The Impact of Government Accounting Standards Implementation, Internal Control Systems, and Human Resource Competence on Regional Financial Report Quality

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Abstract

This study introduces a comprehensive model that simultaneously investigates the interplay of Government Accounting Standards Implementation, Internal Control Systems, and Human Resource Competence in determining regional financial report quality. This study employs a quantitative research design. The sample size for this study is 96 respondents, meeting the minimum requirement for Structural Equation Modeling (SEM) analysis. Only human resource competence can improve regional financial report quality. These findings align with Agency Theory, emphasizing that competent agents (human resources) are critical for reducing information asymmetry and improving financial reporting. They also connect to Institutional Theory, illustrating that formal systems like GAS and ICS require human agency to operationalize institutional norms effectively. Finally, the results support Resource-Based Theory (RBT), highlighting HRC as a strategic resource that drives organizational success in financial reporting. Future studies should explore the impact of external audits, political stability, and organizational culture on financial report quality.

Keywords: Government Accounting Standards Implementation; Internal Control Systems; Human Resource Competence; Regional Financial Report Quality
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SDGs: Quality Education (4); Decent Work and Economic Growth (8); Peace, Justice and Strong Institutions (16)

1.0 INTRODUCTION

The quality of regional financial reports is a critical indicator of transparency and accountability in public financial management (Parindingan et al., 2024). Effective financial reporting ensures the proper allocation of resources, fosters public trust, and supports decision-making processes (Sunday & Omotilewa, 2020). This study explores the influence of three pivotal factors, government accounting standards (GAS) implementation, internal control systems (ICS) (Habibi et al., 2022), and human resource competence (HRC), on the quality of regional financial reports (Sudarno et al., 2022). While prior research has examined these elements in isolation, their integrated impact within the regional context remains underexplored. Addressing this gap is essential to enhance governance and compliance with financial regulations.

This study introduces a comprehensive model that simultaneously investigates the interplay of GAS implementation, ICS, and HRC in determining regional financial report quality. Unlike previous studies that focus on individual factors or national contexts, this research highlights the unique challenges and dynamics at the regional level, offering practical insights into optimizing financial practices. The findings contribute to the literature by emphasizing the synergistic effects of technical standards, systemic controls, and human competencies in achieving superior financial reporting outcomes (Gazali et al., 2022).

2.0 LITERATURE REVIEW

Agency Theory

This theory explains the relationship between principals (e.g., government bodies or citizens) and agents (e.g., public officials or financial managers) (Syafriadi et al., 2023). Government accounting standards and internal control systems act as mechanisms to reduce information asymmetry and ensure accountability (Renaldo, Suharti,

et al., 2021). These tools help align the interests of agents with those of the principals by improving transparency and reliability in financial reporting. Human resource competence further strengthens this alignment by ensuring agents have the skills to execute their responsibilities effectively.

Institutional Theory
This theory focuses on how institutional norms, rules, and frameworks shape organizational behavior and decision-making (Baah et al., 2020). The implementation of government accounting standards and internal control systems reflects the institutionalization of best practices in public sector governance (Napitupulu et al., 2021). Organizations are pressured to conform to these standards to gain legitimacy and ensure compliance. Human resource competence complements this process by enabling personnel to operate within these institutional frameworks effectively.

Resource-Based Theory (RBT)
This theory posits that organizational success depends on the strategic utilization of valuable, rare, inimitable, and non-substitutable resources (Renaldo & Augustine, 2022). Human resource competence is a critical resource in the public sector, directly influencing the quality of financial reporting. The effective implementation of accounting standards and internal control systems depends on the organization's ability to leverage its human capital, making competence a central component in achieving high-quality financial reports (Renaldo, Andi, et al., 2023).

Regional Financial Report Quality
Regional financial report quality refers to the accuracy, reliability, and transparency of financial statements prepared by local governments (Maspaitella & Mokodompit, 2022). High-quality financial reporting is crucial for ensuring accountability, efficient resource allocation, and informed decision-making. According to the International Public Sector Accounting Standards (IPSAS), financial reports should adhere to principles of relevance, faithful representation, comparability, and timeliness. Empirical studies indicate that robust financial reporting fosters public trust and mitigates financial mismanagement, particularly in the regional government context.

