is a process carried out by the entity to provide reasonable assurance about the achievement of objectives (Gibson et.al, 2006). In addition, internal control is also defined as an organizational plan and all coordinated methods and steps taken by the company to safeguard its assets, check the accuracy and reliability of accounting data, encourage operational efficiency, and encourage compliance with specified managerial policies (Nikolai et al, 2010). Internal control is a control within a business organization that ensures information is processed correctly (Romney & Steinbart, 2012).

To support internal control programs in government organizations, it is necessary to increase the role and function of the Government Internal Supervisory Apparatus (APIP). This internal supervision is carried out starting from the process of auditing, reviewing, evaluating, monitoring, and other supervisory activities on the implementation of organizational duties and functions in order to provide adequate assurance that activities have been carried out in accordance with predetermined indicators. APIP also plays a role in fostering the Government Internal Control System (SPIP) and encouraging the improvement of the effectiveness of risk management, control and governance of the organization as mandated in Government Regulation Number 60 of 2008 concerning the Government Internal Control System.

In addition to internal control, the demands for the quality of financial reports of government entities must be answered by improving and increasing the competence of Human Resources (HR). The definition of HR competence is HR that has good quality, has an understanding of accounting and finance and has an education with an appropriate background in its responsibilities, namely accounting and finance, so that it will result in good financial management (Saraswati, et.al, 2019). HR competence is needed in order to support the implementation of government financial management, preparation of good, transparent financial reports and avoid recording and calculation errors. HR who have good competence will definitely be able to work optimally so that organizational goals can be achieved and run well. HR who have knowledge of accounting will understand what should be done so that financial reports can be prepared and presented in accordance with the time (Riandani, 2017).

HR competence has a very important role in planning, implementing and controlling the entity concerned. Competence is a characteristic of a person that can be seen from the skills, knowledge and abilities he has in terms of completing the tasks assigned to him (Wati, et.al, 2014). Competence is the basis for a person to achieve high performance. HR who do not have competence will not be able to complete their work efficiently, effectively and economically. In this case the work produced will not be on time and there is a waste of time and energy.

The utilization of information technology systems also has an important role in the preparation of quality financial reports. Currently, information technology has developed very rapidly so that it is expected to be utilized by every government organization to improve its financial management capabilities and can support the delivery of financial information to those in need. Information technology has become the main choice in creating an organization's information system that is resilient and able to create a competitive advantage in the midst of today's increasingly fierce competition. Investment in information technology in an organization is generally intended to contribute to the performance of individual members of the organization and institution.

As one part of the Ministry / Institution, the Indonesian Navy (TNI AL) must be willing and able to become the subject of providing information on financial activities and performance that is needed accurately, relevant, timely, consistent and reliable. According to Suwardjono (2005), useful information is information that has value, is reliable and can be used to support

decision making. Therefore, the Navy must pay attention to the information presented in the financial statements for the purposes of planning, controlling, and decision making. The problem faced by the Navy at this time is that the financial statements prepared are not fully accountable. This can be seen from the review report on the financial statements of the TNI AL FY 2021, as follows:

Table 1. Review Report on TNI AL Financial Statements FY 2021

PROBLEM	DESCRIPTION
1. Recording banking income transactions	There are still account errors.
2. Recording the value of buildings and structures.	There are still some that have not been registered.
3. Payment for goods and services through the <i>Foreign Military Sales</i> (FMS) program	Not yet realized.
4. Inventory of Work Unit (Satker).	There are still some that have not been registered
5. Value of partnerships with Third Parties.	There is no adjustment yet.
6. Recording BMN management revenue.	Need to adjust.
7. Construction in progress (KDP) transactions.	Not yet a definitive asset.
8. Fixed Assets under Renovation (ATR) work.	Not yet a definitive asset.
9. Notes to the Financial Statements (CaLK).	In the drafting process.

