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KEY DRIVERS OF HIGH-QUALITY FINANCIAL REPORTS IN PUBLIC SECTOR:
INSIGHTS FROM INDONESIA'S SUPREME COURT

Abstract
This study examines the impact of **human resource competence on the quality of financial** statements within the Supreme Court and its subordinate units, with government accounting standards and internal control over financial reporting acting as mediating variables. The study uses an explanatory design and employs a quantitative approach. Data were collected from 285 respondents across various judicial institutions, **and Partial Least Squares Structural Equation Modeling** (PLS-SEM) using SmartPLS 4.0 was **used to** analyze it. The findings show that **human resource** competence positively influences **the application of government accounting standards** and internal control, both of which significantly enhance **the quality of financial reporting.** Furthermore, both mediating variables **strengthen the relationship between human resource competence and** financial statement quality. These results emphasize the critical **role of human resource competence** in improving accounting practices and internal controls to achieve higher financial reporting quality.
Keywords: Human Resource Competence; Government Accounting Standards; **Internal** Control; Financial Report Quality; Supreme Court;

JEL Classification: G38, H61, H83

INTRODUCTION

Financial reports in the public sector are vital for maintaining trust and transparency, which are essential for accountability and preventing corruption (Ahmad et al., 2024) (Beshi & Kaur, 2020). Reliable financial reporting, guided by proper governance, ensures compliance and supports informed decision-making (Sriyono et al., 2019) (Efunniyi et al., 2024). The quality of these reports is crucial, as it reflects the credibility and accuracy of the information presented (Pangaribuan et al., 2023) . In Indonesia, the quality of government financial reports is assessed through audit opinions, with higher ratings indicating better transparency and compliance (Sasmita, 2021). The Audit Board of Indonesia (BPK RI) reports that the Supreme Court has received an Unqualified Opinion (WTP) for 12 consecutive years (2012–2023), reflecting consistent financial report quality. However, the number of BPK's findings over the years remains substantial, as illustrated in Figure 1.

Figure 1. Number of Findings from BPK Audit Results (2012–2023)
Source: Audit Report on the Financial Statements of the Supreme Court, 2023
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Figure 1 shows that the number of audit findings from 2012 to 2023 has remained relatively high, averaging in the 20s. An analysis of BPK's findings from 2021 to 2023 reveals recurring issues in financial management, including non-compliance in the administration of Non-Tax State Revenue, inaccuracies in salary and honorarium payments, inefficiencies in procurement processes, and inadequate asset record-keeping. These problems are further exacerbated by the limited adoption of financial digitalization, which contributes to data inaccuracies and inefficiencies (BPK RI, 2022, 2023, 2024). While most previous studies have focused on local governments, this study specifically examines the Supreme Court and its subordinate work units, a segment of the central government that operates under a different regulatory framework. Managing financial reporting across a wide array of judicial institutions, including District Courts, Religious Courts, Military Courts, and Administrative Courts located throughout Indonesia, presents distinct challenges, particularly in ensuring consistency in accounting practices and maintaining adequate human resource competence.

In accordance with Government Regulation No. 71 of 2010, all ministries and agencies are required to prepare accrual-based financial reports to enhance transparency and accountability, as detailed in Ministry of Finance Regulation No. 22/PMK.05/2022 concerning budget realization, cash flow, and balance sheets (Aboukhadeer et al., 2023)(Anggadini et al., 2023). High-quality financial reports are defined by characteristics such as understandability, relevance, reliability, and completeness, all of which are supported by the **consistent application of accounting standards** (Shanti et al., 2023). In the public sector, the **implementation of government accounting standards** has been shown to improve financial accountability, as demonstrated in studies on local government financial management (Jatmiko et al., 2019). Additionally, the adoption of international cash-based accounting standards has led to improvements in reporting quality, including clearer disclosures of net income and cash flows (Eshonqulov, 2023). Although government accounting standards have a generally positive impact on reporting quality, their effectiveness largely depends on the capacity of human resources to implement them properly (Djumiyati et al., 2024).

Alongside accounting standards, internal control systems are fundamental to maintaining the reliability and integrity of financial information. Regulation No. 232/PMK.05/2022 obligates Budget User Accounting Units to consolidate financial data from subordinate units and apply Internal Control over Financial Reporting (ICFR), while Regulation No. 17/PMK.09/2019 emphasizes the importance of internal controls as a cornerstone of transparency. Effective internal control mechanisms have been found to directly enhance the quality of financial reporting and public accountability (Darmayanti et al., 2023). However, within the Supreme Court, ICFR implementation remains suboptimal due to limited understanding and the absence of systematic evaluation processes, which undermines its potential to enhance financial reporting quality (Nur et al., 2023). These limitations highlight the need for competent human resources who are capable of applying accounting standards and internal controls effectively (Setiawan & Nurasik, 2024; Yenni et al., 2024).

Despite the recognized importance of human resource competence, empirical findings are inconsistent. For instance, in Jambi Province, human resource competence was found to have a positive yet statistically insignificant impact on financial reporting quality, underscoring the need for continuous training and development (Pratama et al., 2024). Similarly, Utami et al., (2023) reported that while human resource quality did not significantly affect financial reporting in local governments, accounting standards and internal controls exerted significant positive effects, indicating that system robustness may play a more pivotal role than individual capabilities. Conversely, other studies reveal that organizations with strong human capital tend to produce higher-quality reports and face fewer audit findings, reinforcing the strategic importance of human resources in enhancing public sector accountability (Rakhman & Wijayana, 2024; Duan & Qiao, 2024). These divergent findings suggest a research gap concerning how human resource competence interacts with accounting standards and internal control mechanisms, particularly in complex central government institutions such as the Supreme Court.

This study aims to address these gaps by examining how human resource competence affects the quality of financial statements with the mediating roles of Government Accounting Standards (GAS) and Internal Control over Financial Reporting (ICFR), specifically within the Supreme Court and its subordinate courts. The contribution of this research can be seen in several important dimensions. First, it explores a rarely studied institutional context by focusing on the Supreme Court as part of the central government, providing a distinct perspective compared to the prevailing studies that often emphasize local governments. This analysis is grounded in Institutional Theory, initially developed by Oliver (1991) and Scott (2001), which interprets accounting as a socially constructed system influenced by regulatory frameworks and organizational norms. It illustrates how institutional changes, such as the adoption of **International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP),** occur through transnational dynamics, and how entrenched routines and beliefs within institutions can affect the adoption of new accounting practices (Alon & Dwyer, 2016; Guerreiro et al., 2006). Second, the study incorporates GAS and ICFR as important mediating variables within a unified analytical model to improve understanding of their roles in linking human resource competence to financial reporting quality. This framework is supported by behavioral evidence showing that increased self-efficacy through training and mentoring can enhance compliance with reporting standards, while subjective norms and perceived behavioral control influence intentions to commit fraud, as noted by (Zandra et al., 2024; Amrullah & Novianti, 2017). Third, the study empirically tests these relationships across various types of courts, including District, Religious, Military, and Administrative Courts across Indonesia. These contributions aim to provide a more nuanced and evidence-based understanding of the factors that influence financial report quality in the central public sector. Additionally, the Resource-Based View (RBV) supports this research by emphasizing that an organization's unique resources, both tangible and intangible, play a vital role in achieving competitive advantage and improving performance. This perspective guides managerial decision-making toward the strategic use of internal capabilities, as described by (Salsabila et al., 2022). The findings of this study are expected to enrich the academic discourse and contribute to the formulation of more effective policies for enhancing accountability, transparency, and governance in public financial management, particularly within complex and hierarchical institutions such as the judiciary.

LITERATURE REVIEW

Supreme Court as a Budget User Accounting Unit (UAPA)

The Supreme Court functions as a Budget User Accounting Unit (UAPA), responsible for budget management, financial reporting, and state financial accountability. In its implementation, the Supreme Court's financial reports include seven Echelon I work units as UAKPA, with the Table 1 is details.

Table 1. Recapitulation of UAKPA (Budget User Authority Accounting Unit) of the Supreme Court

No	Es I Code	Description	Number of Authority Types: Head Office	Regional Office
1	01	Administrative Affairs Agency	1	923 work units consist of District Courts, Religious Courts, Administrative Courts, and Military Courts.
2	02	Clerkship	1	-
3	03	Directorate General of District Courts	1	416 work units consist of District Courts.
4	04	Directorate General of Religious Courts	1	446 work units consist of Religious Courts.
5	05	Directorate General of Military and Administrative Courts	1	61 work units consist of Military and Administrative Courts
6	06	Research and Development, Education and Training Agency for Law and Judiciary	1	-
7	07	Supervisory Agency	1	-

Source : Supreme Court Financial Report, 2023

The Supreme Court comprises several Echelon I units that serve as Budget User Authority Accounting Units (UAKPA), each responsible for consolidating financial reports from various court types based on their respective DIPA allocations. First, the Echelon I Unit – Administrative Affairs Agency is responsible for DIPA-01 (Non-Technical) UAKPA, overseeing the financial reporting of all non-technical work units under the Supreme Court, including District Courts, Religious Courts, Administrative Courts, and Military Courts. Second, the Echelon I Unit – Directorate General of District Courts manages DIPA-03 (Technical) UAKPA and consolidates financial reports from all General Court work units. Third, the Echelon I Unit – Directorate General of Religious Courts is tasked with DIPA-04 (Technical) UAKPA, consolidating reports from Religious Court work units. Fourth, the Echelon I Unit – Directorate General of Military and Administrative Courts handles DIPA-05 (Technical) UAKPA, responsible for consolidating financial reports from Military and Administrative Court work units.

Financial Report Quality

According to Rachmad et al., (2024), financial reports facilitate transparency and enable the public and other stakeholders to assess the level of government accountability, as these reports serve as the primary means of conveying critical financial information. Accurate and transparent financial reports are expected to enhance public trust in local governments while promoting the effective and efficient use of public resources. Furthermore, Herath and Albarqui (2017), as cited in Yeng & Oppong, (2024), assert that high-quality financial reports are essential not only for evaluating an entity's financial and operational performance in utilizing economic resources but also for meeting stakeholders' informational needs regarding available resources and obligations. **The quality of financial reporting refers to the extent to** which financial statements present accurate, authentic, and fair information regarding business activities, financial position, and company performance, thereby enhancing

stakeholder trust in the reports (Amah & Ekwe, 2021). According to Arvidsson & Dumay, (2022), Aminy et al., (2021), and Regulation Ministerial of Finance No. 232/PMK.05/2022, high-quality financial reports must meet the criteria of **Relevance, Reliability, Comparability, and Understandability.**

Effect of Human Resource Competence on the Implementation of **Government Accounting Standards Human** resource (HR) competence **plays a crucial role** in enhancing individual performance **and** organizational competitiveness through continuous development and assessment, thereby enabling adaptation to a dynamic work environment (Wong, 2020). A competent HR department actively organizes training and development programs focused on accounting standards and financial management. These programs ensure that employees stay updated with the latest developments in accounting regulations, which is critical for maintaining high-quality financial reporting (Denada et al., 2024).

