

The Influence of Human Resource Competence, Utilization of Information Technology, and Internal Control Systems on The Quality of Financial Report Public Health Center in The City of Surabaya

Aprilia Purwandari¹, Tituk Diah Widajantie^{2*}

Universitas Pembangunan Nasional "Veteran" Jawa Timur

Corresponding Author: Tituk Diah Widajantie tituk.widajantie.ak@upnjatim.ac.id

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ABSTRACT

This research aims to find out how human resource competence, utilization of information technology, and internal control systems influence the quality of financial reports of Public Health Centers in the City of Surabaya. This research employs quantitative research methodology, and primary data were collected using a questionnaire as the major data gathering tool. The population used in this research were all employees of Public Health Centers in Surabaya City and sample selection was carried out using the Slovin formula and the results obtained were 97 employees who will be used in this research. This study uses basic random sampling as its sample method. The SmartPLS 4.0 tool is used in this study's data analysis methodology. The study's findings indicate that while internal control systems and HR competency has an influence on the quality of financial reports, meanwhile, the utilization of information technology has no influence on the quality of financial reports. The contribution of this research is in maintaining the quality of financial reports for community health centers in the city of Surabaya as well as providing a potential evaluation for improvement future.

INTRODUCTION

Good Corporate Governance is a requirement for realizing the aspirations and goals and ideals of the nation, including Indonesia. In order to realize satisfactory government performance, the government continues to make various improvement efforts to increase or provide public goods (Parella & Sundari, 2023). For example, state financial management laws were created from 1999 to 2005, including Law (UU) Number 17 of 2003, Law (UU) Number 1 of 20, and Law (UU) Number 15 of 2004, all three of which discuss state finances, this is done in an effort to realize good governance in terms of financial management, presentation of financial reports and government financial accountability. These three packages of laws are legislative products as a manifestation of the desire to implement reforms in the field of state finance as well as following fundamental changes in the field of regional financial management and responsibility (Binawati & Nindyaningsih, 2022).

An entity's financial performance and condition are presented in an organized manner in financial reports. following PSAK No. 1 of 2015. This report shows an entity's historical data expressed as a monetary value. In compliance with 2010's PP Number 71, reports must be prepared following Government Accounting Standards (Yuliani & Agustini, 2016) in (Parella & Sundari, 2023). So that the publication of these financial reports can be useful for interested parties and become the basis for decision making (Ernawati & Budiyo, 2019). Further research into the phenomena of government financial reporting in Indonesia would be fascinating. In actuality, the Supreme Audit Agency has continued to find anomalies while conducting audits of official financial reports. For eleven years running, the City of Surabaya has been able to preserve a Unqualified Opinion (WTP) from the BPK by submitting financial reports that are reasonable and compliant with relevant regulations.

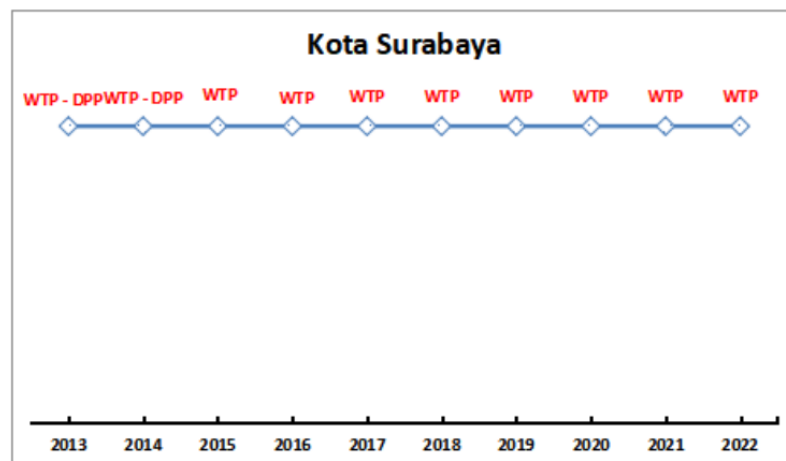


Figure 1. Development of Surabaya City LKPD Opinion

Source: www.bpk.go.id

However, behind the opinion given by the Surabaya City BPK in 2022, in preparing financial reports, weaknesses in the internal control system were still found (BPK Jatim, 2023). The low quality of financial reports can be caused by a lack of competency in existing human resources, a lack of maximum use of technology, and a weak internal control system. Without a doubt, the variables

that affect high-quality financial reports are inextricably linked to them. Even in government enterprises, human resources with a solid understanding of accounting and financial management are necessary to provide high-quality financial reports. This is consistent with studies carried out by Lestari & Ardini, (2023) that HR competence has an influence on the quality of financial reports. As a result, HR competency must be taken into account. According to Lestari & Ardini, (2023), low competency with regard to understanding in the field of accounting will have a significant impact on the quality of reported financial reports.