Government Accounting Standards Implementation
Government Accounting Standards (GAS) serve as a framework to guide the preparation and presentation of financial reports in public sector entities (Wulandari & Rahmadani, 2024). Effective implementation of these standards ensures consistency, comparability, and compliance with regulatory requirements. Previous research highlights that adherence to GAS positively impacts financial report quality by reducing errors and enhancing transparency. However, challenges such as limited understanding and inconsistent application at the regional level can hinder their effectiveness.

Internal Control Systems
Internal control systems (ICS) are mechanisms designed to safeguard assets, ensure the accuracy of financial records, and promote operational efficiency (Ziorklui et al., 2024). The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework outlines key components of effective ICS: control environment, risk assessment, control activities, information and communication, and monitoring. Studies demonstrate that robust ICS reduces the likelihood of fraud and errors, thereby improving the quality of financial reports. Regional governments often face challenges such as resource constraints and inadequate monitoring, which can weaken internal controls.

Human Resource Competence
Human resource competence (HRC) encompasses the knowledge, skills, and abilities of personnel involved in financial management (Afdila et al., 2023). Competent personnel are essential for accurate interpretation and application of accounting standards, efficient operation of control systems, and overall financial management. Training programs and professional certifications play a critical role in enhancing HRC. Prior studies reveal a significant positive relationship between the competence of financial staff and the quality of financial reporting in government institutions. However, regional governments often struggle with limited access to training and professional development opportunities.

Interrelationship of Variables
The interplay between GAS implementation, ICS, and HRC is pivotal in shaping the quality of regional financial reports. GAS provides the structural foundation, ICS ensures operational reliability, and HRC drives the effective execution of financial processes. While each variable individually contributes to financial report quality, their combined influence creates a synergistic effect that enhances overall reporting outcomes. Exploring these interdependencies in the regional context provides a nuanced understanding of factors influencing financial report quality.

Hypothesis
H1: Government Accounting Standards Implementation increase Regional Financial Report Quality
H2: Internal Control Systems increase Regional Financial Report Quality
H3: Human Resource Competence increase Regional Financial Report Quality

Framework
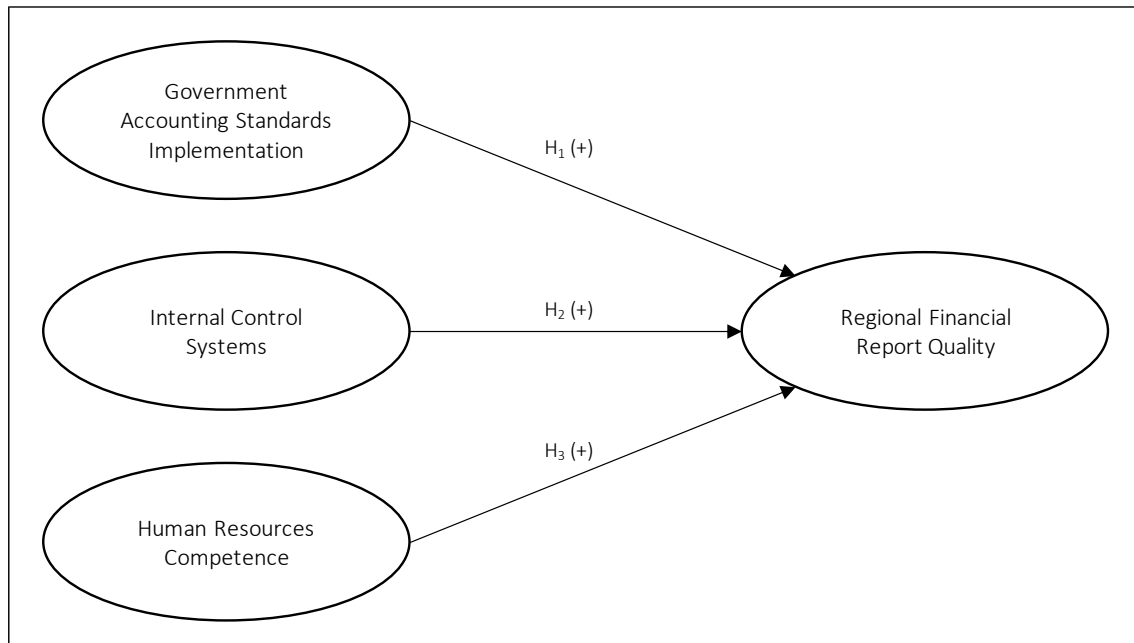Here is the research framework for this study.