Furthermore, HR competence also plays a role in the recruitment and retention of skilled accounting personnel. By attracting and retaining individuals with expertise in Government Accounting Standards, organizations can ensure the availability of competent human resources capable of maintaining financial reporting quality in compliance with applicable regulations (Setyadi et al., 2024). Thus, HR competence is a key factor in the implementation of Government Accounting Standards. Proficiency in financial management and accounting principles enables personnel to apply these standards more effectively, thereby enhancing accountability and transparency in government financial governance.

A study conducted by Kewo & Kewo (2024) states that employee competence positively impacts the implementation of accrual-based accounting in government institutions. The study highlights that improving employee skills through training and development related to accounting practices and knowledge is crucial. Enhanced competence enables employees to better understand and apply government accounting standards. Consequently, investing in employee training fosters an organizational culture that supports the effective implementation of accrual-based accounting in government institutions. Similarly, research by Yenni et al., (2024) indicates that HR competence significantly affects **the implementation of Government Accounting Standards** (GAS) by ensuring that skilled professionals can effectively operationalize these standards.

H1 : Human Resource Competence Affects **the Implementation of Government Accounting** Standards

Effect **of Human Resource Competence on** the Implementation **of** Internal Control over **Financial** Reporting

In the context of financial report management, competence (knowledge, skills, abilities, and personal characteristics) plays a crucial role in enhancing financial transparency and accountability, thereby supporting the implementation of good governance practices (Saputra et al., 2021). The level of human resource competence significantly influences the effectiveness of internal control over financial reporting. **High human resource capabilities in accounting and internal** control improve financial reporting quality by ensuring that financial managers can effectively implement and adhere to the internal control system. Therefore, investing in human resource development is essential for strengthening internal control effectiveness (Lubis et al., 2023).

Moreover, human resource competence significantly impacts the implementation of internal control over financial reporting. Employees with higher competence in financial management, risk assessment, and regulatory compliance are better equipped to implement effective internal control mechanisms. Strong human resource capabilities not only ensure

accurate financial reporting but also minimize errors and fraud while enhancing transparency and accountability in financial management.

H2 : Human Resource Competence Affects the Implementation of Internal Control over Financial Reporting

Effect of Human Resource Competence on Financial Report Quality

Furthermore, HR competence serves as a key factor in ensuring financial integrity, as it encompasses an individual's ability to perform tasks and responsibilities effectively, which is acquired through training, education, and relevant work experience (Sumaryati et al., 2020). A previous study conducted by Prabtanto et al., (2021) **found that human resource competence has a positive** influence on financial report preparation, where higher employee competence leads to better financial report quality. Kartika & Ningsih, (2024) and Dwicahyo et al., (2024) support this argument by stating **that human resource competence has a** positive effect **on the quality of** government financial reports. However, **different results were found** by Wijayanti & Handayani, (2017), who indicated **that human resource** competence does not have a **positive and significant effect** on financial report quality. This was attributed **to the fact that the** competence level of human resources in the study's object was insufficient, as many employees in the finance/administration sector did not have an accounting educational background.

H3 : Human Resource Competence Affects on Financial Report Quality

Effect of Government Accounting Standards on Financial Report Quality

Internationally, the **Public Sector Accounting** Standards, known as **IPSAS** (International **Public Sector Accounting Standards),** are designed to enhance transparency, accountability, and comparability of **public sector financial reports** globally. Accrual-based IPSAS provides a standardized framework for financial reporting, ensuring more relevant information for decision-making and supporting efficiency in public financial management (Schmidthuber et al., 2022). In Indonesia, the Government Accounting Standards are regulated under Government Regulation Number 71 of 2010, which adopts the accrual basis as the primary approach to financial reporting. The accrual basis allows for the recognition of revenues, expenditures, assets, liabilities, and equity more accurately based on rights and obligations rather than cash flows. The implementation of Government Accounting Standards aims to improve government financial transparency and accountability by providing relevant and reliable information for stakeholders, such as the public, regulatory institutions, and government bodies in assessing performance, resource management, and financial position (Afiqoh, 2020). Stricter accounting standards are crucial for maintaining public trust, ensuring the integrity of financial **reports in the future,** and establishing a more robust and transparent financial reporting system (Ajayi-Nifise et al., 2024).

Research conducted by Susanto **et al., (2021) and Mulyati et al.,(** 2022) indicates **that** the implementation **of Government Accounting Standards** has a significant impact **on the quality of financial** reports. The higher or better the **implementation of Government Accounting Standards,** the greater the improvement in financial reporting quality. Similar findings were observed in the study by Lantu et al., (2023), which concluded that the **implementation of Government Accounting Standards has** a positive and **significant** partial **effect on** financial report quality. These findings reinforce the understanding that proper implementation of accounting standards has the potential to enhance **the quality of financial reporting.** However, a different result was found in the study byHasanah & Siregar, (2021), which revealed that the implementation **of Government Accounting Standards** negatively affects financial report quality. This discrepancy is attributed to the influence of external variables that predominantly impact financial reporting quality.

H4: **The implementation of Government Accounting Standards** affects **the quality of financial reports.**

Effect of Internal Control Over Financial Reporting on Financial Report Quality

According toAlisherovich & Ugli, (2023), internal control in the financial sector is a supervisory system designed to ensure regulatory compliance, enhance operational efficiency, and prevent and detect fraud through task segregation, transaction authorization, and information security. Additionally, this system plays a crucial role in maintaining **the accuracy of financial reports by** reconciling data and implementing accounting standards, thereby ensuring financial integrity, increasing stakeholder confidence, and preserving financial system stability. In the context of government institutions, internal control functions to safeguard and direct activities in alignment with established objectives and programs, with continuous monitoring to ensure the system operates optimally (Kuntadi et al., 2023). Thus, internal control in government financial management serves as a systematic effort to establish accountable, efficient, and integrity-driven governance to achieve strategic governmental objectives. According to Alawaqleh, (2021), there are five key components of internal control: control environment, implementation of control procedures, risk assessment, communication and information, and monitoring. The study conducted by Nur, M et al., (2023) revealed that the Internal Control System **partially influences the quality of financial** reporting, with a significance value of 0.009 < 0.050. This finding is supported by Andriani et al., (2019), who stated that improvements in internal control directly contribute to achieving high-quality financial reports. However, differing results were reported by Parinding et al., (2023), who argued that the **implementation of the Government Internal Control System does not have a positive** impact on financial reporting quality. Despite its compliance with regulations in the research context, issues such as non-compliance, employees performing multiple tasks (multi-tasking), and inadequate attention to the security of physical assets persist.

H5: **The implementation of Internal Control Over Financial Reporting affects the quality of financial** reports.

Effect of Human Resource Competence on Financial Report Quality Through Government Accounting Standards

The Competence of Civil Servants is defined as the skills, abilities, and work attitudes required to perform tasks effectively. This competence includes technical expertise, behavioral attributes, and innovation, such as flexibility, perseverance, communication, and the ability to adapt to change (Kruyen & Van, 2020). The higher **the competence of human resources in** understanding and applying government accounting standards, **the better the quality of financial reports. Government accounting standards** serve as a mechanism that bridges this relationship by ensuring that **financial** reports **are** prepared in **accordance with applicable accounting principles,** thereby enhancing the relevance and reliability of financial information. Human resource competence, including accounting knowledge, experience, and financial management training, plays a crucial role in enhancing financial report quality. Competent personnel are better able to implement Government Accounting Standards correctly, minimize recording errors, and produce more accurate and reliable financial reports. Human resource (HR) competency is crucial for the effective implementation of accounting standards. Competent HR professionals can accurately interpret and apply accounting standards, ensuring that financial reports are prepared in compliance with these standards (Nurazizah et al., 2024). HR competency ensures consistent adherence to accounting standards, which is essential for maintaining the credibility and comparability of financial statements, both of which are critical for informed decision-making by stakeholders., HR competency drives continuous improvement in accounting practices. By staying updated with changes in accounting standards and best practices, HR professionals can lead initiatives to enhance financial reporting quality and overall financial management (Hartati & Dewi, 2024).

H6: Human Resource Competence affects Financial Report Quality through **the implementation of Government Accounting Standards.**

Effect of Human Resource Competence on Financial Report Quality Through Internal Control over Financial Reporting

The **higher the competence of human resources** in understanding and implementing internal control principles, the more effective the **internal control system becomes. A** strong internal control system ensures that the financial reporting process complies with applicable standards, minimizes errors and fraud, and enhances the accuracy and reliability of financial information. Therefore, human resource competence indirectly improves financial report quality through the effectiveness of internal control. Internal Control over Financial Reporting (ICFR) is a system that ensures the reliability of financial reports by ensuring compliance with applicable reporting frameworks, preventing errors and fraud, enhancing accountability and governance, and being reinforced by intellectual capital and institutional strength to uphold transparency and integrity in reporting, particularly in organizations with public accountability (Kabuye et al., 2021). According to Wahongan et al., (2024), human resource competence significantly influences the effectiveness of internal control over financial reporting. Their study found that higher levels of human resource competence contribute to a more effective internal control system, ultimately enhancing the quality of financial reports. This relationship suggests that well-qualified personnel are better equipped to implement and maintain internal controls, ensuring accurate and reliable financial reporting. Therefore, enhancing human resource competence is essential for strengthening internal control systems

within organizations.
H7: Human Resource Competence affects Financial Report Quality through **the implementation of Internal Control over Financial Reporting.**

Conceptual Framework
This conceptual framework in Figure 2 illustrates the relationships between Human Resource Competence, Government Accounting Standards, Internal Control over Financial Reporting, and Financial Report Quality.

Figure 2. Conceptual Framework

RESEARCH METHODS
This study employs a quantitative research method, which involves collecting numerical data and utilizing analytical techniques to test hypotheses, draw conclusions, and understand the relationships between the examined variables (Susanto et al., 2024). The object of this study is the Supreme Court as the Budget User Accounting Unit (UAPA), which is responsible for financial management and reporting while overseeing all subordinate work units as Budget User Authority Accounting Unit (UAKPA). As a UAPA, the Supreme Court plays a strategic role in ensuring financial accountability and transparency across various work units, including first-instance and appellate **courts within the general courts, religious courts, state administrative courts, and military courts.** According to (P. C. Susanto et al., 2024), the population refers to all units of analysis that share similar characteristics or have relevant connections to the research issue. Therefore, the population in this study consists of all accounting units at the echelon I level and all subordinate work units under the Supreme Court, which function as Budget User Authority Accounting Unit (UAKPA) in financial preparation and reporting. In total, there are 930 accounting units/work units distributed across Indonesia. The details of this total are presented in Table 2.
Table 2. Number of Population

Accounting Unit	Number of Work Units
Echelon 1	7
District Court	416
Religious Court	446
Military Court	23
Administrative Court	38
Total	930

Source : Supreme Court, 2024
In this study, samples were taken using the Slovin formula. According to Husen, (2023), Slovin's formula is commonly used to determine a representative sample size to ensure that the research findings can be appropriately generalized. In this study, the researcher set the margin of error (e) at 0.05 or 5%. The Slovin's formula used is as follows:
....(1)

n = required sample size
N = total population
e = margin of error (0.05)
By applying proportionate stratified sampling and Slovin's formula, a total of 285 employees were selected as the research sample. These individuals possessed substantial knowledge of financial preparation and reporting processes across various organizational units, including echelon 1 at the Supreme Court, as well as district, religious, military, and administrative courts. To capture respondents' perceptions, a structured questionnaire using **a 5-point Likert scale ranging from 1 ("strongly disagree") to 5 ("strongly** agree") was
developed. Prior to distributing the full questionnaire, a pilot test was conducted with 30 respondents using SPSS to assess the instrument's initial validity and reliability. Pearson

correlation analysis demonstrated strong and statistically significant relationships among variables (p < 0.01), confirming construct validity. The reliability test yielded a Cronbach's Alpha value of 0.943 across the four main constructs (human resource competence [X1], government accounting standards [Z1], internal control of financial reporting [Z2], and financial report quality [Y]), indicating excellent internal consistency. Ethical considerations were thoroughly addressed by informing participants about the study's purpose, **ensuring confidentiality,** obtaining informed **consent,** and emphasizing voluntary participation, with all responses anonymized in accordance with ethical research standards.
RESULT AND DISCUSSION
Result
Understanding the distribution of respondents is essential for assessing the representativeness of the sample across various accounting units under the Supreme Court.