Source: Navy Finance Office, 2022

Table 1 above shows that there are still many problems in managing the Navy's financial statements in 2021, so that strategic policies are needed from the Navy leadership to overcome these problems. The results of the Itjenal review above are also in line with the results of the BPK audit of the Navy's financial statements for FY 2019-2020, as follows:

Table 2. BPK Audit Results on TNI Navy Financial Statements

THN	PROBLEM	DESCRIPTION
2019	1. Direct use of PNBPN at FKTP and Yanmasum within the Ministry of Defense and the TNI.	Without going through the APBN mechanism.
	2. Administration of BMPs within the Ministry of Defense and the Indonesian Armed Forces.	Inadequate.
	3. Management of grants and financial assistance at the Ministry of Defense and the TNI.	Not fully orderly yet.
	4. Accountability for official travel expenditures in the Ministry of Defense and the Indonesian Armed Forces.	Not according to actual conditions.
2020	1. Goods expenditure and capital expenditure.	Misclassification and appropriation of goods
	2. Financial management and State Property (BMN) at the Headquarters Satker.	Inadequate.
	3. Procurement of goods and capital expenditures in 2020 within the Headquarters Satker.	Not yet fully compliant.
	4. Administration of inventories, fixed assets, and official travel expenditures.	A recurring problem that is often found.

Source: Navy Finance Office, 2022

Table 2 above shows that in the period 2016 - 2018, BPK RI's external supervisors have found many problems in the quality of the Navy's financial statements which indicate that the internal controls carried out by Itjenal have not been able to carry out their duties and functions

optimally and have not been able to assess and detect potential fraud. This condition shows that the implementation of internal control by Itjenal has not been able to produce the expected audit quality.

Another problem faced at this time is the limited quality of human resources of personnel serving in the Navy Finance Office (Diskual) as the compiler of the Navy Financial Report. In general, the educational background and *training/training* in the financial sector required for Diskual personnel are still very limited. Of the 133 Diskual personnel, only 12 people or 9% are registered to have attended *training/training* in finance. Another problem is the limited number of Diskual personnel faced with the Personnel Structure List (DSP). There is still a gap between the number of personnel according to the DSP and the real data of personnel serving in Diskual. This means that the current fulfillment of personnel at Diskual is still not optimal. This condition can lead to an increase in workload (overload) which has implications for reducing personnel performance and will ultimately affect the quality of the preparation of Navy financial reports by Diskual.

In addition to the above problems, the limited utilization of information technology is also one of the obstacles in the preparation of quality Navy financial reports. These problems include: relatively complicated financial application operations, lack of socialization of financial applications to Headquarters Satker Account personnel, lack of training / courses for financial application operations, and application operations which include data input, processing and reporting activities that are highly dependent on internet connectivity. The types of applications used in the preparation of the Navy's financial statements can be seen in the following table:

Table 3. Types of Information Technology in the Preparation of TNI Navy Financial Statements

NO	TYPES OF INFORMATION TECHNOLOGY
1.	Agency Level Financial Accounting System (SAKTI) Application
2.	<i>Online Monitoring</i> Application of State Treasury System (Omspan),
3.	Electronic Reconciliation Application (E-Recon)
4.	Integrated Account Management System Application (Sprint)
5.	Online PNPB Information System Application (Simponi)
6.	<i>Cash Management System</i> (CMS) application.

Source: Navy Finance Office, 2023

The types of applications listed in Table 3 above are the most relevant and important *software* to be used in preparing financial statements. These applications have various features to simplify the financial reporting process and compliance with regulatory standards. By utilizing this application, Diskual can prepare financial reports more efficiently and produce comprehensive, accurate and transparent reports. Based on the description above, the researcher feels it is important to conduct research with the title "The Effect of Internal Control and Human Resource Competence on the Quality of Financial Statements with Mediation of Information Technology Utilization (Study on the Indonesian National Army Navy)".

II. Literature Review

Internal Control Theory

The definition of internal control according to The American Institute of Certified Public Accountants (AICPA) in Winarno's book (2006) is an organizational plan and all coordinated measures and methods implemented in a company to protect assets, maintain the accuracy and reliability of accounting data, increase efficiency, and improve compliance with management policies. Meanwhile, according to The Committee of Sponsoring Organizations (COSO), the definition of an internal control system according to Scott (2014) is a process that is carried out

to provide adequate assurance that control objectives have been achieved. Internal control includes organizational structures, methods and measures that are coordinated to safeguard organizational assets, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies (Mulyadi, (2014).