Apart from having to be competent, human resources must also master the utilization of information technology which has benefits or convenience for someone in saving time and energy so that it will help the process of conveying and understanding information about financial management. It is hoped that the increasing availability of information technology will help the development and publication process quickly, high-quality financial reports (Ernawati & Budiyo, 2019). This is consistent with study by Admaja & Wahyundaru, (2020) which demonstrates that this variable has a significantly and favorably influences the caliber of financial reporting from local governments. However, using information technology doesn't significantly affect the quality of financial reporting, according to Sundari & Rahayu, (2019). This means that even though the utilization of information technology is getting better, the quality of financial reports will not necessarily be better.

According to Petrovits & Shih (2011) good financial management must be managed by competent human resources who master information technology. To achieve this, a government agency needs a strong internal control system (Sa'adah & Nasrullah, 2021). A key tool in stopping and identifying fraud is the internal control system, which also serves as a means of managing, monitoring, and assessing an organization's resources (Aminah et al., 2019). It will be challenging to identify fraud during the financial report preparation process if internal control is lax or ineffective, which means the audit evidence gathered will be insufficient (Ernawati & Budiyo, 2019). This is in line with research by Shofa et al., (2022), this variable significantly and favorably affects the caliber of financial reports. Based on the phenomena that occur and several previous research results which show inconsistencies and the lack of research discussing the quality of financial reports, especially at public health centers in the city of Surabaya, the researcher is interested in developing research entitled "The Influence of Human Resource Competency, Utilization of Information Technology and Systems Internal Control of the Quality of Public Health Center Financial Reports in the City of Surabaya."

LITERATURE REVIEW

Stewardship Theory

According to Donaldson & Davis (1991) stewardship theory it characterizes an environment in which management is driven more by their primary outcomes for the good of the company than by personal objectives.

According to Hardyansyah 2016 in Parella & Sundari, (2023) Stewardship theory has a psychological and sociological basis and focuses on executives as leaders who are motivated to act according to their wishes. However, because leaders strive to achieve organizational goals, their behavior will not leave the organization behind. This research is based on stewardship theory which can explain that public health centers as stewards also have an obligation to be accountable for the finances that have been entrusted and provide information that is useful for information users who acts as a principal in assessing accountability and in terms of decision-making. Thus, enhancing internal control systems, information technology use, and HR expertise are factors that contribute to better financial reporting and community health services.

Quality of Financial Reports

Indonesian Accountants Association (IAI) states that every financial report prepared is part of a complete financial reporting process. Complete financial reporting usually consists of a balance sheet, income statement, statement of owner equity, and report notes and explanatory material that are part of the financial report. The quality of financial reports should ideally provide an accurate picture of the company's performance and financial condition, and this information should be useful for assessing the past and future (Ernawati & Budiyo, 2019).

Human Resources Competence

According to Eveline (2016) HR must have good accounting skills in mastering the process of preparing financial reports through to reporting. This means that human resources can monitor the process and maintain the process in accordance with the rules. This allows human resources to carry out internal monitoring in terms of preparation, preparation and presentation of financial reports (Aldino & Septiano, 2021). According to Hutapea (2008) states that there are three main components of competency formation that each individual must have (Ernawati & Budiyo, 2019), specifically knowledge, abilities, and behavior/attitudes.

H₁: Human resource competency influences the quality of public health center financial reports.

Utilization of Information Technology

Technology commonly used to process data, including collection, organizing, processing, storing and revise data in a variety of ways to produce high-quality information, namely timely, relevant and accurate information that can be used for various purposes, such as public, corporate and individual interests, as well as strategic information for decision making, which is the definition of information technology (Nurillah & Muid, 2014). With information technology, it is hoped that it can help in the process of managing financial reports so that it can produce reports that are timely and reliable and can be more effective and efficient compared to manually (Putri et al., 2020).

H₂: The utilization of information technology influences the quality of public health center financial reports.