This study classifies participants based on their respective institutional categories, including Echelon I units, District Courts, High Courts, Religious Courts, Religious High Courts, Administrative Courts, and Administrative High Courts. Each type of institution carries distinct responsibilities in the preparation and consolidation of financial statements. The following table presents detailed information on respondent distribution, including frequency, percentage, and the ratio of samples to the total number of accounting units for each category. This classification helps clarify the scope of the study and ensures that the findings reflect the diversity of the judicial accounting environment.

Table 3. Respondent identity
Characteristics Category Frequency
Percentage
(%)
Sample-to-unit
accounting
comparison in
percentage
Total
Accounting
Unit
Echelon 1 7 2.5%
100% of the total
7 accounting
units (Echelon 1)
285
sample
(100%)
District Court 107 37.5% 30,53% of the
total 416
accounting units
(District Court)
District High Court 20 7.0%
Religious Court 110 38.6% 29.82% of the
total 446
accounting units
(Religious
Court)
Religious High Court 23 8.1%
Administrative Court 9 3.2% 31,58% of the
total 38
accounting units
(Administrative
Court)
Administrative High
Court
3 1.1%
Military Court 5 1.75% 26,09% of the
total 23
accounting units
(Military Court)
Military High Court 1 0.4%
Role / Position
Financial Specialist -
APK APBN
133 46.7% 285 sample (100%)

Financial Specialist -
PK APBN
91 31.9%
Treasurer 19 6.7%
Head of Finance
Subdivision
10 3.5%
Commitment Making
Officer (PPK)
6 2.1%
Other Finance

Administrator
26 9.1%
Years of Work
1 - 5 Years 62 21.8%
285 sample (100%)
6 - 10 Years 32 11.2%
11 - 15 Years 108 37.9%
> 15 Years 83 29.1%

In Table 3, the Religious Court has the highest number of respondents, totaling 110 individuals (38.6%), followed by the District Court with 107 respondents (37.5%). The Religious High Court has 23 respondents (8.1%), while the District High Court has 20 respondents (7.0%). The Administrative Court contributes 9 respondents (3.2%), whereas the Administrative High Court has 3 respondents (1.1%). The Military Court and the Military High Court have fewer respondents, with 5 (1.75%) and 1 (0.4%) respondents, respectively. The distribution of respondents from Echelon I indicates that Echelon I has 7 respondents (2.5%).

Meanwhile, based on the comparison between the sample size and the number of accounting units in each court type, at the Echelon I level, there are 7 respondents, representing 100% of the accounting units in the sample. The District Court has 107 respondents, while the District High Court has 20 respondents out of 416 accounting units, resulting in a 30.53% representation. The Religious Court has 110 respondents, and the Religious High Court has 23 respondents out of a total of 446 accounting units, meaning that 29.82% of the total accounting units are represented in the sample. The Administrative Court has 9 respondents, and the Administrative High Court has 3 respondents out of 38 accounting units, indicating a 31.58% representation. The Military Court has 5 respondents, while the Military High Court has 1 respondent out of 23 accounting units, leading to a 26.08% representation in the sample. Overall, the sample distribution is relatively proportional to the number of accounting units across various courts, although some differences in representation levels exist.

Based on the distribution of respondents' roles, the majority are Financial Specialists - APBN Financial Management Analysts (APK APBN), totaling 133 individuals (46.7%), followed by Financial Specialists - APBN Financial Administrators (PK APBN) with 91 respondents (31.9%). Meanwhile, Treasurers account for 19 respondents (6.7%), Heads of Finance Subdivisions for 10 respondents (3.5%), and Commitment-Making Officials (PPK) for 6 respondents (2.1%). Additionally, 26 respondents (9.1%) were categorized as Other Finance Administrators. From this distribution, it is evident that the majority of respondents are financial specialists in APBN finance, either as analysts or administrators, reflecting that this study involves individuals who play key roles in financial management within their respective work environments.

Furthermore, in terms of respondents' work experience distribution, the majority have 11-15 years of experience, totaling 108 individuals (37.9%), followed by those with more than 15 years of experience, comprising 83 respondents (29.1%). Respondents with 1-5 years of experience account for 62 individuals (21.8%), while those with 6-10 years of experience have the fewest respondents, totaling 32 individuals (11.2%). This distribution indicates that most respondents have more than 10 years of work experience, demonstrating that a significant proportion of individuals involved in this study possess a considerable level of expertise in their respective fields.

Smart PLS 4.0 carried out a measurement model test by looking at the results of the convergent validity test, discriminant validity test, and reliability test.

Table 4. Validity Test
Variable Question
Outer
Loading
Explanation
Financial Report
Quality
FRQ1 0.904 Valid
FRQ2 0.773 Valid
FRQ3 0.936 Valid
FRQ4 0.941 Valid
FRQ5 0.893 Valid
Government
Accounting
Standards
GAS1 0.913 Valid
GAS2 0.895 Valid

GAS3 0.931 Valid
GAS4 0.902 Valid
Human
Resource
Competence
HRC1 0.722 Valid
HRC2 0.900 Valid
HRC3 0.849 Valid
HRC4 0.872 Valid
HRC5 0.764 Valid
HRC6 0.893 Valid
Internal Control
over Financial
Reporting
ICFR1 0.882 Valid
ICFR2 0.801 Valid
ICFR3 0.889 Valid
ICFR4 0.891 Valid
ICFR5 0.840 Valid
ICFR6 0.904 Valid
ICFR7 0.875 Valid
ICFR8 0.845 Valid
Source : SmartPLS 4.0 Application (Data Processed)

In Table 4, based on the Outer Loading analysis, all indicators used in this study are valid as they meet the threshold value above 0.7. Therefore, no indicators need to be eliminated, and the research model can proceed to the next stage of analysis.

Table 5. Reliability Test

Variable	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	AVE
Financial Report Quality	0.934	0.943	0.951	0.795
Government Accounting Standards	0.931	0.933	0.951	0.829
Human Resource Competence	0.912	0.923	0.933	0.699
Internal Control over Financial Reporting	0.952	0.954	0.960	0.751

Source : SmartPLS 4.0 Application (Data Processed)

Next, based on the reliability test results in Table 5, all variables in this study have Cronbach's alpha values above 0.7, indicating good internal consistency. Furthermore, the composite reliability values (rho_a and rho_c) also exceed 0.7, confirming that the indicators used are reliable in measuring each variable. The Average Variance Extracted (AVE) values for all variables are also above 0.5, indicating strong convergent validity. Therefore, this research instrument meets the necessary reliability and validity criteria.

Table 6. R Square

Variable	R-square	R-square adjusted
Financial Report Quality	0.827	0.825
Government Accounting Standards	0.655	0.654
Internal Control over Financial Reporting	0.763	0.763

Source : SmartPLS 4.0 Application (Data Processed)

Based on the displayed R-square Table 6, the variable Government Accounting Standards has an R-square value of 0.655, meaning that 65.5% of its variance can be explained by the independent variables in the model. Meanwhile, Internal Control over Financial Reporting **has an R-square value** of 0.763, **indicating that** 76.3% of

its variability is influenced by
independent factors. The variable Financial Report Quality has the highest R-square value of 0.827, meaning that 82.7% of its variation **is explained by the independent variables in** this study. The R-square adjusted values, which are slightly lower, adjust **for the number of predictors in the model** **to provide a more accurate** estimate of the dependent variables. To enhance understanding of the relationships among the variables examined, the Figure 3 is path diagram visualizes the results of the structural model testing. The diagram depicts both the direct and indirect effects of Human Resource Competence (X) on Financial Report Quality (Y), with Government Accounting Standards (Z1) and Internal Control over Financial Reporting (Z2) serving as mediating variables. The path coefficients represent the strength of the relationships between variables, with statistical significance. Each dependent variable is also accompanied by its respective R-square (R2) value, reflecting the proportion of variance explained by the independent variables. Higher R2 values indicate greater explanatory power of the model.

Figure 3. Result path diagram model – test of the main hypotheses.
Note: ***p-value<0.001, **p-value<0.01, *p-value<0.05

Hypothesis testing is based on three key values: the Original Sample, T-Statistic, **and P- Value.** A T-Statistic greater than **1.96 and a P-Value** below 0.05 indicate a significant effect
of the independent variable on the dependent variable. The direction of this effect is determined by the Original Sample value, where **a positive value signifies a positive** influence, and **a negative value indicates a negative** impact. **The results of the hypothesis testing are** displayed in Table 7.

Table 7. **Hypothesis** Testing Result
Notation Hypothesis **Original sample (O) Sample mean (M) Standard deviation (STDEV) T statistic P values**
Result
H1
Human Resource
Competence ->
Government
Accounting
Standards
0.810 0.804 0.047 17.201 0.000 Accepted
H2
Human Resource
Competence ->
Internal Control
over Financial
Reporting
0.874 0.871 0.029 29.768 0.000 Accepted
H3
Human Resource
Competence ->
Financial Report
Quality
0.249 0.248 0.071 3.498 0.000 Accepted
H4
Government
Accounting
Standards ->
Financial Report
Quality
0.177 0.174 0.068 2.604 0.009 Accepted
H5
Internal Control
over Financial
0.532 0.533 0.070 7.550 0.000 Accepted

Reporting ->
Financial Report
Quality
Indirect Effect
H6
Human Resource
Competence ->

Government
Accounting
Standards ->
Financial Report
Quality
0.143 0.140 0.057 2.504 0.012 Accepted
H7
Human Resource
Competence ->
Internal Control
over Financial
Reporting ->
Financial Report
Quality
0.465 0.464 0.060 7.773 0.000 Accepted
Source : SmartPLS 4.0 Application (Data Processed)

Based on the results of hypothesis testing presented in Table 7, all hypotheses (H1–H7) are accepted, as indicated by T-statistic values exceeding 1.96 and P-values below 0.05. This demonstrates a significant influence between the **independent and dependent variables.**

Discussion

Human resource competence **has a positive and significant effect on** government accounting standards (O = 0.810, T = 17.201, P = 0.000). This finding indicates that improving human resource competence enhances the implementation of accounting standards. Kristiana et al., (2024) support this by stating **that the quality of human resources positively influences the successful implementation of accrual-based Government Accounting Standards.** Furthermore, this study reveals that human resource competence significantly affects the application of **accrual-based government accounting standards,** specifically P.P. No. 71 of 2010, which **in** turn influences the **quality of financial reports** (Juniarti et al., 2023). Enhancing the skills and competencies of financial employees is thus crucial for the effective implementation of these standards, ultimately leading to improved financial reporting quality in government institutions.