Human Resource Competency Theory

Competence is an ability to carry out or perform a job or task based on skills and knowledge and supported by the work attitude required by the job (Wibowo, 2016). According to Armstrong and Baron, competence is a behavioral dimension that is behind performance (Wibowo, 2016). It is often called behavioral competence because it is intended to explain how people behave when they perform their roles well. McClelland defines competency as a fundamental characteristic that a person has and has a direct effect on, or can describe excellent performance. In other words, competence is what outstanding performers do more often in more situations with better results, than what average performers do (Zainal, et.al., 2015).

Information Technology Utilization Theory

The definition of information technology according to Sutabri (2014) is a technology used to process data, including processing, obtaining, compiling, storing, manipulating data in various ways to produce quality information, namely information that is relevant, accurate and timely, which is used for personal, business and government purposes and is strategic information for decision making. According to the *Information Technology Association of America* (ITAA) in Sutarman (2009) the definition of *Information Technology* (IT) is a study, design, development, implementation, support or management of computer-based information systems, especially software applications and computer hardware. According to Kadir (2014) information technology can be grouped into two parts, namely software (software) and hardware (hardware).

Financial Statement Theory

Public sector financial statements are a structured representation of the financial position resulting from the transactions carried out. Financial reports of public sector organizations are an important component of creating public sector accountability (Mardiasmo, 2011). The presentation of financial statements is very important, and is a staple for creating fiscal transparency and accountability. According to Hongren (2007), financial statements are documents that report on the condition of the company in monetary terms and provide information to assist in making decisions based on this information, while the presentation of financial statements is the stage of submitting financial data including notes to financial statements which are intended to communicate the resources or obligations of an entity in a certain period. Belkaoui (2015) states that the qualifications of financial statements are relevance and materiality, form and substance, reliability, freedom from bias, comparability, consistency, and understandability. From these characteristics it can be explained that financial reports should be largely based on the needs of report users.

III. Research Methods

This type of research uses quantitative methods. The quantitative method aims to test certain theories by examining the relationship between variables using research instruments so that data consisting of numbers can be analyzed based on statistical procedures (Creswell, 1994). The survey design in this study was carried out by distributing questionnaires or questionnaires. the research location chosen in this study was the Navy Finance Service

(Diskual). Through the survey design, the research procedure was carried out as follows: find, identify and formulate a research problem, compile a theoretical basis, create a conceptual framework and formulate a research hypothesis, make a questionnaire, collect data through distributing questionnaires to respondents, then the results of data collection are analyzed using quantitative methods (descriptive statistics and inferential or causal statistics), then discussed and then concluded. In this study there are four variables: 1) Exogenous Variables: Internal Control (X_1) and Human Resource Competencies (X_2). 2) Endogenous Variables: (a) Mediating Variable: Information Technology Utilization (Z); (b) Dependent Variable: Quality of Financial Statements (Y).

The data collection method used in this study in three ways, namely questionnaires, online research literature study. Data analysis uses the PLS (Partial Least Square) analysis model using Smart PLS software version 3.3.3, for reasons: (1) The analysis model is tiered and the structural equation model fulfills the recursive model. (2) Measurement of latent variables, namely any variable that cannot be measured directly. Research instruments using the questionnaire method should be prepared based on the indicators that have been described in the operational table of variables so that each question to be asked to each respondent is clearer and can be structured. Before being distributed to respondents, a validity and reliability test was first carried out by 30 experts to find out and ensure that the statements in the questionnaire could be understood by the respondents. In general, the scoring technique used in this research questionnaire is the Likert Scale.

IV. Results and Discussion

Overview of the Naval Financial Service

The Navy Finance Office (Diskual) is a Central Executive Agency (Balakpus) of the Navy which is domiciled under and responsible to the Chief of Staff of the Navy (Kasal). As an Echelon-1 Finance Agency within the Navy, Diskual is tasked with organizing financial guidance which includes financing, controlling, bookkeeping, accounting, reporting and accountability of state finances as well as administrative management of disciplinary savings for soldiers and civil servants in order to support the main tasks of the Navy. Diskual is led by the Head of the Navy Financial Service (Kadiskual) who is held by a Navy High Officer with the rank of 1 (one) star who is domiciled under and responsible to the Chief of Staff, in the implementation of daily tasks coordinated by the Wakasal. The Kadiskual is assisted by the Secretary of the Navy Financial Service (Sekdiskual), who is held by a Navy Medium Officer with the rank of Colonel.