Internal Control System

An organization's resources may be managed, monitored, and measured with the use of an internal control system, which is also crucial in identifying and detecting fraud (Ernawati & Budiyono, 2019). This means if the internal control system is implemented correctly, then all activities in the context of organizing and managing regional finances will run well so that accountability reports will be provided in the form of quality financial reports. According to COSO in the Internal Control-Integrated Framework (2012) there are principles related to internal control components (Irsutami et al., 2018), namely monitoring internal control, information and communication, risk assessment, as well as activity and environmental control.

H₃: The internal control system influences the quality of the public health center financial reports.

Based on this description, that the quality of financial reports will be achieved well when supported by human resources whose placement is in accordance with their expertise, the utilization of information technology, and the correct implementation of internal control, the researcher describes this in a framework of thought which is structured as follows:

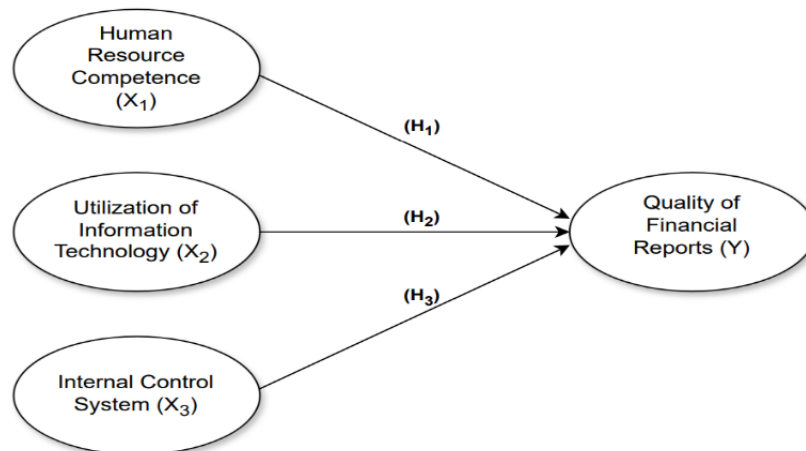


Figure 2. Conceptual Framework
Source: Researcher (2024)

METHODOLOGY

Types of Research

This researcher uses a quantitative type of research, because the data is used to test several hypotheses that will be expressed. Quantitative research is study that is used to examine a specific population or sample, data collecting using research tools, quantitative data processing, or statistical data in the form of numbers with the objective of testing prepared hypotheses (Sugiyono & Lestari, 2021:50).

Data Collection Technique

The technique used is to distribute questionnaires to each respondent. A questionnaire is a method of gathering data that involves providing respondents with a written statement or series of questions to respond to (Sugiyono & Lestari, 2021). Filling out the questionnaire is carried out directly by the relevant respondent by marking their answers on the questionnaire that has been provided.

Population and Sample

The total number of items or people chosen by the researcher to be investigated to fulfill specific criteria before conclusions are made is the definition of population (Sugiyono & Lestari, 2021). The population used in this research were employees at 63 Public Health Centers in the City of Surabaya. The total population of the 63 public health centers is 2,924 employees. This study's sample technique makes use of probability sampling, which is a kind of sampling that employs simple random sampling. According to Sugiyono, (2016), the simple random sampling technique is sampling carried out randomly, then 97 workers were employed as respondents, including accountants, revenue & revenue treasurers, technical implementation officials (PPTK), and financial administration officers (PPK).

Data Analysis

Data analysis in this research used Partial Least Square with the SmartPLS 4.0 software tool. Partial Least Square is a SEM equation model that is component or variant based. With the PLS technique, it is assumed that all measures of variance are useful for explaining and are specifically useful for predicting dependent variables involving many independent variables (Duryadi, 2021).

RESEARCH RESULT

Outer Model Analysis (Measurement Model)

Convergent Validity

The degree of correlation between constructs and latent variables is measured by convergent validity. Although a loading factor of at least 0.7 is considered desirable, a loading factor of at least 0.5 is still acceptable (Duryadi, 2021).