Human resource competence has a positive and significant impact on internal control over financial reporting (O = 0.874, T = 29.768, P = 0.000). This suggests that better human resource competence strengthens the internal control system, as the level of competence significantly impacts the effectiveness of internal control over financial reporting. Strong capabilities in accounting and internal control enhance financial reporting quality by ensuring that financial managers can effectively implement and comply with internal control systems. Choi et al., (2013) emphasize that the effectiveness of internal control over financial reporting is influenced by both the quantity and quality of internal control (IC) personnel. A sufficient number of competent personnel ensures effective internal controls, as highlighted in the COSO framework, which links personnel responsibilities to the overall control environment and control activities necessary for accurate financial reporting. Supporting this, Yeh et al., (2022) found that the qualifications of Chief Financial Officers (CFOs), particularly their financial or accounting background and seniority, negatively correlate with internal control weaknesses. This underscores that higher CFO competence leads to more effective internal

controls, emphasizing the importance of financial knowledge in implementing robust internal control systems.

Human resource competence directly influences financial report quality, with a significant impact (O = 0.249, T = 3.498, P = 0.000). This suggests that while human resource competence plays a crucial role in enhancing financial report quality, its effect is relatively smaller compared to its influence on Government Accounting Standards and Internal Control. Frederica et al., (2023) support this finding, confirming that human resource competence positively affects financial statement quality. Similarly, Karo-karo et al., (2023) found that employees with adequate education, skills, and experience in finance significantly improve the preparation and presentation of financial statements. Research by Astria et al., (2023) further validates this by showing that human resource competence strongly impacts financial report quality, highlighting the importance of skilled personnel in ensuring accurate and reliable financial reporting.

Government accounting standards have a positive and significant effect on financial report quality (O = 0.177, T = 2.604, P = 0.009). This indicates that better implementation of accounting standards improves financial report quality. Research by Harahap & Erlina, (2024) and Darwin et al., (2024) supports this claim, stating that the adoption of GAS significantly improves financial statement transparency and accountability. Yasis, (2024)further examines the influence of government accounting standards on financial reporting quality, finding that compliance with these standards enhances the reliability and transparency of financial statements. Similarly, Sabo et al., (2024) highlight that the adoption of IPSAS in Nigeria significantly impacts financial report quality by improving accountability, transparency, comparability, and full representation, emphasizing the importance of clear accountability frameworks in financial reporting processes.

Internal control over financial reporting has a relatively strong positive impact on financial report quality (O = 0.532, T = 7.550, P = 0.000). This confirms that a robust internal control system significantly contributes to enhancing financial report quality. Ghazali et al., (2024) support this finding, demonstrating that effective internal control systems play a crucial role in financial reporting accuracy. Similarly, a study on manufacturing firms in China found that internal control effectiveness positively influences financial reporting quality, with a pronounced effect in the main board market after implementing the internal control policy (Wang & Park, 2023). Haerunnisa et al., (2024) further corroborate this, showing that internal control systems account for a 20.5% influence on financial report quality, underscoring the significant role of internal controls in ensuring the accuracy and reliability of financial statements.

Human resource competence also affects financial report quality through government accounting standards as a mediating variable (O = 0.143, T = 2.504, P = 0.012). This suggests that improved human resource competence can indirectly enhance financial report quality through better implementation of accounting standards. Yamin et al., (2025) and Djumiyati et al., (2024) highlight that the adoption of GAS positively impacts financial reporting quality by providing a structured framework guiding competent human resources in their reporting tasks. Kamandita & Suwandi, (2025) further emphasize the importance of the interaction between human resource competence and GAS in achieving high-quality financial reporting. Several studies indicate that without the support of strong systems such as GAS, the direct impact of human resource competence on financial report quality may not always be significant, highlighting the complex interaction between these factors (Yamin et al., 2025).

Human resource competence also influences financial report quality through internal control over financial reporting (O = 0.465, T = 7.773, P = 0.000). This indicates that effective internal control is a key mechanism in ensuring high-quality financial reporting. Papra & Inapty, (2024) state that human resource competence significantly influences financial report quality, with internal control serving as a mediating variable in this relationship. Purwandari & Widajantie, (2024) similarly found that human resource competence positively affects financial report quality through effective internal control systems, highlighting the crucial role of skilled personnel in improving financial reporting quality within Public Health Centers in Surabaya. Furthermore, research by Ardiyanto et al. (2024) confirms that human resource competence affects financial report quality both directly and indirectly through internal control mechanisms. Their study found that skilled human resources strengthen internal controls, subsequently improving financial report quality at health centers.

Although all hypotheses in this study were statistically significant, it was found that the direct effect of human resource competence on financial report quality (0.249) was greater than its indirect effect through the implementation of Government Accounting Standards (0.143), but still smaller than the indirect effect through Internal Control over Financial Reporting (0.465). These findings indicate that while human resource competence plays a crucial role, its impact on financial reporting quality becomes substantially stronger when combined with effective internal control systems. In other words, improving competence alone may not be sufficient without simultaneously strengthening internal control mechanisms. This reflection underscores the importance of a systemic approach that not only focuses on individual development but also emphasizes institutional improvement.

CONCLUSION AND RECOMMENDATION

These results indicate that human resource competence plays a crucial role in the effective **implementation of government accounting standards** and internal control over financial reporting, ultimately influencing **the quality of financial reports.** Competent human resources are essential in ensuring that accounting standards are correctly applied, financial data is accurately recorded, and internal controls function effectively to prevent errors and fraud. Without adequate competence, even well-designed standards and control mechanisms may not be properly executed, leading to financial misstatements and reduced accountability. Furthermore, the direct influence of government accounting standards and internal control on financial report quality confirms that improvements in these areas significantly enhance transparency, reliability, and decision-usefulness of financial information. Strengthening these components requires not only policy adjustments but also an investment in human capital to ensure that personnel involved in financial reporting processes possess the necessary knowledge, skills, **and** ethical commitment.

Based **on** the hypothesis analysis **results, it is recommended that the** government take proactive measures to **enhance** human resource competence through continuous professional development, including regular training programs and mandatory certification in public sector accounting. Additionally, the implementation of Government Accounting Standards should be reinforced by stricter supervision, clearer guidelines, and the adoption of a more transparent and integrated financial information system.

Internal control mechanisms must also be strengthened through the adoption of risk-based audits, the optimization of internal auditors' roles, and the establishment of a robust compliance monitoring system. This will help prevent financial irregularities and ensure that government financial management aligns with the principles of accountability and good governance.

Lastly, the overall quality of financial reports can be further improved by leveraging advanced financial reporting technologies, fostering a culture of integrity and transparency within government institutions, and conducting independent audits regularly. These measures will collectively contribute to greater public trust in financial reporting and more effective government financial management.

Limitations and Future Research

This study is subject to certain limitations that should be acknowledged. First, the scope of the research was limited to the judicial sector, specifically institutions under the Supreme Court of Indonesia. **As** such, **the generalizability of the** findings **may** be constrained, and caution should be exercised when applying the results **to other** government sectors **or** institutional contexts. **Future research should consider expanding** the scope to **include** executive and legislative branches to validate and compare the findings across a broader spectrum of public institutions.

Additionally, this study employed a quantitative approach using SmartPLS for data analysis. While this method provides robust statistical evidence of relationships among variables, it does not capture the underlying motivations, perceptions, and contextual factors that may influence the implementation of accounting standards and internal control systems. Therefore, future studies could benefit from adopting a qualitative or mixed-methods approach to gain deeper insights into the behavioral and organizational dynamics affecting financial reporting quality. Triangulation through interviews, focus groups, or case studies may help uncover nuanced challenges and opportunities that are not evident through survey data alone.

KEY DRIVERS OF HIGH-QUALITY FINANCIAL REPORTS IN PUBLIC SECTOR: INSIGHTS FROM INDONESIA'S SUPREME COURT

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Abstract

This study examines the impact of human resource competence on the quality of financial statements within the Supreme Court and its subordinate units, with government accounting standards and internal control over financial reporting acting as mediating variables. The study uses an explanatory design and employs a quantitative approach. Data were collected from 285 respondents across various judicial institutions, and Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS 4.0 was used to analyze it. The findings show that human resource competence positively influences the application of government accounting standards and internal control, both of which significantly enhance the quality of financial reporting. Furthermore, both mediating variables strengthen the relationship between human resource competence and financial statement quality. These results emphasize the critical role of human resource competence in improving accounting practices and internal controls to achieve higher financial reporting quality.

Keywords: Human Resource Competence; Government Accounting Standards; Internal Control; Financial Report Quality; Supreme Court.

JEL Classification: G38, H61, H83

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INTRODUCTION

Financial reports in the public sector are vital for maintaining trust and transparency, which are essential for accountability and preventing corruption (Ahmad et al., 2024) (Beshi & Kaur, 2020). Reliable financial reporting, guided by proper governance, ensures compliance and supports informed decision-making (Sriyono et al., 2019) (Efunniyi et al., 2024). The quality of these reports is crucial, as it reflects the credibility and accuracy of the information presented (Pangaribuan et al., 2023). In Indonesia, the quality of government financial reports is assessed through audit opinions, with higher ratings indicating better transparency and compliance (Sasmita, 2021). The Audit Board of Indonesia (BPK RI) reports that the Supreme Court has received an Unqualified Opinion (WTP) for 12 consecutive years (2012–2023), reflecting consistent financial report quality.

However, the number of BPK's findings over the years remains substantial, as illustrated in Figure 1.