SEM Analysis Results with SmartPLS Approach

Test Coefficient of Determination (*R-square*)

The coefficient of determination test is carried out to review the *R-square* value. This test aims to measure how far the model can explain the research variables.

Table 4. R-square value

	R Square	R Square Adjusted
LK QUALITY	0.719	0.71
IT UTILIZATION	0.718	0.712

Source: Smart PLS, 2024

Based on table 4, it is known that the *R-square* value for the LK Quality variable (Y) is 0.719. In this research model, it is known that the predictors of LK Quality (Y) are Internal Control (X_1), HR Competence (X_2) and IT Utilization (Z), so it can be concluded that these three predictors are able to explain the LK Quality variable (Y) 71.9%. Furthermore, based on

table 4, it is known that the *R-square* value for the IT Utilization variable (Z) is 0.718. In this research model, it is known that the predictors of IT Utilization (Z) are Internal Control (X_1) and HR Competence (X_2), so it can be concluded that these two predictors are able to explain the IT Utilization variable (Z) up to 71.8%.

Goodness of Fit

Model Fit Test or *Goodness of Fit* (GoF) is conducted to assess the quality of the estimated model by comparing the actual value of the dependent variable with the value predicted by the estimated model. GoF assessment criteria according to Hair, Hult, Ringle & Sarstedt (2016), namely GoF with a value > 0.1 is considered small (GoF *small*), GoF with a value > 0.25 is considered *moderate* (GoF *moderate*) and GoF with a value > 0.36 is considered large (GoF *large*). If the GoF value obtained is more than 0.36, then the suitability of the research model is considered good.

Table 5. Goodness of fit values

	Saturated Model	Estimated Model
SRMR	0.095	0.095
d_ULS	10.689	10.689
d_G	8.294	8.294
Chi-Square	3061.297	3061.297
NFI	0.48	0.48

Source: Smart PLS, 2024

GoF assessment can be done by reviewing the value of SRMR, which shows the average square root difference between the correlation to be observed and the model in the correlation. If the SRMR value is greater than 0.08, the model fit is good. Table 5 above shows that the SRMR value in this study is 0.095, so it can be concluded that the model fit in this study is good. In addition, GoF can be measured by calculating the square root of the average AVE value multiplied by the average R-square value, as follows:

$$\text{GoF} = \sqrt{\text{AVE} \times \bar{R}^2}$$

$$\text{GoF} = \sqrt{0,551 \times 0,719}$$

$$\text{GoF} = \sqrt{0,396}$$

$$\text{GoF} = 0,629$$

Based on the above calculations, the GoF value is 0.629, which means that the GoF value in this study is considered large (GoF *large*) because it has a value > 0.36. According to these results, the GoF value for this research model is considered good and can explain the data empirically.

Measurement Model

In this study, the variables have a relative indicator model, where the research variables are reflected by their indicators. To find out which indicators are the strongest in reflecting related variables, it can be seen in the *loading factor* value, as follows:

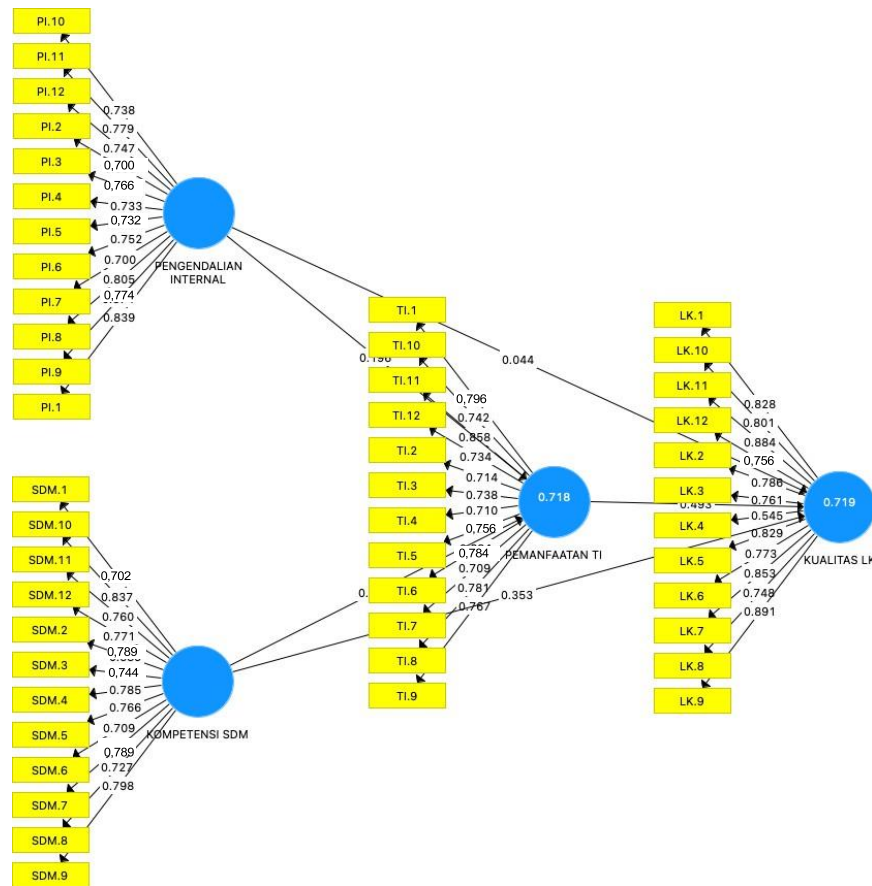


Figure 1. Loading Factor Value (Outer Model)

Source: Smart PLS, 2024

The results of the *loading factor* measurement for indicators that reflect the Internal Control variable (X₁) are presented in table 6 as follows:

Table 6. Internal Control Variable Measurement Model (X₁)

Indicator	Loading Factor	P-value	Description
PI.1	0.839	0.000	P < 0.05: significant
PI.2	0.765	0.000	P < 0.05: significant
PI.3	0.666	0.000	P < 0.05: significant
PI.4	0.733	0.000	P < 0.05: significant
PI.5	0.732	0.000	P < 0.05: significant
PI.6	0.752	0.000	P < 0.05: significant
PI.7	0.7	0.000	P < 0.05: significant
PI.8	0.805	0.000	P < 0.05: significant
PI.9	0.774	0.000	P < 0.05: significant
PI.10	0.738	0.000	P < 0.05: significant
PI.11	0.779	0.000	P < 0.05: significant
PI.12	0.747	0.000	P < 0.05: significant

Source: Smart PLS, 2024

Based on table 6, it is known that all indicators have a positive *loading factor*. In addition, all indicators also have a *P-value* smaller than 0.05, so it can be concluded that the Internal Control variable (X₁) is positively and significantly reflected by all indicators (PI.1

s.d. PI.12). The results of the *loading factor* measurement for indicators that reflect the HR Competency variable (X_2) are presented in table 7 as follows:

Table 7. Measurement Model of HR Competency Variables (X_2)

Indicator	Loading Factor	P-value	Description
HR.1	0.702	0.000	P < 0.05: significant
HR.2	0.789	0.000	P < 0.05: significant
HR.3	0.744	0.000	P < 0.05: significant
HR.4	0.785	0.000	P < 0.05: significant
HR.5	0.766	0.000	P < 0.05: significant
HR.6	0.709	0.000	P < 0.05: significant
HR.7	0.789	0.000	P < 0.05: significant
HR.8	0.727	0.000	P < 0.05: significant
HR.9	0.798	0.000	P < 0.05: significant
HR.10	0.837	0.000	P < 0.05: significant
HR.11	0.76	0.000	P < 0.05: significant
HR.12	0.771	0.000	P < 0.05: significant

Source: Smart PLS, 2024

Based on table 7, it is known that all indicators have a positive *loading factor*. In addition, all indicators also have a *P-value* smaller than 0.05, so it can be concluded that the HR Competency variable (X_2) is positively and significantly reflected by all indicators (HR.1 to HR.12). The *loading factor* measurement results for indicators that reflect the IT Utilization variable (Z) are presented in table 8 as follows:

Table 8 Measurement Model of IT Utilization Variables (Z)

Indicator	Loading Factor	P-value	Description
TI.1	0.796	0.000	P < 0.05: significant
TI.2	0.714	0.000	P < 0.05: significant
TI.3	0.738	0.000	P < 0.05: significant
TI.4	0.71	0.000	P < 0.05: significant
TI.5	0.756	0.000	P < 0.05: significant
TI.6	0.784	0.000	P < 0.05: significant
TI.7	0.709	0.000	P < 0.05: significant
TI.8	0.781	0.000	P < 0.05: significant
TI.9	0.767	0.000	P < 0.05: significant
TI.10	0.742	0.000	P < 0.05: significant
TI.11	0.858	0.000	P < 0.05: significant
TI.12	0.734	0.000	P < 0.05: significant