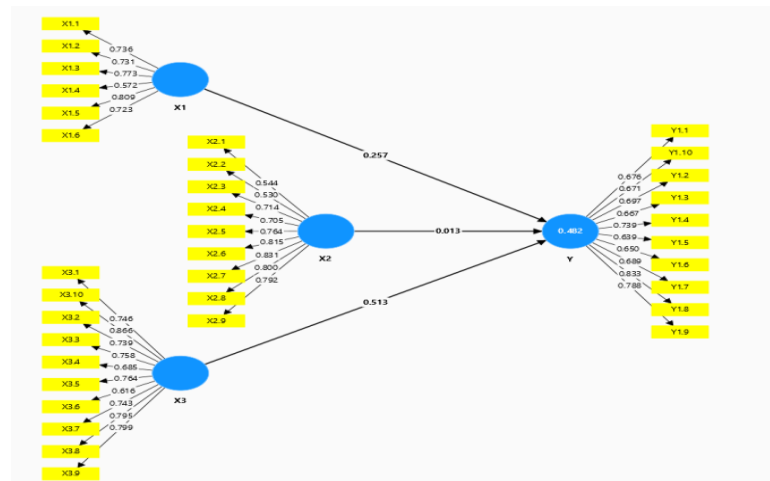


Figure 3. Outer Model Test Results

Source: SmartPLS 4.0, Researcher (2024)

Figure 3 shows that most of the indicators of the research variables have an outer loading value of more than 0.7. However, if you look at the results of the data processing, there are still several indicators that have an outer loading value of <0.7 . According to Duryadi, (2021) an outer loading value of 0.5 to 0.6 is considered sufficient to meet the convergent validity criteria.

Discriminant Validity

The Average Variance Extracted value is another way to quantify discriminant validity. The minimum AVE value is ≥ 0.5 , indicating a good measure of discriminant validity (Duryadi, 2021).

Table 1. AVE Value

	Average Variance Extracted (AVE)	Information
Human Resource Competency (X1)	0.530	Valid
Utilization of Information Technology (X2)	0.532	Valid
Internal Control System (X3)	0.568	Valid
Quality of Financial Reports (Y)	0.501	Valid

Source: Researcher (2024)

Table 1 shows that each variable produces an AVE value ≥ 0.5 , so it can be stated to have good convergent validity, meaning that each variable is able to explain part of the indicator.

Composite Reliability

To test the reliability of SmartPLS 4.0, there are two methods that can be used, namely Cronbach's alpha and composite reliability. If the Cronbach's alpha and composite reliability values are ≥ 0.7 , the construct is considered reliable (Duryadi, 2021).

Table 2. Cronbach's Alpha & Composite Reliability Value

	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>
Human Resource Competency (X1)	0.819	0.870
Utilization of Information Technology (X2)	0.887	0.909
Internal Control System (X3)	0.915	0.929
Quality of Financial Reports (Y)	0.889	0.909

Source: Researcher (2024)

Table 2 demonstrates that all variables meet reliability standards, including Cronbach's alpha and composite reliability values > 0.7 . This suggests that each variable is highly reliable.

Inner Model Analysis (Structural Model)

Coefficient Determinance Test (R Square - R²)

The R-Square coefficient of determination value is used to describe the influence of the independent variable on the dependent variable by grouping the R² values (Duryadi, 2021).

Table 3. R-Square Value

Variabel	R-Square	Adjusted R-Square
Quality of Financial Reports (Y)	0.482	0.465

Source: Researcher (2024)

Table 3 demonstrates that the financial report quality variable has an R² value of 0.482. This shows that the three variables in this study have an influence of 48.2% on the quality of financial reports. Meanwhile, the remaining 51.8% was influenced by characteristics not considered in this study.

Predictive Relevance Test (Q²)

Predictive relevance (Q²) is what provides model validation. If the value of the predictive relevance result Q² is > 0 , then it is considered suitable (very good) for the exogenous latent variable to be used as an explanatory variable that can be used to predict endogenous variables (Duryadi, 2021).

Table 4. Q-Square Value

Variabel	Q-Square
Quality of Financial Reports (Y)	0.415

Source: Researcher (2024)

Table 4 reveals that the total Q-Square value is 0.415. As a result, it can be concluded that the three variables in this research have predictive relevance to the quality of financial reports.

Hypothesis Testing

Hypothesis testing involves evaluating the p-value of the path coefficient at a significance level of $\alpha = 0.05$. A p-value of less than or equal to 0.05 indicates that the test is significant ($p\text{-value} \leq 0.05$) (Duryadi, 2021).

