

The influence of human Resource Competency and Budget Participation on the Reliability of Financial Reports with an Internal Control System as a Moderating Variable in the Jambi Regional Police in 2024

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ABSTRACT

This research aims to determine the influence of human resource competency and budget participation on the reliability of financial reports with the internal control system as a moderating variable in the Jambi Regional Police in 2024. The population in this study is Jambi Regional Police personnel who work in the financial sector consisting of 34 unit. Determining the sample in this research uses techniques *total sampling* where the entire population was used as a research sample consisting of 135 respondents. This research method uses descriptive quantitative methods. SEM-PLS was used to analyze this research data. The data used is primary data obtained from questionnaires distributed to respondents. The results of the research show that human resource competence has a significant effect on the reliability of financial reports and budget participation has no effect on the reliability of financial reports, while the internal control system as a moderating variable is able to influence on the variables of human resource competence and budget participation in increasing reliability of financial statements.

INTRODUCTION

Demand for transparency and accountability of State administrators as a form of implementation *good governance* and *clean government* and the public's right to obtain information in accordance with statutory regulations requires public sector financial policy makers to be able to present good and reliable reports so that the public's rights regarding transparent and accountable financial reports can be fulfilled. This is in accordance with the agency theory put forward by Jensen and Meckling (1976) explaining the role of government and society to realize accountability in the government sector, with society as *principal* give trust to the government as *agent* (Eisenhardt, 1989). The process of decision making and evaluation of financial operational performance is carried out by assessing information from financial reports (Rizqiyah, Budi, Haryadi, & Rahayu, 2023). State financial reports are a form of responsibility for managing state finances, so the financial reports presented must be in accordance with those required by Constitution (*staturory reports*) (Siahaya & Sandanafu, 2022). Financial reports are said to be of quality if they meet four characteristics, namely reliable, understandable, relevant and comparable. Financial reports are said to be reliable if they fulfill 3 elements, namely honesty, verifiability and neutrality (PP No. 71 of 2010). In addition, financial reports must not contain errors or fraud. The quality of financial reports is a useful basis for decision making by related parties. Therefore, competent human resources are needed to be able to produce quality financial reports. Management of financial reports at the Police is responsibility for budget management which refers to the provisions regulated in Perkap Number 5 of 2022 concerning the administration of financial accountability within the National Police of the Republic of Indonesia. The implementation of financial report accountability must be made using a reliable government accounting system, which can be done manually or with a computer application. Government regulation number 71 of 2010 explains the importance of ensuring reliable financial reports as part of public sector financial management accountability.

The National Police as part of the government which uses public funds provided by the government and the community to carry out police duties, including law enforcement, maintaining order, and providing public services has the responsibility to explain how public funds are used and managed properly and efficiently. Therefore, transparency and accountability in budget management are very important to ensure that the public and other stakeholders can understand and verify the correct use of public funds. Polri's human resources are formed from high school/equivalent graduates as stated in the Regulation of the Chief of the Indonesian National Police (Perkapolri) Number 10 of 2016 concerning the recruitment of prospective Polri members. clean, transparent, accountable and humanist. Information on the recruitment of Polri members which can be accessed via www.penerimaanpolri.go.id consists of 3 types of groups, namely police officers, non-commissioned officers and Polri enlisted personnel who are recruited with a minimum education of high school graduates/equivalent who will then be educated at Polri educational institutions (Prahatinto, 2018). The use of the budget in the National Police agency has an Internal Control System (SPI) which is intended to minimize errors that occur.

The internal control system in the Jambi Regional Police (Polda) is carried out in stages in accordance with the Polri leadership structure.

Based on law number 15 of 2004 and instructions for implementing BPK audits (2014), in the audit of government financial reports the opinion that can be given is reasonable without exception (*unqualified opinion*), reasonable with the exception of (*qualified opinion*), unreasonable (*adversed opinion*), and did not provide an opinion (*disclaimer of opinion*).