Source: Smart PLS, 2024

Based on table 8, it is known that all indicators have a positive *loading factor*. In addition, all indicators also have a *P-value* smaller than 0.05, so it can be concluded that the IT Utilization variable (Z) is positively and significantly reflected by all indicators (TI.1 to TI.12). The *loading factor* measurement results for indicators that reflect the LK Quality variable (Y) are presented in table 9 as follows:

Measurement Model of LK Quality Variable (Y)

Indicator	Loading Factor	P-value	Description
LK.1	0.828	0.000	P < 0.05: significant
LK.2	0.786	0.000	P < 0.05: significant
LK.3	0.761	0.000	P < 0.05: significant
LK.4	0.745	0.000	P < 0.05: significant
LK.5	0.829	0.000	P < 0.05: significant
LK.6	0.773	0.000	P < 0.05: significant

LK.7	0.853	0.000	P < 0.05: significant
LK.8	0.748	0.000	P < 0.05: significant
LK.9	0.891	0.000	P < 0.05: significant
LK.10	0.801	0.000	P < 0.05: significant
LK.11	0.884	0.000	P < 0.05: significant
LK.12	0.768	0.000	P < 0.05: significant

Source: Smart PLS, 2024

Based on table 9, it is known that all indicators have a positive *loading factor*. In addition, all indicators also have a *P-value* smaller than 0.05, so it can be concluded that the LK Quality variable (Y) is positively and significantly reflected by all indicators (LK.1 to LK.12).

SEM Structural Model

The structural model in this study is adjusted to the research hypothesis described in the chapter above, which includes five direct influence hypotheses and two indirect influence hypotheses (mediation). The SEM model is shown in Figure 2 as follows:

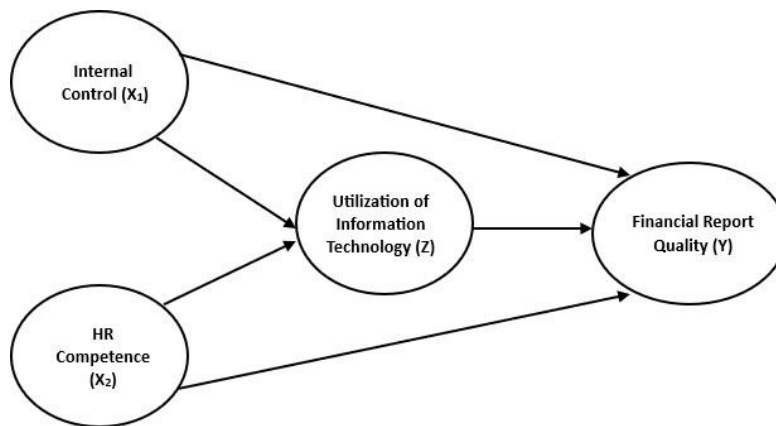


Figure 2. SEM Model

Source: Data processed by researchers, 2024

The Effect of Internal Control (X₁) on the Quality of Financial Statements (Y) Mediated by Information Technology Utilization (Z)

Hypothesis testing shows that Internal Control has a positive and significant effect on LK Quality mediated by IT Utilization. The positive effect can be seen from the sign of the path coefficient, which is 0.097 (positive) and the significant effect is explained by the *p-value* (0.04) which is less than 0.05. Based on the results of the hypothesis test, it can be concluded that if IT utilization increases, the effect of internal control on LK quality will also increase. The results of hypothesis testing are also supported by empirical conditions in the Diskual environment as shown by the measurement model and descriptive analysis results. The description of the Internal Control variable shows a high value. Based on the average score of respondents' answers, the Internal Control implemented at Diskual is classified as good, which is in the value range of 3.99 - 4.09. This is also supported by indicators of the control environment, risk assessment and control policies that can reflect the Internal Control variable positively. Internal control implemented at Diskual is mainly reflected by the risk assessment indicator, which descriptively is also considered good, as evidenced by the average value of 4.05.