Figure 1. Research Framework

3.0 METHODOLOGY

Research Design
This study employs a quantitative research design (Sekaran & Bougie, 2016) to examine the influence of Government Accounting Standards (GAS) implementation, Internal Control Systems (ICS), and Human Resource Competence (HRC) on the quality of regional financial reports. Data collection is conducted using a structured questionnaire distributed to respondents involved in regional financial management.

Population and Sample
The population includes financial management personnel from various regional government offices. A purposive sampling technique is used, focusing on individuals with direct roles in financial reporting, such as accountants, auditors, and finance officers (Hadi et al., 2023). The sample size for this study is 96 respondents, meeting the minimum requirement for Structural Equation Modeling (SEM) analysis (Renaldo, Sudarno, et al., 2021).

Operationalization Variable
The operationalization variable can be seen on table 1.

Table 1. Operationalization Variable

Variable	Indicator	Statement
Quality of Financial Reports Source: *PSIKD* *No. 71*	Relevant	1. My agency's financial report is in accordance with accounting standards
		2. My agency's financial report can predict future events
		3. My agency's financial report is prepared on time
		4. My agency's financial report can be used to make decisions
	Reliable	1. In my opinion, this agency's financial report is presented objectively
		2. In my opinion, this agency's financial report has been proven to be accurate
		3. This agency's financial report has met the needs of report users
		4. This agency's financial report is not biased towards interests

Variable	Indicator	Statement
	Comparable	1. My agency's financial report can be compared with previous period reports
		2. The preparation of financial reports in my agency has been guided by SIKD
	Understandable	1. My agency's financial report can be understood by users and is prepared based on user understanding
		2. My agency's financial report is prepared systematically
Government Accounting Standards Implementation Source: *Permendagri Nomor 21 Tahun 2011 tentang SAKD*	Compliance with financial accounting systems and Government Accounting Standards	1. The accounting system in my agency is in accordance with Government Accounting Standards
		2. My agency has implemented educational identification
	Accounting recording procedures with Recording	1. My agency has conducted recording identification.
		2. My agency completes each transaction with transaction evidence
		3. The recording carried out by my agency is in accordance with chronology
		4. Each transaction is classified according to its purpose
	Preparation of financial reports that are reported periodically	1. The classification of transactions in my agency is in accordance with existing accounting items
		2. My agency has implemented a recording control system
		3. The preparation of my agency's financial reports is in accordance with the period
		4. Financial reporting in my agency is in accordance with and consistent with SIKD
Internal Control System Source: *Peraturan Pemerintah Nomor 60 Tahun 2008*	Control environment	1. Internal control in my agency is in accordance with written and verbal regulations
		2. Internal control in my agency is in accordance with the competency standards of tasks and functions
	Audit Risk Determination	1. Internal control implemented can identify and analyze ratios
		2. Internal control has implemented limits and determination of tolerances
	Control Activities	1. Internal control officers are ensured to have carried out the direction of the leadership
		2. Transactions and activities that occur in my agency are supported by authorization from the authorities
		3. My agency has implemented separation of duties and functions
	Information and communication	1. My agency has provided communication facilities
		2. My agency has managed, developed and updated information systems
		3. My agency has implemented an accounting system
	Monitoring	1. Internal control implemented in my agency can assess the quality of performance
		2. Internal control in my agency implements audits of accounting records
Human Resources Competence	Ability to plan and implement	1. As a financial employee, I have the motivation to excel
		2. I always pay attention to the clarity of the tasks to be carried out
		3. I always maintain accuracy and quality of work
		4. I am proactive and able to find and use existing information