Table 5. Path Coefficient Results

	<i>Original Sample (O)</i>	<i>P-Values</i>	Information
KSDM (X1) → KLK (Y)	0.257	0.004	Accepted
PTI (X2) → KLK (Y)	0.013	0.920	Rejected
SPI (X3) → KLK (Y)	0.513	0.000	Accepted

Source: Researcher (2024)

The hypothesis test of HR competency on the quality of financial reports yielded a regression coefficient of 0.257 and a p-value of 0.004. This demonstrates that the HR competency influences the quality of financial reporting, hence H_1 is accepted. The findings of hypothesis testing on the impact of information technology on the quality of financial reports yielded a regression coefficient of 0.013 and a p-value of 0.920, both greater than 0.05. So the second hypothesis is that the quality of financial reports is influenced by the utilization of information technology, has not been tested, and thus H_2 is rejected. The internal control system hypothesis test on the quality of financial reports yielded a regression coefficient of 0.513 and a p-value of 0.000. This demonstrates that the internal control system influences the quality of financial reporting, and hence H_3 is accepted.

DISCUSSION

The Influence of Human Resource Competency on the Quality of Public Health Center Financial Reports

The research results show that the quality of financial reports is influenced by HR competency. High quality HR can help government agencies achieve their goals and objectives. This interprets that the human resources involved and participating in the decision-making process have an influence in controlling the work process well, so that this can improve the quality of financial reports at an institution (Aziz & Susilowati, 2023). The relationship between HR competence and stewardship theory is based on human traits such as being responsible, trustworthy, having integrity and being able to be trusted by other parties. In this case, the ability of HR to provide the best service and have abilities appropriate to their field is needed to achieve success for an organization so that this can produce good quality financial reports (Machmudiyanti & Aufa, 2023). The results of this research are in accordance with the research conducted by Parella & Sundari (2023 and Binawati & Nindyaningsih (2022) which shows that HR competency influences the quality of financial reports.

The Effect of Utilization Information Technology on the Quality of Public Health Center Financial Reports

Research shows that the utilization of information technology doesn't affect the quality of financial reports. This can be seen from the p-value of 0.920, more than 0.05. This means that if the utilization of information technology is getting better, it does not necessarily mean that the implementation of the quality of financial reports will be good at public health centers in the city of Surabaya. Relationship between stewardship theory and information technology utilization variables is that the information obtained is increasingly relevant and the distribution of information is more effective. Apart from that, financial reporting can be directly integrated from the public health center to the government, thereby minimizing the occurrence of errors (Anggraeni & Yuliani, 2019).

However, from the results of respondents' answers, the information technology used is not yet fully utilized, as the number of computer units is not sufficient for each employee. Apart from that, many computers still experience jams while working. This can certainly hinder the data processing process and delay the presentation of the required information. As a result, the claim that the utilization of information technology affects the caliber of financial reports has not been verified. The results of this research are in accordance with research conducted by Sundari & Rahayu (2019) which demonstrates that the quality of financial reports is not significantly impacted by the utilization of information technology.

The Influence of the Internal Control System on the Quality of Public Health Center Financial Reports

The research results show that the internal control system influences the quality of financial reports. The higher the level of maturity of the internal control system, the more it will encourage increased accountability in the performance of government agencies because the internal control system ensures that all activities of government agencies can be accounted for to the public (Aziz & Susilowati, 2023). The findings of this study corroborate earlier research by Putri et al., (2020) and Aulia et al., (2019) this demonstrates how elements of the internal control system affect the caliber of financial reporting. Put another way, the study's findings indicate that financial report will be of greater quality the more thoroughly the internal control system is implemented.

CONCLUSIONS

Based on the research results described in the previous discussion, the conclusions of this research are as follows:

1. Human resource competency has a significant effect on the quality of financial reports.
2. The utilization of information technology does not have a significant effect on the quality of financial reports.
3. The internal control system has a significant effect on the quality of financial reports.

RECOMMENDATIONS

Based on the research results described in the previous discussion, several things need to be conveyed as suggestions in this research, namely as follows:

1. Each public health center should procure goods such as computers for each employee to support the effectiveness of employee performance.
2. Further researchers are advised to add interview methods to obtain more accurate and clear results directly with the respondents concerned.

ADVANCED RESEARCH

Researchers have tried to carry out and develop this research optimally to support the research objectives, but there are still several limitations in this research, namely:

1. This research uses a survey method which prioritizes questionnaires without being equipped with interviews or direct questions to respondents. It is recommended that data collection be equipped with an interview method to get more detailed and accurate answers.
2. The population used in this research is limited to BLUD Public Health Centers in Surabaya City, so it cannot be generalized to other government agencies.

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