The Effect of Human Resource Competencies (X_2) on the Quality of Financial Statements (Y) Mediated by Information Technology Utilization (Z)

Hypothesis testing shows that IT Utilization mediation has a positive and significant effect on the relationship between HR Competencies and LK Quality. The positive effect can be seen from the sign of the *path coefficient*, which is 0.187. While the significant effect is explained by the p-value which is less than 0.05, namely 0.007. Based on the results of the hypothesis test, it can be concluded that if the utilization of IT in the Diskual environment goes well, the effect of HR competence on the quality of LK will increase. The test results are also supported by empirical conditions in the Diskual environment as shown by the measurement model and descriptive analysis results. Diskual personnel assess that HR competencies in the organization are in the good category, as evidenced by the average value of variable scores in the range (3.21 - 4.41). The good HR competence is also reflected by indicators of *knowledge*, *skills* and *attitudes*. The indicator that best reflects the HR Competency variable is *skill*, with an average value of 4.37 (good category).

The best model of the relationship between variables in improving the quality of financial statements

Based on the results of the calculation of the direct and indirect effects of internal control variables and HR competencies on the quality of financial statements, it is known that the magnitude of the indirect effect (Internal Control $\rightarrow$ IT Utilization $\rightarrow$ LK Quality and HR Competencies $\rightarrow$ IT Utilization $\rightarrow$ LK Quality) is greater than the direct effect (Internal Control $\rightarrow$ LK Quality, HR Competencies $\rightarrow$ LK Quality and IT Utilization $\rightarrow$ LK Quality). The results of this calculation indicate that IT utilization is able to mediate the effect of internal control and HR competence on the quality of financial statements. The data in table 4.22 shows that the magnitude of the indirect effect of internal control variables (7.995) is greater than the direct effect (6.584). The magnitude of the indirect effect of HR competence (27,600) is also greater than the direct effect (7,344). Based on the description above, the relationship model of internal control and HR competence on performance with IT utilization mediation can be described as follows:

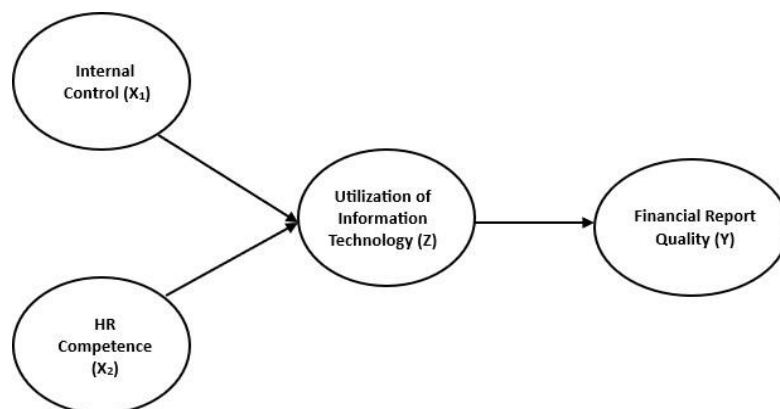


Figure 3. Relationship Model of the Effect of Internal Control and HR Competence on LK Quality

Source: Data processed by researchers, 2024

The relationship model above shows that IT utilization as a mediating variable has an important role in increasing the influence of internal control and HR commitment on LK quality. The use of IT allows internal control to be carried out more effectively and efficiently,

thus preventing potential errors and abuse. In addition, the use of IT also helps improve HR competencies through various programs and applications in the financial sector that can help prepare financial reports. In the end, the use of IT is very important to realize quality, transparent and accountable financial statements.

Research Findings

Based on the results of the research and discussion carried out in the previous description, the results of the current study support the research conducted by previous researchers. The *novelty* (new findings) in this study is the role of IT utilization as a mediating variable in the relationship between internal control and HR competencies on LK quality. IT utilization is proven to be able to increase the influence of exogenous variables on endogenous variables. In its implementation, IT utilization can increase the effect of internal control on LK quality, through: Increased automation in the LK preparation process so that it can produce accountable products; Improved supervision through *real-time* monitoring and a comprehensive *audit trail*. This can facilitate preventive action against potential misuse early on; Improved access control to ensure that only authorized personnel have access to sensitive financial data to reduce the risk of information leakage and data manipulation.