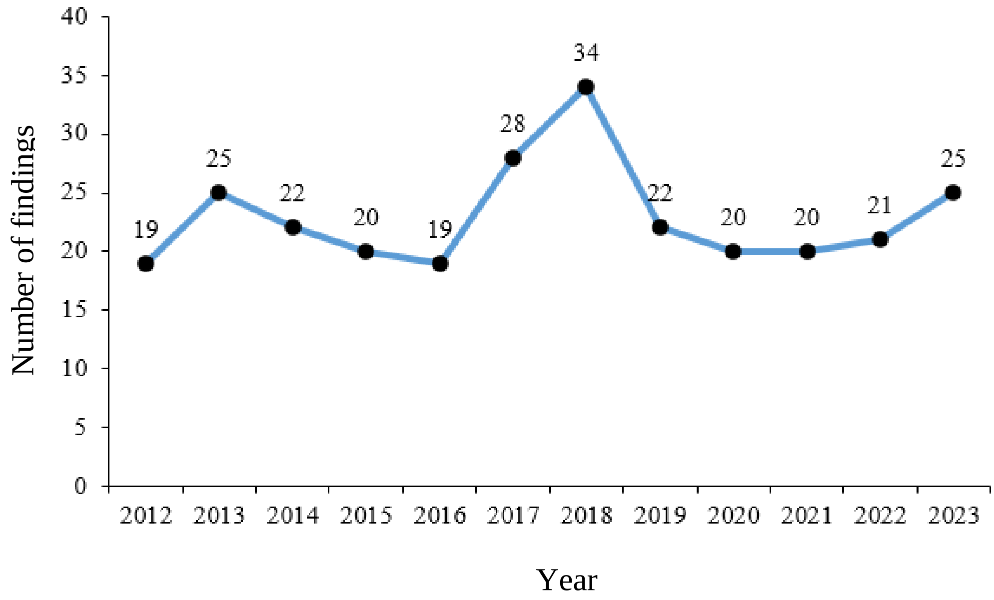

Figure 1. Number of Findings from BPK Audit Results (2012–2023)
Source: Audit Report on the Financial Statements of the Supreme Court, 2023

Figure 1 shows that the number of audit findings from 2012 to 2023 has remained relatively high, averaging in the 20s. An analysis of BPK's findings from 2021 to 2023 reveals recurring issues in financial management, including non-compliance in the administration of Non-Tax State Revenue, inaccuracies in salary and honorarium payments, inefficiencies in procurement processes, and inadequate asset record-keeping. These problems are further exacerbated by the limited adoption of financial digitalization, which contributes to data inaccuracies and inefficiencies (BPK RI, 2022, 2023, 2024). While most previous studies have focused on local governments, this study specifically examines the Supreme Court and its subordinate work units, a segment of the central government that operates under a different regulatory framework. Managing financial reporting across a wide array of judicial institutions, including District Courts, Religious Courts, Military Courts, and Administrative Courts located throughout Indonesia, presents distinct challenges, particularly in ensuring consistency in accounting practices and maintaining adequate human resource competence.

In accordance with Government Regulation No. 71 of 2010, all ministries and agencies are required to prepare accrual-based financial reports to enhance transparency and accountability, as detailed in Ministry of Finance Regulation No. 22/PMK.05/2022 concerning budget realization, cash flow, and balance sheets (Aboukhadeer et al., 2023)(Anggadini et al., 2023). High-quality financial reports are defined by characteristics such as understandability, relevance, reliability, and completeness, all of which are supported by the consistent application of accounting standards (Shanti et al., 2023). In the public sector, the implementation of government accounting standards has been shown to improve financial accountability, as demonstrated in studies on local government financial management (Jatmiko et al., 2019). Additionally, the adoption of international cash-based accounting standards has led to improvements in reporting quality, including clearer disclosures of net income and cash flows (Eshonqulov, 2023). Although government accounting standards have a generally positive impact on reporting quality, their effectiveness largely depends on the capacity of human resources to implement them properly (Djumiyati et al., 2024).

Alongside accounting standards, internal control systems are fundamental to maintaining the reliability and integrity of financial information. Regulation No. 232/PMK.05/2022 obligates Budget User Accounting Units to consolidate financial data from subordinate units and apply Internal Control over Financial Reporting (ICFR), while Regulation No. 17/PMK.09/ 2019 emphasizes the importance of internal controls as a cornerstone of transparency. Effective internal control mechanisms have been found to directly enhance the quality of financial reporting and public accountability (Darmayanti et al., 2023). However, within the Supreme Court, ICFR implementation remains suboptimal due to limited understanding and the absence of systematic evaluation processes, which undermines its potential to enhance financial reporting quality (Nur et al., 2023). These limitations highlight the need for competent human resources who are capable of applying accounting standards and internal controls effectively (Setiawan & Nurasik, 2024; Yenni et al., 2024).

Despite the recognized importance of human resource competence, empirical findings are inconsistent. For instance, in Jambi Province, human resource competence was found to have a positive yet statistically insignificant impact on financial reporting quality, underscoring the need for continuous training and development (Pratama et al., 2024). Similarly, Utami et al., (2023) reported that while human resource quality did not significantly affect financial reporting in local governments, accounting standards and internal controls exerted significant positive effects, indicating that system robustness may play a more pivotal role than individual capabilities. Conversely, other studies reveal that organizations with strong human capital tend to produce higher-quality reports and face fewer audit findings, reinforcing the strategic importance of human resources in enhancing public sector accountability (Rakhman & Wijayana, 2024; Duan & Qiao, 2024). These divergent findings suggest a research gap concerning how human resource competence interacts with accounting standards and internal control mechanisms, particularly in complex central government institutions such as the Supreme Court.

This study aims to address these gaps by examining how human resource competence affects the quality of financial statements with the mediating roles of Government Accounting Standards (GAS) and Internal Control over Financial Reporting (ICFR), specifically within the Supreme Court and its subordinate courts. The contribution of this research can be seen in several important dimensions. First, it explores a rarely studied institutional context by focusing on the Supreme Court as part of the central government, providing a distinct perspective compared to the prevailing studies that often emphasize local governments. This analysis is grounded in Institutional Theory, initially developed by Oliver (1991) and Scott (2001), which interprets accounting as a socially constructed system influenced by regulatory frameworks and organizational norms. It illustrates how institutional changes, such as the adoption of International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP), occur through transnational dynamics, and how entrenched routines and beliefs within institutions can affect the adoption of new accounting practices (Alon & Dwyer, 2016; Guerreiro et al., 2006). Second, the study incorporates GAS and ICFR as important mediating variables within a unified analytical model to improve understanding of their roles in linking human resource competence to financial reporting quality. This framework is supported by behavioral evidence showing that increased self-efficacy through training and mentoring can enhance compliance with reporting standards, while subjective norms and perceived behavioral control influence intentions to commit fraud, as noted by (Zandra et al., 2024; Amrullah & Novianti, 2017). Third, the study empirically tests these relationships across various types of courts, including District, Religious, Military, and Administrative Courts across Indonesia. These contributions aim to provide a more nuanced and evidence-based understanding of the factors that influence financial report quality in the central public sector. Additionally, the Resource-Based View (RBV) supports this research by emphasizing that an organization's unique resources, both tangible and intangible, play a vital role in achieving competitive advantage and improving performance. This perspective guides managerial decision-making toward the strategic use of internal capabilities, as described by (Salsabila et al., 2022). The findings of this study are expected to enrich the academic discourse and contribute to the formulation of more effective policies for enhancing accountability, transparency, and governance in public financial management, particularly within complex and hierarchical institutions such as the judiciary.

LITERATURE REVIEW

Supreme Court as a Budget User Accounting Unit (UAPA)

The Supreme Court functions as a Budget User Accounting Unit (UAPA), responsible for budget management, financial reporting, and state financial accountability. In its implementation, the Supreme Court's financial reports include seven Echelon I work units as UAKPA, with the Table 1 is details.

Table 1. Recapitulation of Budget User Authority Accounting Unit (UAKPA) of the Supreme Court

No	Es I Code	Description	Number of Authority Types	
			Head Office	Regional Office
1	01	Administrative Affairs Agency	1	923 work units consist of District Courts, Religious Courts, Administrative Courts, and Military Courts.
2	02	Clerkship	1	-
3	03	Directorate General of District Courts	1	416 work units consist of District Courts.
4	04	Directorate General of Religious Courts	1	446 work units consist of Religious Courts.
5	05	Directorate General of Military and Administrative Courts	1	61 work units consist of Military and Administrative Courts
6	06	Research and Development, Education and Training Agency for Law and Judiciary	1	-
7	07	Supervisory Agency	1	-

Source: Supreme Court Financial Report, 2023

The Supreme Court comprises several Echelon I units that serve as Budget User Authority Accounting Units (UAKPA), each responsible for consolidating financial reports from various court types based on their respective DIPA allocations. First, the Echelon I Unit – Administrative Affairs Agency is responsible for DIPA-01 (Non-Technical) UAKPA, overseeing the financial reporting of all non-technical work units under the Supreme Court, including District Courts, Religious Courts, Administrative Courts, and Military Courts. Second, the Echelon I Unit – Directorate General of District Courts manages DIPA-03 (Technical) UAKPA and consolidates financial reports from all General Court work units. Third, the Echelon I Unit – Directorate General of Religious Courts is tasked with DIPA-04 (Technical) UAKPA, consolidating reports from Religious Court work units. Fourth, the Echelon I Unit – Directorate General of Military and Administrative Courts handles DIPA-05 (Technical) UAKPA, responsible for consolidating financial reports from Military and Administrative Court work units.

Financial Report Quality

According to Rachmad et al., (2024), financial reports facilitate transparency and enable the public and other stakeholders to assess the level of government accountability, as these reports serve as the primary means of conveying critical financial information. Accurate and transparent financial reports are expected to enhance public trust in local governments while promoting the effective and efficient use of public resources. Furthermore, Herath and Albarqui (2017), as cited in Yeng & Oppong, (2024), assert that high-quality financial reports are essential not only for evaluating an entity's financial and operational performance in utilizing economic resources but also for meeting stakeholders' informational needs regarding available resources and obligations. The quality of financial reporting refers to the extent to which financial statements present accurate, authentic, and fair information regarding business activities, financial position, and company performance, thereby enhancing stakeholder trust in the reports (Amah & Ekwe, 2021). According to Arvidsson & Dumay, (2022), Aminy et al., (2021), and Regulation Ministerial of Finance No. 232/PMK.05/ 2022, high-quality financial reports must meet the criteria of Relevance, Reliability, Comparability, and Understandability.

Effect of Human Resource Competence on the Implementation of Government Accounting Standards

Human resource (HR) competence plays a crucial role in enhancing individual performance and organizational competitiveness through continuous development and assessment, thereby enabling adaptation to a dynamic work environment (Wong, 2020). A competent HR department actively organizes training and development programs focused on accounting standards and financial management. These programs ensure that employees stay updated with the latest developments in accounting regulations, which is critical for maintaining high-quality financial reporting (Denada et al., 2024).

Furthermore, HR competence also plays a role in the recruitment and retention of skilled accounting personnel. By attracting and retaining individuals with expertise in Government Accounting Standards, organizations can ensure the availability of competent human resources capable of maintaining financial reporting quality in compliance with applicable regulations (Setyadi et al., 2024). Thus, HR competence is a key factor in the implementation of Government Accounting Standards.

Proficiency in financial management and accounting principles enables personnel to apply these standards more effectively, thereby enhancing accountability and transparency in government financial governance.