Variable	Indicator	Statement
Source: (Rivai & Sagala, 2015)	Ability to serve	1. I have good service skills
		2. I have good empathy for other employees
	Ability to lead	1. I can develop my work skills
		2. I am able to direct group cooperation
		3. I am able to lead a group
	Ability to think	1. I am able to think analytically
		2. I always think conceptually
		3. I have technical/professional skills
	Ability to act maturely	1. I am able to control myself while working
		2. I have a flexible attitude at work
		3. I have a high commitment to the agency

Data Analysis Technique
Descriptive Statistics
Descriptive statistics are computed using PLS to provide an overview of the respondents and data distribution (Imarni et al., 2022).

Validity Test
Conducted using Confirmatory Factor Analysis (CFA) to determine the construct validity of questionnaire items, ensuring they appropriately measure the intended variables. It should above ≥ 0.60 (Juprizon et al., 2022).

Reliability Test
Measured using Cronbach's alpha to confirm internal consistency of the constructs, with a threshold of ≥ 0.70 indicating acceptable reliability (Abd et al., 2023; Nafisah et al., 2023).

Structural Equation Modeling (SEM)
Used for hypothesis testing and evaluating the relationships among variables. Data analysis is performed using SEM in SmartPLS (Muhrodin et al., 2024; Sharma et al., 2022).

Adjusted R^2
Indicates the proportion of variance in the dependent variable explained by the independent variables (Putra & Kudri, 2024).

t-Test
Assesses the significance of path coefficients, with a p-value < 0.05 indicating statistically significant relationships (Renaldo, Vomizon, et al., 2023).

4.0 RESULTS AND DISCUSSION

Descriptive Statistics

Table 2. Descriptive Statistics Result

Name	Type	Missings	Mean	Median	Scale min	Scale max	Observed min	Observed max	Standard deviation	Excess kurtosis	Skewness
Y1.1	MET	0	3.913	4	1	5	1	5	0.963	1.010	-0.937
Y1.2	MET	0	3.652	4	1	5	1	5	1.117	0.064	-0.794
Y1	MET	0	3.783	4	1	5	1	5	0.895	0.971	-0.930
Y2.1	MET	0	3.848	4	1	5	1	5	1.122	0.309	-0.960
Y2.2	MET	0	3.565	4	1	5	1	5	1.321	-0.860	-0.589
Y2.3	MET	0	3.565	4	1	5	1	5	1.135	-0.480	-0.481
Y2.4	MET	0	3.576	4	1	5	1	5	1.135	-0.455	-0.509
Y2	MET	0	3.639	3.75	1	5	1	5	0.989	0.025	-0.736
Y3.1	MET	0	3.652	4	1	5	1	5	1.057	-0.053	-0.606
Y3.2	MET	0	3.815	4	1	5	1	5	1.132	0.045	-0.816
Y3.3	MET	0	3.793	4	1	5	1	5	1.166	-0.224	-0.758
Y3.4	MET	0	4.022	4	1	5	1	5	0.932	0.194	-0.780
Y3	MET	0	3.821	3.75	1	5	1	5	0.777	1.486	-0.827
Y4.1	MET	0	3.913	4	1	5	1	5	0.952	-0.047	-0.670
Y4.2	MET	0	3.957	4	1	5	1	5	0.931	0.159	-0.733
Y4	MET	0	3.935	4	1	5	1	5	0.841	0.785	-0.779
		All Mean	3.778								