The utilization of IT can also enhance the influence of HR competencies on the quality of LK, through: IT-based training that allows personnel to continuously improve their skills in accordance with the latest developments in financial accounting and reporting; Availability of sophisticated data analysis tools such as financial analysis *software* and *big data analytics*. These tools can help personnel to prepare and analyze financial statements more accurately and accountably.

Research Implications

This research provides theoretical implications and practical implications in accordance with the research benefits that have been formulated in the introductory chapter. Theoretical implications are implications related to the development of theories from internal control theory, HR competency theory, IT utilization theory and LK Quality theory. The results of this study have the following study implications: a) Develop and strengthen the theory of internal control that has been developed by Romney (2014). In his theory, Romney (2014) argues that internal control is a process and procedure that is carried out to provide adequate assurance that control objectives have been met. The explanation of the theory is developed and proven by the results of research in the Diskual environment, where the implementation of internal control is measured through indicators of the control environment, risk assessment and control policies.

In this study, internal control is tested for its effect on the quality of financial reports based on the results of Ningtyas & Andayani's research (2019). Developing and strengthening the theory of human resource competencies that have been developed by Lyle Spencer & Signe Spencer (2012) that HR competencies are the underlying characteristics of a person related to the effectiveness of individual performance in their work or the basic characteristics of individuals who have a causal relationship with the criteria used as a reference, effective or performing excellently or superior in the workplace or in certain situations. The explanation of the theory is then developed and proven by the results of research in the Diskual environment, where human resource competency assessment is measured through indicators of *knowledge*, *skills* and *attitudes*.

The results of this study are also useful for several parties, including the Indonesian Navy (Diskual) organization and TNI soldiers: TNI AL (Diskual) can formulate strategic policies to improve internal control, HR competencies and IT utilization, with the ultimate goal being to improve the quality of financial reports in order to realize TNI AL as a clean, transparent and accountable organization; Soldiers can play an active role in realizing good internal control,

increasing IT utilization in the financial sector and participating in HR competency improvement programs, such as education, courses and *training*. This is done to be able to improve the quality of financial reports in order to realize the Navy as a clean, transparent and accountable organization. This research can be a reference for government agencies in formulating effective operational strategies to improve the quality of LK in their work environment. Through a better understanding of the effect of internal control, HR competencies and IT utilization on the quality of LK, this research provides valuable insights for agency/institution leaders in optimizing the potential of their personnel to achieve organizational goals more efficiently. By considering the findings and recommendations of this study, other government agencies can identify appropriate strategies to improve the quality of accountable LK.

Research Limitations

This research has been designed with reference to theoretical support, empirical support, logical studies and carried out according to the rules of scientific research methods. However, of course there are still some limitations in this study. The limitations of this research are put forward as a reference for further research to produce better research. Some of these limitations are as follows: The diversity/variation of age, length of service and work experience of respondents is uneven (across generations) and data collection is carried out at a certain time, so that variations in perception are uneven and cannot be seen continuously.

V. Conclusion

Based on the results of the research and discussion described in the previous chapter, the following conclusions can be drawn:

- a) There is a positive and significant influence between internal control on the quality of financial statements, meaning that the level of internal control can affect the quality of financial reports prepared by the Distributions.
- b) There is a positive and significant influence between human resource competencies on the quality of financial reports, meaning that improving the quality of financial reports can be done through increasing the competence of human resources.
- c) There is a positive and significant influence between the utilization of information technology on the quality of financial reports, good utilization of information technology can be reflected in the *intensity of use, frequency of use* and the number of applications used (*diversity of software packages used*).
- d) There is a positive and significant influence between internal control on the utilization of information technology, meaning that the level of internal control can affect the high and low utilization of information technology in the Diskual environment.
- e) There is a positive and significant influence between human resource competencies on the utilization of information technology, meaning that increasing the utilization of information technology can be done through increasing human resource competencies.
- f) There is a positive and significant influence between internal control on the quality of financial statements mediated by the use of information technology, meaning that the existence of information technology utilization as a mediating variable can affect the high and low influence of internal control on the quality of financial statements.
- g) There is a positive and significant influence between human resource competencies on the quality of financial reports mediated by the use of information technology, meaning that the use of information technology as a mediating variable is able to influence the high and low influence of human resource competencies on the quality of financial reports.
- h) The best relationship model to improve the quality of financial statements is through internal control and HR competence on financial statements with IT utilization mediation.

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