A study conducted by Kewo & Kewo (2024) states that employee competence positively impacts the implementation of accrual-based accounting in government institutions. The study highlights that improving employee skills through training and development related to accounting practices and knowledge is crucial. Enhanced competence enables employees to better understand and apply government accounting standards. Consequently, investing in employee training fosters an organizational culture that supports the effective implementation of accrual-based accounting in government institutions. Similarly, research by Yenni et al., (2024) indicates that HR competence significantly affects the implementation of Government Accounting Standards (GAS) by ensuring that skilled professionals can effectively operationalize these standards.

H_1 : Human resource competence affects the implementation of government accounting standards

Effect of Human Resource Competence on the Implementation of Internal Control over Financial Reporting

In the context of financial report management, competence (knowledge, skills, abilities, and personal characteristics) plays a crucial role in enhancing financial transparency and accountability, thereby supporting the implementation of good governance practices (Saputra et al., 2021). The level of human resource competence significantly influences the effectiveness of internal control over financial reporting. High human resource capabilities in accounting and internal control improve financial reporting quality by ensuring that financial managers can effectively implement and adhere to the internal control system. Therefore, investing in human resource development is essential for strengthening internal control effectiveness (Lubis et al., 2023).

Moreover, human resource competence significantly impacts the implementation of internal control over financial reporting. Employees with higher competence in financial management, risk assessment, and regulatory compliance are better equipped to implement effective internal control mechanisms. Strong human resource capabilities not only ensure accurate financial reporting but also minimize errors and fraud while enhancing transparency and accountability in financial management.

H_2 : Human resource competence affects the implementation of internal control over financial reporting

Effect of Human Resource Competence on Financial Report Quality

Furthermore, HR competence serves as a key factor in ensuring financial integrity, as it encompasses an individual's ability to perform tasks and responsibilities effectively, which is acquired through training, education, and relevant work experience (Sumaryati et al., 2020). A previous study conducted by Prabtanto et al., (2021) found that human resource competence has a positive influence on financial report preparation, where higher employee competence leads to better financial report quality. Kartika & Ningsih, (2024) and Dwicahyo et al., (2024) support this argument by stating that human resource competence has a positive effect on the quality of government financial reports. However, different results were found by Wijayanti & Handayani, (2017), who indicated that human resource competence does not have a positive and significant effect on financial report quality. This was attributed to the fact that the competence level of human resources in the study's object was insufficient, as many employees in the finance/ administration sector did not have an accounting educational background.

H_3 : Human resource competence affects on financial report quality

Effect of Government Accounting Standards on Financial Report Quality

Internationally, the Public Sector Accounting Standards, known as IPSAS (International Public Sector Accounting Standards), are designed to enhance transparency, accountability, and comparability of public sector financial reports globally. Accrual-based IPSAS provides a standardized framework for financial reporting, ensuring more relevant information for decision-making and supporting efficiency in public financial management (Schmidthuber et al., 2022). In Indonesia, the Government Accounting Standards are regulated under Government Regulation Number 71 of 2010, which adopts the accrual basis as the primary approach to financial reporting. The accrual basis allows for the recognition of revenues, expenditures, assets, liabilities, and equity more accurately based on rights and obligations rather than cash flows. The implementation of Government Accounting Standards aims to improve government financial transparency and accountability by providing relevant and reliable information for stakeholders, such as the public, regulatory institutions, and government bodies in assessing performance, resource management, and financial position (Afiqoh, 2020). Stricter accounting standards are crucial for maintaining public trust, ensuring the integrity of financial reports in the future, and establishing a more robust and transparent financial reporting system (Ajayi-Nifise et al., 2024).

Research conducted by Susanto et al., (2021) and Mulyati et al.,(2022) indicates that the implementation of Government Accounting Standards has a significant impact on the quality of financial reports. The higher or better the implementation of Government Accounting Standards, the greater the improvement in financial reporting quality. Similar findings were observed in the study by Lantu et al., (2023), which concluded that the implementation of Government Accounting Standards has a positive and significant partial effect on financial report quality. These findings reinforce the understanding that proper implementation of accounting standards has the potential to enhance the quality of financial reporting. However, a different result was found in the study by Hasanah & Siregar, (2021), which revealed that the implementation of Government Accounting Standards negatively affects financial report quality. This discrepancy is attributed to the influence of external variables that predominantly impact financial reporting quality.

H_4: The implementation of Government Accounting Standards affects the quality of financial reports.

Effect of Internal Control Over Financial Reporting on Financial Report Quality

According to Alisherovich & Ugli, (2023), internal control in the financial sector is a supervisory system designed to ensure regulatory compliance, enhance operational efficiency, and prevent and detect fraud through task segregation, transaction authorization, and information security. Additionally, this system plays a crucial role in maintaining the accuracy of financial reports by reconciling data and implementing accounting standards, thereby ensuring financial integrity, increasing stakeholder confidence, and preserving financial system stability. In the context of government institutions, internal control functions to safeguard and direct activities in alignment with established objectives and programs, with continuous monitoring to ensure the system operates optimally (Kuntadi et al., 2023). Thus, internal control in government financial management serves as a systematic effort to establish accountable, efficient, and integrity-driven governance to achieve strategic governmental objectives. According to Alawaqleh, (2021), there are five key components of internal control: control environment, implementation of control procedures, risk assessment, communication and information, and monitoring. The study conducted by Nur, M et al., (2023) revealed that the Internal Control System partially influences the quality of financial reporting, with a significance value of 0.009 < 0.050. This finding is supported by Andriani et al., (2019), who stated that improvements in internal control directly contribute to achieving high-quality financial reports. However, differing results were reported by Parinding et al., (2023), who argued that the implementation of the Government Internal Control System does not have a positive impact on financial reporting quality. Despite its compliance with regulations in the research context, issues such as non-compliance, employees performing multiple tasks (multi-tasking), and inadequate attention to the security of physical assets persist.

H_5: The implementation of Internal Control Over Financial Reporting affects the quality of financial reports.

Effect of Human Resource Competence on Financial Report Quality Through Government Accounting Standards

The Competence of Civil Servants is defined as the skills, abilities, and work attitudes required to perform tasks effectively. This competence includes technical expertise, behavioral attributes, and innovation, such as flexibility, perseverance, communication, and the ability to adapt to change (Kruyen & Van, 2020). The higher the competence of human resources in understanding and applying government accounting standards, the better the quality of financial reports. Government accounting standards serve as a mechanism that bridges this relationship by ensuring that financial reports are prepared in accordance with applicable accounting principles, thereby enhancing the relevance and reliability of financial information. Human resource competence, including accounting knowledge, experience, and financial management training, plays a crucial role in enhancing financial report quality. Competent personnel are better able to implement Government Accounting Standards correctly, minimize recording errors, and produce more accurate and reliable financial reports. Human resource (HR) competency is crucial for the effective implementation of accounting standards. Competent HR professionals can accurately interpret and apply accounting standards, ensuring that financial reports are prepared in compliance with these standards (Nurazizah et al., 2024). HR competency ensures consistent adherence to accounting standards, which is essential for maintaining the credibility and comparability of financial statements, both of which are critical for informed decision-making by stakeholders. HR competency drives continuous improvement in accounting practices. By staying updated with changes in accounting standards and best practices, HR professionals can lead initiatives to enhance financial reporting quality and overall financial management (Hartati & Dewi, 2024).

H_6: Human Resource Competence affects Financial Report Quality through the implementation of Government Accounting Standards.

Effect of Human Resource Competence on Financial Report Quality Through Internal Control over Financial Reporting

The higher the competence of human resources in understanding and implementing internal control principles, the more effective the internal control system becomes. A strong internal control system ensures that the financial reporting process complies with applicable standards, minimizes errors and fraud, and enhances the accuracy and reliability of financial information. Therefore, human resource competence indirectly improves financial report quality through the effectiveness of internal control. Internal Control over Financial Reporting (ICFR) is a system that ensures the reliability of financial reports by ensuring compliance with applicable reporting frameworks, preventing errors and fraud, enhancing accountability and governance, and being reinforced by intellectual capital and institutional strength to uphold transparency and integrity in reporting, particularly in organizations with public accounttability (Kabuye et al., 2021). According to Wahongan et al., (2024), human resource competence significantly influences the effectiveness of internal control over financial reporting. Their study found that higher levels of human resource competence contribute to a more effective internal control system, ultimately enhancing the quality of financial reports. This relationship suggests that well-qualified personnel are better equipped to implement and maintain internal controls, ensuring accurate and reliable financial reporting. Therefore, enhancing human resource competence is essential for strengthening internal control systems within organizations.

H_7: Human Resource Competence affects Financial Report Quality through the implementation of Internal Control over Financial Reporting.

Conceptual Framework

This conceptual framework in Figure 2 illustrates the relationships between human resource competence, government accounting standards, internal control over financial reporting, and financial report quality.

RESEARCH METHODS

This study employs a quantitative research method, which involves collecting numerical data and utilizing analytical techniques to test hypotheses, draw conclusions, and understand the relationships between the examined variables (Susanto et al., 2024). The object of this study is the Supreme Court as the Budget User Accounting Unit (UAPA), which is responsible for financial management and reporting while overseeing all subordinate work units as Budget User Authority Accounting Unit (UAKPA). As a UAPA, the Supreme Court plays a strategic role in ensuring financial accountability and transparency across various work units, including first-instance and appellate courts within the general courts, religious courts, state administrative courts, and military courts.

According to P. C. Susanto et al. (2024), the population refers to all units of analysis that share similar characteristics or have relevant connections to the research issue. Therefore, the population in this study consists of all accounting units at the echelon I level and all subordinate work units under the Supreme Court, which function as Budget User Authority Accounting Unit (UAKPA) in financial preparation and reporting. In total, there are 930 accounting units/work units distributed across Indonesia. The details of this total are presented in Table 2.