Based on data from auditing financial reports by the Financial Audit Agency (BPK) and providing opinions on the presentation of financial reports that have been prepared by the National Police of the Republic of Indonesia. This was carried out based on the State Financial Audit Standards (SPKN) which are regulated in the Financial Audit Agency regulation number 01 of 2017. So that the results of the audit of the financial reports of the Indonesian National Police for 6 consecutive years were obtained with the following opinion which is shown in table 1.1 below.

Table 1. BPK Audit Results

| Year | Opinion |
|------|------------------------------------|
| 2017 | WTP (reasonable without exception) |
| 2018 | WTP (reasonable without exception) |
| 2019 | WTP (reasonable without exception) |
| 2020 | WTP (reasonable without exception) |
| 2021 | WTP (reasonable without exception) |
| 2022 | WTP (reasonable without exception) |

Source: www.bpk.go.id

The table above states that the financial management and reporting of the Indonesian National Police obtained a WTP opinion or was assessed as being in accordance with Government Accounting Standards (SAP) from the BPK during 6 consecutive years from 2017-2022. However, despite obtaining a WTP opinion on the Police financial report, there are still findings from the BPK indicating that the Police financial report does not meet the reliable criteria, namely honesty, verifiability and neutrality.

The main findings that are noted by the BPK are findings related to budget gaps, delays in completing work and lack of supervision by the internal control system so that researchers are interested in taking discussion topics regarding human resource competence and budget participation on the reliability of financial reports and want to know the influence of the internal control system as a The moderating variable is able to moderate human resource competence and budget participation so as to produce reliable financial reports.

LITERATURE REVIEW

Agency Theory

Agency theory or *Agency theory* known as an agency relationship, which is an arrangement where one or more people (*principal*) pointing to someone else (*agent*) to perform services on behalf of the principal and empower agents to make the best decisions for the principal (Panda & Leepsa, 2017). Agency theory

put forward by Jensen and Meckling (1976) states that an agency relationship is a contract in which one or more (*principal*) hire someone else (*agent*) to perform some service on their behalf by delegating some decision-making authority to *agent* (Hikmawati, Respat, Adriani, & Mukhlisah, 2018). In other words, agency theory explains the role of government as agent and society as principal in government to realize accountability in the government sector, where society as principal provides trust to government as agent (Eisenhardt, 1989).

Human Resources Competency

Human resources in the National Police agency consist of members of the National Police and State Civil Apparatus (ASN) who are under the auspices of the National Police. The nomenclature of the Police institution is introduced in Article 30 paragraph (4) of the 1945 Constitution of the Republic of Indonesia which states that the National Police of the Republic of Indonesia is a state instrument that maintains public security and order and is tasked with protecting, protecting, serving the community and enforcing the law. Based on these regulations, the police are an instrument of the state, one of the institutions that is an actor in law enforcement in Indonesia. Police competence cannot be separated from the police's human resources themselves. Inadequate work skills encourage corruption in the Police, therefore, apart from focusing on improving welfare, the Police must also be equally serious in strengthening the work skills of its personnel. Police professionalism currently needs to be evaluated, because the police still do not know how to work professionally, in the sense of increasing the police's work capacity and this can be done by bringing the police closer to the world of education as a source of increasing their ability to increase knowledge and technology (J. I. Tarigan & Sari, 2021).

Budget Participation

Budget participation is the level of a person's participation and influence in determining and preparing the budget for a department or subsection, either periodically or annually. Budgets have two important roles in an organization, as a tool for planning and as a tool for short-term control for an organization (Umasangadji Syaiful, 2016).

The indicators for measuring Budget Participation according to Destipa Imelia, Sri Rahayu (2021) are as follows:

1. Engagement

Actively participates in work in the form of hard work, shows that budgeting is the main thing and views budgeting work as important in terms of self-esteem.

2. Influence

That is, it has benefits and has effects/impacts that arise on budgeting.

3. Commitment

Loyalty must be reflected in budgeting, attitudes towards duties and responsibilities as well as HR's self-discipline in being involved in budget preparation.

Financial Statements

Financial reports are prepared to provide important information regarding the financial position of the reporting entity and all transactions carried out during the reporting period. Financial reports are primarily used to determine the value of economic resources used for government operations, to assess financial conditions, assess the effectiveness and efficiency of reporting units and to determine compliance with laws and regulations (Christian & D wysocki, 2016).