Name	Type	Missings	Mean	Median	Scale min	Scale max	Observed min	Observed max	Standard deviation	Excess kurtosis	Skewness
X2.1.1	MET	0	4.174	4	1	5	1	5	0.951	0.772	-1.129
X2.1.2	MET	0	3.859	4	1	5	1	5	0.984	-0.285	-0.613
X2.1	MET	0	4.016	4	1	5	1	5	0.901	0.518	-0.944
X2.2.1	MET	0	3.870	4	2	5	2	5	0.958	-0.807	-0.412
X2.2.2	MET	0	4.174	4	2	5	2	5	0.775	0.783	-0.886
X2.2.3	MET	0	4.076	4	2	5	2	5	0.824	-0.153	-0.618
X2.2.4	MET	0	4.098	4	2	5	2	5	0.822	-0.067	-0.664
X2.2	MET	0	4.054	4	2	5	2	5	0.724	0.211	-0.657
X2.3.1	MET	0	4.293	4	2	5	2	5	0.715	1.583	-1.050
X2.3.2	MET	0	4.185	4	1	5	1	5	0.908	1.193	-1.175
X2.3.3	MET	0	4.196	4	2	5	2	5	0.875	0.356	-0.990
X2.3.4	MET	0	4.217	4	2	5	2	5	0.819	0.366	-0.910
X2.3	MET	0	4.223	4.25	2	5	2	5	0.708	1.072	-1.081
		All Mean	**4.110**								
X3.1.1	MET	0	3.783	4	1	5	1	5	0.954	0.819	-0.848
X3.1.2	MET	0	3.815	4	1	5	1	5	0.966	0.888	-0.942
X3.1	MET	0	3.799	4	1	5	1	5	0.844	1.974	-1.109
X3.2.1	MET	0	3.685	4	1	5	1	5	1.010	0.052	-0.615
X3.2.2	MET	0	3.891	4	1	5	1	5	0.902	0.275	-0.684
X3.2	MET	0	3.788	4	1	5	1	5	0.857	0.172	-0.513
X3.3.1	MET	0	3.783	4	1	5	1	5	1.030	-0.217	-0.640
X3.3.2	MET	0	3.935	4	1	5	1	5	0.953	0.628	-0.862
X3.3.3	MET	0	3.859	4	1	5	1	5	0.951	0.258	-0.636
X3.3	MET	0	3.859	4	1	5	1	5	0.839	0.586	-0.740
X3.4.1	MET	0	3.978	4	1	5	1	5	0.859	1.010	-0.898
X3.4.2	MET	0	3.989	4	2	5	2	5	0.787	0.361	-0.661
X3.4.3	MET	0	4.022	4	1	5	1	5	0.821	1.296	-0.881
X3.4	MET	0	3.996	4.333	1.667	5	1.667	5	0.677	1.433	-1.143
X3.5.1	MET	0	3.935	4	2	5	2	5	0.763	-0.223	-0.335
X3.5.2	MET	0	4.130	4	2	5	2	5	0.740	0.003	-0.543
X3.5	MET	0	4.033	4	2	5	2	5	0.646	1.020	-0.677
		All Mean	**3.899**								
Z1.1	MET	0	3.902	4	1	5	1	5	0.873	0.314	-0.603
Z1.2	MET	0	3.826	4	1	5	1	5	0.940	-0.185	-0.521
Z1.3	MET	0	3.848	4	1	5	1	5	1.031	0.391	-0.896
Z1.4	MET	0	3.880	4	2	5	2	5	0.931	-0.299	-0.662
Z1	MET	0	3.864	4	1.25	5	1.25	5	0.786	0.895	-0.986
Z2.1	MET	0	3.935	4	2	5	2	5	0.882	-0.347	-0.547
Z2.2	MET	0	3.783	4	1	5	1	5	0.919	-0.215	-0.405
Z2	MET	0	3.859	4	1.5	5	1.5	5	0.792	-0.067	-0.508
Z3.1	MET	0	3.783	4	1	5	1	5	0.954	-0.036	-0.695
Z3.2	MET	0	3.783	4	1	5	1	5	1.009	1.001	-0.904
Z3.3	MET	0	3.696	4	1	5	1	5	0.918	-0.224	-0.381
Z3	MET	0	3.754	3.667	1.333	5	1.333	5	0.813	0.577	-0.811
Z4.1	MET	0	3.783	4	1	5	1	5	0.965	0.085	-0.581
Z4.2	MET	0	3.859	4	1	5	1	5	0.879	0.107	-0.497
Z4.3	MET	0	3.663	4	1	5	1	5	1.024	-0.050	-0.636
Z4	MET	0	3.768	3.667	1	5	1	5	0.837	0.508	-0.633
Z5.1	MET	0	3.815	4	1	5	1	5	0.908	-0.156	-0.419
Z5.2	MET	0	3.902	4	1	5	1	5	0.945	-0.011	-0.666
Z5.3	MET	0	3.967	4	1	5	1	5	0.983	-0.192	-0.701
Z5	MET	0	3.895	4	1	5	1	5	0.815	0.878	-0.761
		All Mean	**3.828**								