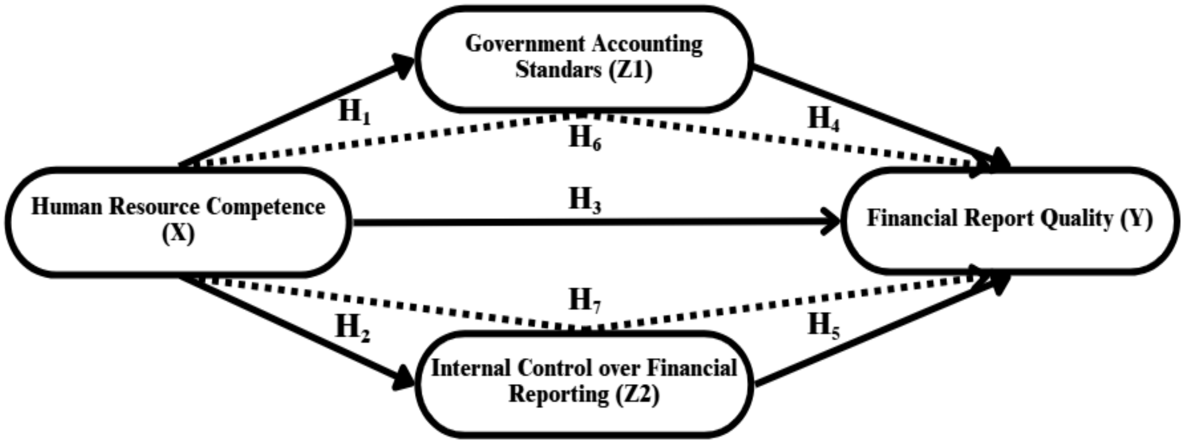

Figure 2. Conceptual Framework

Table 2. Number of Population

Accounting Unit	Number of Work Units
Echelon 1	7
District Court	416
Religious Court	446
Military Court	23
Administrative Court	38
Total	930

Source: Supreme Court, 2024

In this study, samples were taken using the Slovin formula. According to Husen, (2023), Slovin's formula is commonly used to determine a representative sample size to ensure that the research findings can be appropriately generalized. In this study, the researcher set the margin of error (e) at 0.05 or 5%. The Slovin's formula used is as follows:

$$n = \frac{N}{1+Ne^2} \qquad (1)$$

n = required sample size
N = total population
e = margin of error (0.05)

By applying proportionate stratified sampling and Slovin's formula, a total of 285 employees were selected as the research sample. These individuals possessed substantial knowledge of financial preparation and reporting processes across various organizational units, including echelon 1 at the Supreme Court, as well as district, religious, military, and administrative courts. To capture respondents' perceptions, a structured questionnaire using a 5-point Likert scale ranging from 1 ("strongly disagree") to 5 ("strongly agree") was developed. Prior to distributing the full questionnaire, a pilot test was conducted with 30 respondents using SPSS to assess the instrument's initial validity and reliability. Pearson correlation analysis demonstrated strong and statistically significant relationships among variables ($p < 0.01$), confirming construct validity. The reliability test yielded a Cronbach's Alpha value of 0.943 across the four main constructs (human resource competence [X1], government accounting standards [Z1], internal control of financial reporting [Z2], and financial report quality [Y]), indicating excellent internal consistency. Ethical considerations were thoroughly addressed by informing participants about the study's purpose, ensuring confidentiality, obtaining informed consent, and emphasizing voluntary participation, with all responses anonymized in accordance with ethical research standards.

RESULT AND DISCUSSION

Result

Understanding the distribution of respondents is essential for assessing the representativeness of the sample across various accounting units under the Supreme Court. This study classifies participants based on their respective institutional categories, including Echelon I units, District Courts, High Courts, Religious Courts, Religious High Courts, Administrative Courts, and Administrative High Courts. Each type of institution carries distinct responsibilities in the preparation and consolidation of financial statements. The following table presents detailed information on respondent distribution, including frequency, percentage, and the ratio of samples to the total number of accounting units for each category. This classification helps clarify the scope of the study and ensures that the findings reflect the diversity of the judicial accounting environment.

Table 3. Respondent identity

Characte-ristics	Category	Frequency	Percentage (%)	Sample-to-unit accounting comparison in percentage	Total
Accounting Unit	Echelon 1	7	2.5%	100% of the total 7 accounting units (Echelon 1)	285 sample (100%)
	District Court	107	37.5%	30,53% of the total 416 accounting units (District Court)	
	District High Court	20	7.0%		
	Religious Court	110	38.6%	29.82% of the total 446 accounting units (Religious Court)	
	Religious High Court	23	8.1%		
	Administrative Court	9	3.2%	31,58% of the total 38 accounting units (Administrative Court)	
	Administrative High Court	3	1.1%		
	Military Court	5	1.75%	26,09% of the total 23 accounting units (Military Court)	
	Military High Court	1	0.4%		
Role / Position	Financial Specialist - APK APBN	133	46.7%	285 sample (100%)	
	Financial Specialist - PK APBN	91	31.9%		
	Treasurer	19	6.7%		
	Head of Finance Subdivision	10	3.5%		

	Commitment Making Officer (PPK)	6	2.1%	
	Other Finance Administrator	26	9.1%	
Years of Work	1 - 5 Years	62	21.8%	285 sample (100%)
	6 - 10 Years	32	11.2%	
	11 - 15 Years	108	37.9%	
	> 15 Years	83	29.1%	

In Table 3, the Religious Court has the highest number of respondents, totaling 110 individuals (38.6%), followed by the District Court with 107 respondents (37.5%). The Religious High Court has 23 respondents (8.1%), while the District High Court has 20 respondents (7.0%). The Administrative Court contributes 9 respondents (3.2%), whereas the Administrative High Court has 3 respondents (1.1%). The Military Court and the Military High Court have fewer respondents, with 5 (1.75%) and 1 (0.4%) respondents, respectively. The distribution of respondents from Echelon I indicates that Echelon I has 7 respondents (2.5%).

Meanwhile, based on the comparison between the sample size and the number of accounting units in each court type, at the Echelon I level, there are 7 respondents, representing 100% of the accounting units in the sample. The District Court has 107 respondents, while the District High Court has 20 respondents out of 416 accounting units, resulting in a 30.53% representation. The Religious Court has 110 respondents, and the Religious High Court has 23 respondents out of a total of 446 accounting units, meaning that 29.82% of the total accounting units are represented in the sample. The Administrative Court has 9 respondents, and the Administrative High Court has 3 respondents out of 38 accounting units, indicating a 31.58% representation. The Military Court has 5 respondents, while the Military High Court has 1 respondent out of 23 accounting units, leading to a 26.08% representation in the sample. Overall, the sample distribution is relatively proportional to the number of accounting units across various courts, although some differences in representation levels exist.

Based on the distribution of respondents' roles, the majority are Financial Specialists - APBN Financial Management Analysts (APK APBN), totaling 133 individuals (46.7%), followed by Financial Specialists - APBN Financial Administrators (PK APBN) with 91 respondents (31.9%). Meanwhile, Treasurers account for 19 respondents (6.7%), Heads of Finance Subdivisions for 10 respondents (3.5%), and Commitment-Making Officials (PPK) for 6 respondents (2.1%). Additionally, 26 respondents (9.1%) were categorized as Other Finance Administrators. From this distribution, it is evident that the majority of respondents are financial specialists in APBN finance, either as analysts or administrators, reflecting that this study involves individuals who play key roles in financial management within their respective work environments.

Furthermore, in terms of respondents' work experience distribution, the majority have 11-15 years of experience, totaling 108 individuals (37.9%), followed by those with more than 15 years of experience, comprising 83 respondents (29.1%). Respondents with 1-5 years of experience account for 62 individuals (21.8%), while those with 6-10 years of experience have the fewest respondents, totaling 32 individuals (11.2%). This distribution indicates that most respondents have more than 10 years of work experience, demonstrating that a significant proportion of individuals involved in this study possess a considerable level of expertise in their respective fields.

Smart PLS 4.0 carried out a measurement model test by looking at the results of the convergent validity test, discriminant validity test, and reliability test. In Table 4, based on the Outer Loading analysis, all indicators used in this study are valid as they meet the threshold value above 0.7. Therefore, no indicators need to be eliminated, and the research model can proceed to the next stage of analysis.

Next, based on the reliability test results in Table 5, all variables in this study have Cronbach's alpha values above 0.7, indicating good internal consistency. Furthermore, the composite reliability values (rho_a and rho_c) also exceed 0.7, confirming that the indicators used are reliable in measuring each variable. The Average Variance Extracted (AVE) values for all variables are also above 0.5, indicating strong convergent validity. Therefore, this research instrument meets the necessary reliability and validity criteria.

Table 4. Validity Test

Variable	Question	Outer Loading	Explanation
Financial Report Quality	FRQ1	0.904	Valid
	FRQ2	0.773	Valid
	FRQ3	0.936	Valid
	FRQ4	0.941	Valid
	FRQ5	0.893	Valid
Government Accounting Standards	GAS1	0.913	Valid
	GAS2	0.895	Valid
	GAS3	0.931	Valid
	GAS4	0.902	Valid
Human Resource Competence	HRC1	0.722	Valid
	HRC2	0.900	Valid
	HRC3	0.849	Valid
	HRC4	0.872	Valid
	HRC5	0.764	Valid
	HRC6	0.893	Valid
Internal Control over Financial Reporting	ICFR1	0.882	Valid
	ICFR2	0.801	Valid
	ICFR3	0.889	Valid
	ICFR4	0.891	Valid
	ICFR5	0.840	Valid
	ICFR6	0.904	Valid
	ICFR7	0.875	Valid
	ICFR8	0.845	Valid

Source: SmartPLS 4.0 Application (Data Processed)

Table 5. Reliability Test

Variable	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	AVE
Financial Report Quality	0.934	0.943	0.951	0.795
Government Accounting Standards	0.931	0.933	0.951	0.829
Human Resource Competence	0.912	0.923	0.933	0.699
Internal Control over Financial Reporting	0.952	0.954	0.960	0.751

Source : SmartPLS 4.0 Application (Data Processed)

Table 6. R Square

Variable	R-square	R-square adjusted
Financial Report Quality	0.827	0.825
Government Accounting Standards	0.655	0.654
Internal Control over Financial Reporting	0.763	0.763

Source : SmartPLS 4.0 Application (Data Processed)

Based on the displayed R-square Table 6, the variable Government Accounting Standards has an R-square value of 0.655, meaning that 65.5% of its variance can be explained by the independent variables in the model. Meanwhile, Internal Control over Financial Reporting has an R-square value of 0.763, indicating that 76.3% of its variability is influenced by independent factors. The variable Financial Report Quality has the highest R-square value of 0.827, meaning that 82.7% of its variation is explained by the independent variables in this study. The R-square adjusted values, which are slightly lower, adjust for the number of predictors in the model to provide a more accurate estimate of the dependent variables.

To enhance understanding of the relationships among the variables examined, the Figure 3 is path diagram visualizes the results of the structural model testing. The diagram depicts both the direct and indirect effects of Human Resource Competence (X) on Financial Report Quality (Y), with Government Accounting Standards (Z1) and Internal Control over Financial Reporting (Z2) serving as mediating variables. The path coefficients represent the strength of the relationships between variables, with statistical significance. Each dependent variable is also accompanied by its respective R-square (R^2) value, reflecting the proportion of variance explained by the independent variables. Higher R^2 values indicate greater explanatory power of the model.