According to law number 15 of 2004, the criteria for providing an opinion regarding the examination of an auditor's professional statement regarding the fairness of financial information presented in a financial report are based on the following criteria:

- 1) Compliance with government accounting standards
- 2) Adequacy of disclosure (adequate disclosures)
- 3) Compliance with laws and regulations, as well as
- 4) Effectiveness of the internal control system

To comply with Government Regulation Number 71 of 2010 concerning Government Accounting Standards and meet the required quality, there are four characteristics of government financial reporting requirements (Government Accounting Standards, 2010), namely: 1) Relevant; 2) Reliable; 3) Comparable; 4) Understandable.

Internal Control System

The definition of an internal control system put forward (Kewo & Afiah, 2017), citing *American Institute of Certified Public Professional Standards for Accountants*, definition an internal control system as a process implemented by a company's board of directors, senior management, and employees. Others designed to provide reasonable assurance regarding the achievement of organizational goals. Sourced from Government Regulation No. 60 of 2008, the Government Internal Control System consists of five factors, namely: 1) Control Environment; 2) Risk Assessment; 3) Control Activities; 4) Information and Communication; 5) Monitoring.

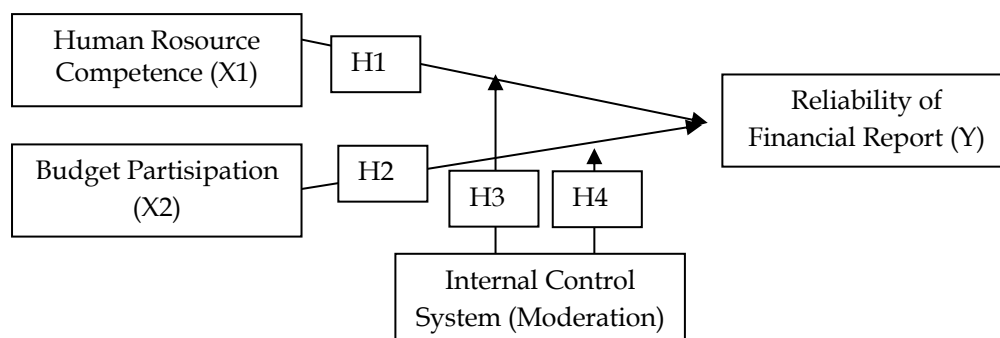


Figure 1. Research Model

Hypothesis

H1 : Human Resource Competency (HR) has an influence on System reliability of financial reports.

H2 : Budget participation affects the reliability of financial reports.

H3 : The internal control system is able to moderate the influence of human resource (HR) competency on the reliability of financial statements.

H4 : The internal control system is able to moderate the effect of budget participation on the reliability of financial reports.

METHODOLOGY

Population and Sample

The population in this study consisted of all financial staff in the Jambi Regional Police work unit, totaling 135 people. The sampling technique in this research uses a total sampling method where the entire population is sampled with the following criteria: 1) Directly involved in managing financial reports; 2) Evaluate finances; 3) Prepare financial reports; and 4) Willing to take part in research.

Research Methods

The method in this research is the quantitative descriptive research method, which is one of the research methods used to describe the characteristics of a population or phenomenon that is occurring. The data collection tool in this research uses a list of questions in the form of a questionnaire to collect information from the research object.

Data Collection Tools

To determine the influence of human resource competence and budget participation on the reliability of financial reports and to find out whether the internal control system is able to moderate human resource competence and budget participation so as to produce reliable financial reports. This research uses Smartpls PLS 3.2.9 version software with Structural Equation Modeling (SEM) methodology.