Source: Processed data, 2024

Based on the descriptive statistics results, the average values of the variables indicate good outcomes on a scale of 1-5. Overall, the data is also very strong, as the standard deviation values are lower than the mean. Skewness and kurtosis also show favorable results. The next steps are validity and reliability tests through outer loadings, construct reliability and validity, and discriminant validity.

Outer Loadings

Table 3. Outer Loadings Result

	Outer loadings
X1.1 <- Government Accounting Standards Implementation	0.918
X1.2 <- Government Accounting Standards Implementation	0.943
X1.3 <- Government Accounting Standards Implementation	0.918
X2.1 <- Internal Control System	0.869
X2.2 <- Internal Control System	0.885
X2.3 <- Internal Control System	0.894
X2.4 <- Internal Control System	0.890
X2.5 <- Internal Control System	0.691
Y1 <- Regional Financial Report Quality	0.819
Y2 <- Regional Financial Report Quality	0.922
Y3 <- Regional Financial Report Quality	0.924
Y4 <- Regional Financial Report Quality	0.761
Z1 <- Human Resource Competence	0.882
Z2 <- Human Resource Competence	0.908
Z3 <- Human Resource Competence	0.935
Z4 <- Human Resource Competence	0.911
Z5 <- Human Resource Competence	0.916

Source: Processed data, 2024

Based on the outer loadings test results, the lowest value is found in X2.5 under the internal control system variable. The value of 0.691 is still greater than 0.6, which means that all dimensions of the research variables are valid.

Construct Reliability and Validity

Table 4. Construct Reliability and Validity Result

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Government Accounting Standards Implementation	0.917	0.919	0.948	0.858
Human Resource Competence	0.948	0.949	0.960	0.829
Internal Control System	0.901	0.915	0.928	0.721
Regional Financial Report Quality	0.879	0.893	0.918	0.738

Source: Processed data, 2024

Based on the test results, the values of Cronbach's alpha, rho_a, and rho_c are above 0.7, indicating that all four variables are reliable. Additionally, the AVE values are above 0.5, which means they also meet the validity criteria.

Discriminant Validity

Table 5. Discriminant Validity Result

	Government Accounting Standards Implementation	Human Resource Competence	Internal Control System	Regional Financial Report Quality
Government Accounting Standards Implementation	0.926			
Human Resource Competence	0.666	0.911		
Internal Control System	0.650	0.920	0.849	
Regional Financial Report Quality	0.662	0.986	0.912	0.859

Source: Processed data, 2024

Based on the discriminant validity test results, the topmost values are higher than the values below them. Only a few variables do not meet this criterion, but they are still within acceptable tolerance. The research model has satisfied discriminant validity.

Multicollinearity

Table 6. Multicollinearity Result

	VIF
Government Accounting Standards Implementation -> Regional Financial Report Quality	1.826
Human Resource Competence -> Regional Financial Report Quality	6.884
Internal Control System -> Regional Financial Report Quality	6.634

Source: Processed data, 2024

Based on the multicollinearity test results, the highest VIF value is 6.884. This is still below the threshold of 10, indicating that the research model is free from multicollinearity issues.

Adjusted R^2

Table 7. Adjusted R^2 Result

	R-square	R-square adjusted
Regional Financial Report Quality	0.972	0.972

Source: Processed data, 2024

The adjusted R-square value is 0.972, indicating that the variables of government accounting standards implementation, internal control systems, and human resource competence account for 97.2% of the influence on regional financial report quality, while the remaining percentage is influenced by other factors.