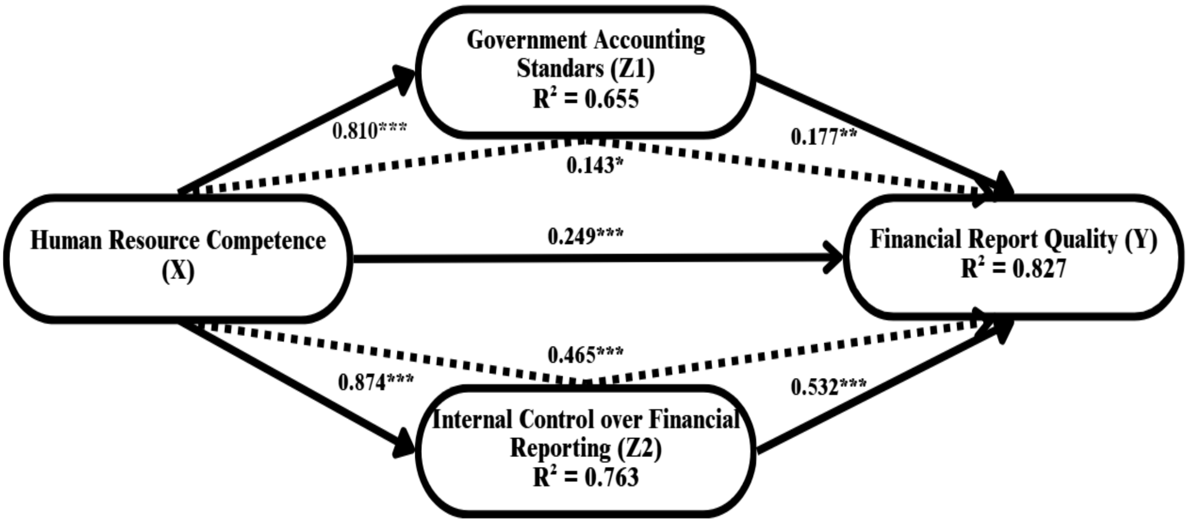

Figure 3. Result path diagram model – test of the main hypotheses.
Note: ***p-value<0.001, **p-value<0.01, *p-value<0.05

Hypothesis testing is based on three key values: the Original Sample, T-Statistic, and P-Value. A T-Statistic greater than 1.96 and a P-Value below 0.05 indicate a significant effect of the independent variable on the dependent variable. The direction of this effect is determined by the Original Sample value, where a positive value signifies a positive influence, and a negative value indicates a negative impact. The results of the hypothesis testing are displayed in Table 7.

Based on the results of hypothesis testing presented in Table 7, all hypotheses (H1–H7) are accepted, as indicated by T-statistic values exceeding 1.96 and P-values below 0.05. This demonstrates a significant influence between the independent and dependent variables.

Table 7. Hypothesis Testing Result

Nota-tion	Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T-statistic	P-values	Result
H1	Human Resource Competence -> Government Accounting Standards	0.810	0.804	0.047	17.201	0.000	Accepted
H2	Human Resource Competence -> Internal Control over Financial Reporting	0.874	0.871	0.029	29.768	0.000	Accepted
H3	Human Resource Competence -> Financial Report Quality	0.249	0.248	0.071	3.498	0.000	Accepted
H4	Government Accounting Standards -> Financial Report Quality	0.177	0.174	0.068	2.604	0.009	Accepted
H5	Internal Control over Financial Reporting -> Financial Report Quality	0.532	0.533	0.070	7.550	0.000	Accepted
Indirect Effect							
H6	Human Resource Competence -> Government Accounting Standards -> Financial Report Quality	0.143	0.140	0.057	2.504	0.012	Accepted
H7	Human Resource Competence -> Internal Control over Financial Reporting -> Financial Report Quality	0.465	0.464	0.060	7.773	0.000	Accepted

Source : SmartPLS 4.0 Application (Data Processed)

Discussion

Human resource competence has a positive and significant effect on government accounting standards (O = 0.810, T = 17.201, P = 0.000). This finding indicates that improving human resource competence enhances the implementation of accounting standards. Kristiana et al., (2024) support this by stating that the quality of human resources positively influences the successful implementation of accrual-based Government Accounting Standards. Furthermore, this study reveals that human resource competence significantly affects the application of accrual-based government accounting standards, specifically P.P. No. 71 of 2010, which in turn influences the quality of financial reports (Juniarti et al., 2023). Enhancing the skills and competencies of financial employees is thus crucial for the effective implementation of these standards, ultimately leading to improved financial reporting quality in government institutions.

Human resource competence has a positive and significant impact on internal control over financial reporting (O = 0.874, T = 29.768, P = 0.000). This suggests that better human resource competence strengthens the internal control system, as the level of competence significantly impacts the effectiveness of internal control over financial reporting. Strong capabilities in accounting and internal control enhance financial reporting quality by ensuring that financial managers can effectively implement and comply with internal control systems. Choi et al., (2013) emphasize that the effectiveness of internal control over financial reporting is influenced by both the quantity and quality of internal control (IC) personnel. A sufficient number of competent personnel ensures effective internal controls, as highlighted in the COSO framework, which links personnel responsibilities to the overall control environment and control activities necessary for accurate financial reporting. Supporting this, Yeh et al., (2022) found that the qualifications of Chief Financial Officers (CFOs), particularly their financial or accounting background and seniority, negatively correlate with internal control weaknesses. This underscores that higher CFO competence leads to more effective internal controls, emphasizing the importance of financial knowledge in implementing robust internal control systems.

Human resource competence directly influences financial report quality, with a significant impact (O = 0.249, T = 3.498, P = 0.000). This suggests that while human resource competence plays a crucial role in enhancing financial report quality, its effect is relatively smaller compared to its influence on Government Accounting Standards and Internal Control. Frederica et al., (2023) support this finding, confirming that human resource competence positively affects financial statement quality. Similarly, Karo-karo et al., (2023) found that employees with adequate education, skills, and experience in finance significantly improve the preparation and presentation of financial statements. Research by Astria et al., (2023) further validates this by showing that human resource competence strongly impacts financial report quality, highlighting the importance of skilled personnel in ensuring accurate and reliable financial reporting.

Government accounting standards have a positive and significant effect on financial report quality (O = 0.177, T = 2.604, P = 0.009). This indicates that better implementation of accounting standards improves financial report quality. Research by Harahap & Erlina, (2024) and Darwin et al., (2024) supports this claim, stating that the adoption of GAS significantly improves financial statement transparency and accountability. Yasis, (2024)further examines the influence of government accounting standards on financial reporting quality, finding that compliance with these standards enhances the reliability and transparency of financial statements. Similarly, Sabo et al., (2024) highlight that the adoption of IPSAS in Nigeria significantly impacts financial report quality by improving accountability, transparency, comparability, and full representation, emphasizing the importance of clear accountability frameworks in financial reporting processes.

Internal control over financial reporting has a relatively strong positive impact on financial report quality (O = 0.532, T = 7.550, P = 0.000). This confirms that a robust internal control system significantly contributes to enhancing financial report quality. Ghazali et al., (2024) support this finding, demonstrating that effective internal control systems play a crucial role in financial reporting accuracy. Similarly, a study on manufacturing firms in China found that internal control effectiveness positively influences financial reporting quality, with a pronounced effect in the main board market after implementing the internal control policy (Wang & Park, 2023). Haerunnisa et al., (2024) further corroborate this, showing that internal control systems account for a 20.5% influence on financial report quality, underscoring the significant role of internal controls in ensuring the accuracy and reliability of financial statements.

Human resource competence also affects financial report quality through government accounting standards as a mediating variable (O = 0.143, T = 2.504, P = 0.012). This suggests that improved human resource competence can indirectly enhance financial report quality through better implementation of accounting standards. Yamin et al., (2025) and Djumiyati et al., (2024) highlight that the adoption of GAS positively impacts financial reporting quality by providing a structured framework guiding competent human resources in their reporting tasks. Kamandita & Suwandi, (2025) further emphasize the importance of the interaction between human resource competence and GAS in achieving high-quality financial reporting. Several studies indicate that without the support of strong systems such as GAS, the direct impact of human resource competence on financial report quality may not always be significant, highlighting the complex interaction between these factors (Yamin et al., 2025).

Human resource competence also influences financial report quality through internal control over financial reporting (O = 0.465, T = 7.773, P = 0.000). This indicates that effective internal control is a key mechanism in ensuring high-quality financial reporting. Papra & Inapty, (2024) state that human resource competence significantly influences financial report quality, with internal control serving as a mediating variable in this relationship. Purwandari & Widajantie, (2024) similarly found that human resource competence positively affects financial report quality through effective internal control systems, highlighting the crucial role of skilled personnel in improving financial reporting quality within Public Health Centers in Surabaya. Furthermore, research by Ardiyanto et al. (2024) confirms that human resource competence affects financial report quality both directly and indirectly through internal control mechanisms. Their study found that skilled human resources strengthen internal controls, subsequently improving financial report quality at health centers.

Although all hypotheses in this study were statistically significant, it was found that the direct effect of human resource competence on financial report quality (0.249) was greater than its indirect effect through the implementation of Government Accounting Standards (0.143), but still smaller than the indirect effect through Internal Control over Financial Reporting (0.465). These findings indicate that while human resource competence plays a crucial role, its impact on financial reporting quality becomes substantially stronger when combined with effective internal control systems. In other words, improving competence alone may not be sufficient without simultaneously strengthening internal control mechanisms. This reflection underscores the importance of a systemic approach that not only focuses on individual development but also emphasizes institutional improvement.

CONCLUSION AND RECOMMENDATION

These results indicate that human resource competence plays a crucial role in the effective implementation of government accounting standards and internal control over financial reporting, ultimately influencing the quality of financial reports. Competent human resources are essential in ensuring that accounting standards are correctly applied, financial data is accurately recorded, and internal controls function effectively to prevent errors and fraud. Without adequate competence, even well-designed standards and control mechanisms may not be properly executed, leading to financial misstatements and reduced accountability.

Furthermore, the direct influence of government accounting standards and internal control on financial report quality confirms that improvements in these areas significantly enhance transparency, reliability, and decision-usefulness of financial information. Strengthening these components requires not only policy adjustments but also an investment in human capital to ensure that personnel involved in financial reporting processes possess the necessary knowledge, skills, and ethical commitment.

Based on the hypothesis analysis results, it is recommended that the government take proactive measures to enhance human resource competence through continuous professional development, including regular training programs and mandatory certification in public sector accounting. Additionally, the implementation of Government Accounting Standards should be reinforced by stricter supervision, clearer guidelines, and the adoption of a more transparent and integrated financial information system.

Internal control mechanisms must also be strengthened through the adoption of risk-based audits, the optimization of internal auditors' roles, and the establishment of a robust compliance monitoring system. This will help prevent financial irregularities and ensure that government financial management aligns with the principles of accountability and good governance.

Lastly, the overall quality of financial reports can be further improved by leveraging advanced financial reporting technologies, fostering a culture of integrity and transparency within government institutions, and conducting independent audits regularly. These measures will collectively contribute to greater public trust in financial reporting and more effective government financial management.

Limitations and Future Research

This study is subject to certain limitations that should be acknowledged. First, the scope of the research was limited to the judicial sector, specifically institutions under the Supreme Court of Indonesia. As such, the generalizability of the findings may be constrained, and caution should be exercised when applying the results to other government sectors or institutional contexts. Future research should consider expanding the scope to include executive and legislative branches to validate and compare the findings across a broader spectrum of public institutions.

Additionally, this study employed a quantitative approach using SmartPLS for data analysis. While this method provides robust statistical evidence of relationships among variables, it does not capture the underlying motivations, perceptions, and contextual factors that may influence the implementation of accounting standards and internal control systems. Therefore, future studies could benefit from adopting a qualitative or mixed-methods approach to gain deeper insights into the behavioral and organizational dynamics affecting financial reporting quality. Triangulation through interviews, focus groups, or case studies may help uncover nuanced challenges and opportunities that are not evident through survey data alone.

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