RESEARCH RESULT

Validity Test

Table 2. Convergent Validity

| Variable | Indicator | Weights or loadings | information |
|----------------------------------|-----------|---------------------|-------------|
| Human Resource Competency | X1.1 | 0,921 | Valid |
| | X1.2 | 0,823 | Valid |
| | X1.3 | 0,790 | Valid |
| | X1.4 | 0,728 | Valid |
| | X1.5 | 0,834 | Valid |
| Budget Participation | X2.1 | 0,877 | Valid |
| | X2.2 | 0,876 | Valid |
| | X2.3 | 0,863 | Valid |
| | X2.4 | 0,856 | Valid |
| | X2.5 | 0,863 | Valid |
| Reliability of Financial Reports | Y.1 | 0,902 | Valid |
| | Y.2 | 0,887 | Valid |

| | | | |
|-------------------------|-----|-------|-------|
| | Y.3 | 0,933 | Valid |
| | Y.4 | 0,934 | Valid |
| | Y.5 | 0,935 | Valid |
| | Z.1 | 0,889 | Valid |
| | Z.2 | 0,939 | Valid |
| | Z.3 | 0,921 | Valid |
| | Z.4 | 0,945 | Valid |
| Internal Control System | Z.5 | 0,956 | Valid |
| | Z.6 | 0,958 | Valid |
| | Z.7 | 0,923 | Valid |
| | Z.8 | 0,900 | Valid |
| | Z.9 | 0,909 | Valid |

Source: Data processed by researchers (SmartPLS 3.0 Output)

Convergen Validity Test carried out to test the validity and reliability of each indicator used. An indicator is said to be valid if it has a value *weights or loading factor* above 0.7 (Hamid, 2019). Table 1 above shows that the output results from the construct analysis show a loading factor value of >0.7, which means all construct indicators are valid.

Reliability Test

Researchers also considered the Average Variance Extracted (AVE) value. The AVE value is said to be reliable if it has a value > 0.5. Below are the AVE values for each variable yang menunjukkan seluruh variabel penelitian sudah reliable.

Table 3. Average Variance Extracted (AVE)

| Variable | Average Variance Extracted (AVE) | information |
|--------------------------------------|----------------------------------|-------------|
| Human Resources Competence (X1) | 0,675 | Reliable |
| Budget Participation (X2) | 0,752 | Reliable |
| Reliability of Financial Reports (Y) | 0,844 | Reliable |
| Internal Control System (Z) | 0,859 | Reliable |

Source: Data processed by researchers (SmartPLS 3.0 Output)

R Square

Table 4. R-Square Value

| Variable | R Square | criteria |
|--------------------------------------|----------|----------|
| Reliability of Financial Reports (Y) | 0,379 | moderate |

Source: Data processed by researchers (SmartPLS 3.0 Output)

Table 4 results for R-square value Village financial management accountability (Y) 37.9 percent. This shows the influence of human resource competence and budget participation on the reliability of financial reports which is moderated by the internal control system is in the medium category.

Q Square

Table 5. Q Square

| Variable | SSO | SSE | Q²(=1-SSE/SSO) |
|--------------------------------------|------------|------------|----------------------------------|
| Reliability of Financial Reports (Y) | 675,000 | 478,911 | 0,291 |

Source: Data processed by researchers (SmartPLS 3.0 Output)

The Q square value in this research is 0.291 (moderate) > 0,15 meaning that the model in this research is considered predictive or relevant.

F Square

Table 6. F square

| Variabel | F Square | Kriteria |
|--|-----------------|-----------------|
| Human Resources Competency (X1)-> Reliability of Financial Reports (Y) | 0,174 | Moderate |
| Budget Participation (X2)-> Reliability of Financial Reports (Y) | 0,011 | Small |
| Internal Control System (Moderation) | 0,057 | Small |
| Internal Control System (Moderation) X Budget Participation (X2)- > Reliability of Financial Reports (Y) | 0,125 | Small |

Source: Data processed by researchers (SmartPLS 3.0 Output)

From the table above, the F square value shows that the influence of the human resource competence variable on the reliability of financial reports is 0.174 (moderate), budget participation on the reliability of financial reports is 0.011 (small), the moderating influence of the internal control system on human resource competence on the reliability of financial reports is 0.057 (small) and the effect of the internal control system moderating budget participation on the reliability of financial reports is 0.125 (small).