Hypothesis Test

Table 8. Hypothesis Test Results

	Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Result
GAS -> Quality	+	0.008	0.010	0.026	0.320	0.749	Rejected
ICS -> Quality	+	0.027	0.026	0.049	0.553	0.581	Rejected
HRC -> Quality	+	0.956	0.955	0.048	20.025	0.000	Accepted

Source: Processed data, 2024

The first hypothesis of this study is rejected. The second hypothesis is accepted. The third hypothesis is rejected. Only human resource competence has a significant positive effect on improving regional financial report quality.

Discussion

Government Accounting Standards Implementation increase Regional Financial Report Quality

The rejection of the hypothesis that Government Accounting Standards (GAS) Implementation increases Regional Financial Report Quality could be attributed to several factors. This result does not in line with research from (Biyantoro, 2023).

While GAS provides a robust framework, its implementation may be inconsistent or incomplete at the regional level. Factors such as limited resources, lack of training, or resistance to change can hinder effective adherence. GAS can be complex and require a deep understanding for proper application. In regions where financial personnel lack sufficient expertise or support, the standards may not be fully or correctly implemented. External pressures such as political interference, budget constraints, or inadequate infrastructure might overshadow the potential benefits of GAS implementation, limiting its impact on financial report quality. Even with GAS in place, systemic issues such as weak internal controls, outdated systems, or insufficient audit mechanisms can undermine the quality of financial reports.

Internal Control Systems increase Regional Financial Report Quality

The rejection of the hypothesis that Internal Control Systems (ICS) increase Regional Financial Report Quality suggests that while internal controls are essential. This result in line with research from (Kartika & Ningsih, 2024).

Internal control systems might exist but could be poorly implemented or enforced, reducing their effectiveness in improving financial report quality. Personnel may not fully comply with established control procedures, leading to inconsistent application and diminished benefits of the controls.

Internal control systems require regular monitoring and updates to remain effective. A lack of oversight could render them obsolete or ineffective in addressing current challenges. Limited financial or human resources might prevent the full-scale implementation of a robust ICS, impacting its ability to contribute to report quality. The quality of regional financial reports may depend more on other factors, such as human resource competence or external audits, overshadowing the role of ICS. The metrics used to evaluate the effectiveness of ICS might not fully capture its influence on financial report quality, leading to its rejection as a significant factor in this study.

Human Resource Competence increase Regional Financial Report Quality

The acceptance of the hypothesis that Human Resource Competence (HRC) increases Regional Financial Report Quality highlights the vital role of skilled personnel in achieving high-quality financial reporting. This result does not in line with research from (Santanu, 2022).

Competent human resources possess a strong understanding of accounting principles, standards, and regulations, enabling them to prepare accurate and compliant financial reports. Skilled personnel can identify and address financial discrepancies, ensuring that errors are corrected and the integrity of financial data is maintained.

Competent employees are better equipped to implement and adapt to evolving government accounting standards, ensuring that financial reporting aligns with best practices. Human resources with proficiency in accounting software and digital tools can streamline financial processes (Junaedi et al., 2023), reduce manual errors, and enhance reporting accuracy (Purwati et al., 2023). Competent professionals are more likely to adhere to ethical standards, fostering transparency and reliability in financial reports. Organizations that invest in continuous training for their personnel ensure that employees stay updated on new regulations, standards, and technologies, which directly impacts the quality of financial reporting (Goh et al., 2022).

Agency Theory Correlation

The failure of GAS and ICS to improve Regional Financial Report Quality could indicate persistent agency problems. Despite these mechanisms being in place to reduce information asymmetry and improve accountability, their practical effectiveness may be limited by poor implementation, weak enforcement, or lack of oversight. Agents (e.g., public officials) may fail to fully adhere to GAS and ICS requirements, leading to inefficiencies that compromise report quality.

Human Resource Competence directly aligns with agency theory by addressing the skills gap in agents. Competent human resources are better equipped to act in the best interests of principals, ensuring financial reports are accurate, reliable, and transparent.