Hypothesis Testing

Table 7. Hypothesis Testing

| | Original Sample (O) | Sample Mean (M) | Standard Deviation | T Statistic | P Values | Results |
|-----------------------|---------------------|-----------------|--------------------|-------------|--------------|----------------|
| $X1 \rightarrow Y$ | 0,402 | 0,402 | 0,091 | 4,403 | 0,000 | Influential |
| $X2 \rightarrow Y$ | 0,098 | 0,108 | 0,083 | 1,186 | 0,236 | No Influential |
| $M= X1 \rightarrow Y$ | 0,207 | 0,190 | 0,095 | 2,177 | 0,030 | Influential |
| $M= X2 \rightarrow Y$ | -0,384 | -0,381 | 0,106 | 3,633 | 0,000 | Influential |

DISCUSSION

The Influence of Human Resource Competency on the Reliability of Financial Reports

Based on the results of the research above which uses hypothesis testing on the human resource competency variable on the reliability of financial reports, it has a calculated t value of 4.403 and a P value of 0.000, which means H0 is rejected and Ha is accepted. Accepting Ha as a hypothesis means accepting hypothesis 1, thereby giving the meaning of source competence Human resources influence the reliability of financial reports at the Jambi Regional Police.

The findings of this research relate to the measurement of human resource competence, where in this research there are five indicators that have been tested convergent *validity*, The five indicators are the staff's educational background in accounting, training that supports their ability to work in the field of accounting, the training material they follow is in accordance with the function of a financial manager, they are experienced in the field of accounting and they understand clear roles and functions in financial management.

This finding is in line with the conditions within the Jambi Regional Police where human resource competency is based on the educational level of the Jambi Regional Police's financial staff, which is dominated by college graduates from D3 to Masters level, totaling 75 people or 55% and only 61 staff are high school graduates. Equal (45%). Even though only 22 people (16%) of the staff are university graduates with a background majoring in economics/accounting, the Jambi Regional Police finance staff actively participate in training to support careers in the financial sector, this is proven by the existence of competency training certificates from 75 people who have attended training in finance (55%). Apart from that, the Jambi Regional Police's financial staff have also had quite a long period of work in the financial sector so they have a lot of experience in financial management where there are 120 staff who have 2 years to more than 20 years of experience in the Jambi Regional Police's financial section and only 15 staff (11%) who have work experience of less than 2 years. This shows that although there are still many personnel who have not continued their higher education and there are still many staff who have a non-economic/accounting educational background but have undergone training in the financial sector and have work experience which is assessed by years of service in the financial sector.

So it can be concluded that the competency of human resources in the financial sector of the Jambi Regional Police is quite good and competent, so that the Jambi Regional Police's human resources can prepare financial reports that are reliable, timely, relevant and comparable because the Jambi Regional Police's financial staff has met the criteria for human resource competency according to the principles The professional ethics of the Indonesian Association of Accountants are obtained in 2 ways, namely:

- 1) By increasing knowledge, including expertise in accounting obtained from formal education, training or continuing education
- 2) Experience, namely studying financial reporting activities from the past as demonstrated by work experience in the financial sector. Because the longer the accountant's work period and experience, the better the quality of the results (Febri S, Rahayu, & Wiralestari, 2019).

Even though the human resource competency of the Jambi Regional Police's financial staff is quite good, the increase in education to a higher level still needs to be improved, this is in accordance with research suggestions (Iskharimah, Harmono, & Sihwahjoeni, 2021) which reveal that even with advanced experience and years of service For a long time, if human resource competence through formal education is improved so as to increase knowledge and broad insight, then human resource competence will be even better. Quality financial reports can be obtained if the financial reports are prepared by quality human resources, financial reports can be of quality if they have human resources who are knowledgeable, have the ability (*skill*) and attitude (*attitude*) the good one. In this research, the influence of human resource competency has an influence on the reliability of financial reports which is in accordance with research (Iskharimah et al., 2021) which states that the reliability of financial reports presented by the East Java Province resort police can be influenced by human resource competency. (Antika, 2018) stated that human resource competence to achieve goals must be able to utilize abilities, skills, concepts and opportunities, and be able to use the tools that the organization has. The competency of human resources at the East Java Province Resort Police cannot be separated from information technology for carrying out financial reports. This is supported by research results (J. Tarigan & Nurmalasari, 2020) which underline that human resource competency has a significant effect on the quality of financial reports within the North Sumatra Regional Police.

However, this is not in line with research (Silvera, 2021) which states that the quality of human resources in accounting has a partially significant effect on the quality of financial reports at the Padang Police. Research (Febri S et al., 2019) also underlines that HR competency does not affect the quality of financial reports due to demographic factors (age, educational background, and length of service) of HR which are still inadequate, so experience and improvement are really needed. knowledge competency by increasing guidance and techniques, seminars and outreach, even conducting comparative studies to improve human resource competency.

The Effect of Budget Participation on the Reliability of Financial Reports

Based on the results of the research above which uses hypothesis testing on the budget participation variable on the reliability of financial reports, it has a calculated t value of 1.186 and a P value of 0.236, which means H₀ is accepted and H_a is rejected. Rejecting H_a as a hypothesis means rejecting hypothesis 2, thus giving the meaning that budget participation has no effect on the reliability of financial reports at the Jambi Regional Police. This means that even if staff do not participate in budgeting, the resulting financial reports will also be reliable.

Budget preparation in an agency is usually done by asking for input from employees or involving employees (bottom-up), but there are also agencies that prepare budgets top-down, meaning that employees only know the budget prepared by their superiors (Bandiyono, 2019). Each budget preparation method has its own advantages, namely the bottom-up method is usually more aspirational and in its implementation there is also supervision by employees, while the top-down method tends to be faster, but in its implementation employees only carry out it without feeling the need to participate and supervise its implementation (Bandiyono & Al Fikri, 2020). Budget participation in the Indonesian police has used a bottom-up method in the budget participation mechanism where the Heads of Divisions (Kabid) participate in budget formation meetings. However, in this study, the respondents used as research samples were 135 financial staff who were in charge of preparing financial reports, so that if respondents answered questions about budget participation based on experience, they would produce different answers regarding their understanding of budget participation itself.

Based on the results of the descriptive analysis of the questionnaire statements, the score obtained for each statement was score 3 (neutral) as the lowest score and score 5 (strongly agree) as the highest score. A score of 3 indicates that the staff is neutral in answering each question each question regarding Staff always participate in preparing the budget, staff have a big influence in determining budget targets, superiors always ask for staff opinions when determining budget targets, setting budget targets is largely under the influence of staff, and the budget will not be decided until staff feel confident. The neutral attitude of respondents may be due to the fact that not all financial sector personnel participate in determining budget targets and only provide information about conditions in the field that can support the budget preparation process.

Based on the description above, it can be understood that in preparing financial reports to produce quality information, the respondents' views do not have to be determined by involvement in budgeting activities or participation. Discussions on budget preparation focus more on determining work plans and program plans so that understanding regarding the preparation of financial reports is uneven and does not significantly help improve the quality of financial report information. This research is supported by research (Ulung, Nirwana, & Syasuddin, 2019) where the results show that budget participation has no effect on the quality of information on the Takalar Regency Regional Government's financial reports, which is not in accordance with agency theory that budget participation is closely related to improving the quality of information.

While the results of this research contradict research conducted by (Bandiyono, 2020) which states that budget participation has a positive and significant effect on the quality of financial reports, he also underlines that the higher budgeting participation by staff will produce effective information between superiors and subordinates so that communication between superiors and subordinates can run smoothly. He also said that budgeting participation affects the quality of financial reports by 69.4% while 30.6% is influenced by other variables. (Rahmawati & Nur, 2023) in their research also explained that budget participation had an effect on the quality of financial reports, namely 80.6% and the remaining 19.4% was influenced by other factors that were not researched.