Institutional Theory Correlation

The rejection of GAS and ICS as significant factors may suggest that their institutionalization is not yet robust or is superficial. While organizations may formally adopt these systems to appear compliant with institutional norms, the lack of deep integration or operational alignment undermines their effectiveness in improving report quality.

Human Resource Competence reflects the successful institutionalization of capacity-building initiatives within organizations. Competent personnel embody the institutional values and practices necessary to achieve high-quality financial reporting, demonstrating that the human element is a critical component in operationalizing institutional frameworks.

Resource-based Theory Correlation

From an RBT perspective, GAS and ICS are structural resources that require skilled human capital to function effectively. The rejection of these variables could indicate that, on their own, they are not sufficient to improve financial reporting quality without the strategic utilization of competent human resources.

Human Resource Competence aligns with RBT as a valuable, rare, inimitable, and non-substitutable resource. The acceptance of this hypothesis highlights that skilled personnel are the key drivers of financial reporting quality, providing organizations with a competitive advantage in achieving transparency and reliability in their financial systems.

5.0 CONCLUSION

Conclusion

The hypothesis that GAS improves financial report quality was rejected. This suggests that while GAS provides a necessary framework for compliance and standardization, its practical implementation may face challenges such as inadequate enforcement, lack of resources, or resistance to change. Without proper execution, the intended benefits of these standards may not be realized.

Similarly, the hypothesis that ICS enhances financial report quality was rejected. Although ICS is designed to improve governance and accountability, its impact is limited if monitoring, compliance, or implementation processes are weak. This highlights the need for strengthening operational aspects of internal controls to make them effective.

The hypothesis that HRC improves financial report quality was accepted, underscoring the importance of competent human resources. Skilled personnel can bridge gaps in system inefficiencies, ensure accurate implementation of accounting standards, and maintain compliance with internal controls, thereby directly influencing the quality of financial reports.

Implication

These findings align with Agency Theory, emphasizing that competent agents (human resources) are critical for reducing information asymmetry and improving financial reporting. They also connect to Institutional Theory, illustrating that formal systems like GAS and ICS require human agency to operationalize institutional norms effectively. Finally, the results support Resource-Based Theory (RBT), highlighting HRC as a strategic resource that drives organizational success in financial reporting.

Policymakers and public sector organizations should prioritize investing in the development and training of human resources, strengthening the enforcement and operationalization of GAS and ICS, and enhancing monitoring mechanisms to ensure compliance with established standards and controls.

Limitation

This study focuses on a specific region, which may limit the generalizability of the findings to other areas with different administrative or regulatory environments. Data was collected using questionnaires, which rely on respondents' perceptions and may introduce biases or inaccuracies.

While the study includes key factors like GAS, ICS, and HRC, other potential variables influencing regional financial report quality (e.g., external audits, political environment) were not included. The study employs a cross-sectional design, capturing data at one point in time, which may not account for changes over time or long-term effects.

Recommendation

To improve implementation of GAS and ICS, strengthen training and education on the effective use of government accounting standards and internal control systems, develop robust enforcement mechanisms to ensure compliance with these frameworks, and conduct regular audits and evaluations to identify weaknesses in implementation.

Focusing on human resource development such as invest in continuous professional development programs for public sector personnel to enhance their accounting and financial management skills. Also foster a culture of accountability and ethical behavior among human resources.

Broadening monitor and evaluate integrate external oversight mechanisms, such as independent audits, to complement internal controls. Also utilize technology to improve the efficiency and transparency of accounting and reporting processes.

Future Research

Future studies should explore the impact of external audits, political stability, and organizational culture on financial report quality. Conduct longitudinal research to understand the long-term effects of GAS, ICS, and HRC on financial report quality. Compare the effectiveness of these factors across different regions or countries to identify best practices and contextual differences.

Investigate the role of digital accounting systems, artificial intelligence, and data analytics in improving the quality of regional financial reporting. Examine how GAS, ICS, and HRC interact with one another to provide a more comprehensive understanding of their combined influence.

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