Internal Control System Moderates the Effect of Human Resource Competency on the Reliability of Financial Reports

Agency theory is relevant to use in this research because it is able to explain the relationship between two parties (agent and principal). Relevant agency theory is used for human resource competency variables. Based on agency theory, human resource competency has a relationship with the agent, where the position as agent is the party who makes or manages financial reports who should have the appropriate competencies required in the process of making financial reports, such as carrying out duties in accordance with the accounting function, understanding the role and function in financial management, receive training in preparing and producing financial reports, and if necessary, have experience in the field of accounting so that it can facilitate the preparation of quality financial reports. The relationship between agency theory in this research can also be seen in the variable implementation of the internal control system, where the government as the agent has responsibility for performance and services that are beneficial to society. One attempt To improve managerial performance is to implement an internal control system. A good internal control system has an influence on the achievement of government performance. The existence of an internal control system, the entire process of testing, reviewing, evaluating, monitoring and supervisory activities of the organization will provide assurance that activities have been carried out effectively and efficiently in accordance with established provisions. Therefore, by increasing good internal supervision, the performance of the staff preparing financial reports will improve.

The results of this research are strengthened by research results (Ulung et al., 2019) which state that internal control has a significant moderating effect on the relationship between human resources and information quality. With better human resource competency, the quality of financial report information will significantly improve. Where the most important aspect in preparing financial reports is having competent human resources in preparing financial reports so that they become reliable financial reports. The quality of human resources which includes education, training and experience will increase work professionalism and responsibility in carrying out work so that it can improve the quality of financial reports.

The research results above support the theory *stewardship* or service theory which states that humans can act on the basis of responsibility, integrity and honesty (Donaldson, 1997). Responsible human resources will produce output or

work results that are in accordance with their competence, therefore servants (*steward*) will mobilize all his abilities to produce good financial reports as a form of accountability. (Riawan, 2016) states that experience is the dominant factor in human resources that influences the quality of accounting information. Financial reports that are reliable and in accordance with regulations are the achievements expected by every organization, especially public institutions, where financial reports are a form of budget accountability and show organizational performance, so they require competent and responsible human resources.

However, this certainly contradicts research (Rosna Dewi Redjo, 2020) where the results obtained were that there was no influence on HR competency on the quality of financial reports which was moderated by internal control in the North Middle East district government.

Internal Control System Moderates the Effect of Budget Participation on the Reliability of Financial Reports

Based on the results of the research above which uses hypothesis testing on the internal control system variable moderating the effect of budget participation on the reliability of financial reports, it has a t table value of 0.106 and a p value of 0.000, which means H₀ is rejected and H_a is accepted. Accepting H_a as a hypothesis means accepting hypothesis 4, thus providing the meaning that the internal control system is able to moderate the influence of budget participation on the reliability of financial reports at the Jambi Regional Police.

Although budget participation itself does not show any influence on the reliability of financial reports, the existence of a strong internal control system can strengthen this relationship. The internal control system includes procedures, policies and monitoring mechanisms designed to ensure the accuracy and integrity of financial reports. An internal control system can increase the effectiveness of budget participation by ensuring that each step in the budget process is carried out in accordance with established procedures and is able to detect and correct errors in financial reporting early, thereby increasing the overall reliability of financial reports. This system can strengthen the relationship between budget participation and the reliability of financial reports. The results of this research are supported by research conducted (Bandiyono, 2020) which shows that the internal control system as a moderating variable is able to have a fairly strong influence on budget participation in improving the quality of financial reports. Apart from that, the performance of government officials is also influenced by the clarity of budget targets positively and significantly, this proves that with clear budget targets, budget implementing officials will also be helped in their realization, this will indirectly affect staff performance.

Internal control in the Police of the Republic of Indonesia is an integral process both in actions and in activities carried out continuously by the leadership and all police officers to provide confidence that organizational goals can be achieved through effective and efficient activities both in terms of financial reporting requirements and safeguarding state assets, and compliance with invitation regulations. The internal control system at the National Police agency uses a tiered control system based on rank levels within the National Police institution so that financial reports that have been prepared by financial staff will

undergo several rounds of supervision. Internal control in the public sector in this case is the National Police agency must run well so that there are no irregularities or leaks in the financial reports which result in the financial reports not meeting the requirements or value of reliable financial reporting information. Mahmudi (2010) in (J. Tarigan & Nurmalasari, 2020) is of the view that to produce reliable financial reports, regional governments require processes and stages that must be passed and regulated in the regional government accounting system. The accounting system will regulate the Internal Control System (SPI), so that the quality of financial reports is greatly influenced by the good internal control system of the local government. So it can be interpreted that the government's internal control system can have an influence on the quality of financial reports. Research conducted by (Wafa, Basri, & Desmiyawati, 2020) The government's internal control system also influences the implementation of good governance. This shows that the greater the government's internal control system, the higher the level of good governance in the Pelalawan Regency Village Government. This is in contrast to research (Ulung et al., 2019) which states that internal control is unable to moderate the relationship between human resources and the quality of financial report information.

Based on the results of the research above which uses hypothesis testing on internal control system variables that moderate the influence of human resource competence on the reliability of financial reports, it has a t table value of 0.095 and a p value of 0.000, which means H_0 is rejected and H_a is accepted. Accepting H_a as a hypothesis means accepting hypothesis 3, thus providing the meaning that the internal control system is able to moderate human resource competence on the reliability of financial reports at the Jambi Regional Police.

This shows that with competent human resources and supported by good internal control, reliable financial reports can be produced. Financial reports prepared by competent staff will produce reliable financial reports. Internal control as a system is an instrument for public institutions so that the wheels of government run as they should. With internal control, financial reports that have been prepared by finance staff will be carried out. *crosscheck* by the internal control department so that if errors or discrepancies occur they will be immediately detected and handled appropriately.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the analysis regarding the influence of human resource competence and budget participation on the reliability of financial reports with the internal control system as a moderating variable at the Jambi Regional Police, the conclusions obtained are as follows.

1. Human resource competency influences the reliability of financial reports at the Jambi Regional Police which is proven by the p value in the hypothesis test <0.05 and in the test *F Square* It was found that human resource competency had a moderate effect on the reliability of financial reports as indicated by the value *F Square* amounting to 0.174 (moderate).
2. Budget participation has no effect on the reliability of financial reports at the Jambi Regional Police as evidenced by the p value >0.05 in the hypothesis test, whereas in the *F Square* It was found that the relationship between budget participation and the reliability of financial reports had a small influence as

indicated by the F square value of 0.011 (small).

3. Human resource competency which is moderated by the internal control system has an effect on the reliability of financial reports at the Jambi Regional Police as shown by the p value in the hypothesis test <0.05 and in the test *F Square* The value obtained was 0.057 (small), which means that human resource competency moderated by the internal control system has a small influence on the reliability of financial reports.

Budget participation moderated by the internal control system has an effect on the reliability of financial reports at the Jambi Regional Police as shown by the p value in the hypothesis test <0.05 and in the *F Square* The value obtained was 0.125 (small), which means that budget participation moderated by the internal monitoring system has a small influence on the reliability of financial reports.

ADVANCED RESEARCH

- 1) For the Jambi Regional Police

It is hoped that the Jambi Regional Police's financial staff can improve education and training in the field of accounting so that the quality of human resources in the financial sector will increasingly have an economic/accounting educational background so that it is hoped that the quality of financial reports will be better and more reliable because they are prepared by staff who have appropriate backgrounds. field of work.

- 2) For future researchers

It is hoped that future researchers can conduct research in several regional police with a larger number of samples so that the research results obtained better describe the real thing or can be generalized, and it is hoped that they can analyze the factors causing the disconnect between budget participation and the reliability of financial reports at the Jambi Regional Police.

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This research is not free from weaknesses and limitations in its implementation, it is hoped that some of these limitations can be overcome by future researchers. limitations include:

- 1) The data collection for this research was obtained from a questionnaire distributed via Google Form so that it cannot assess the seriousness and concern in filling out the questionnaire by respondents in answering the questions, thereby allowing for errors in interpretation.
- 2) The sample used is limited to one regional police unit (Polda) so that the research results obtained cannot generalize the conditions that exist in all regional police forces throughout Indonesia.

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