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## Determinants of the Quality of Regional Government Financial Reports

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ABSTRACT	INFOARTICLE
<p>This study aims to analyze the influence of internal control systems, human resource competency, and work motivation on the quality of local government financial reports. The research subjects were financial report preparers at 118 Regional Work Units (SKPD) of the South Kalimantan Provincial Government. Data were analyzed using multiple linear regression techniques. The results showed that the internal control system did not significantly influence the quality of financial reports. Human resource competency had no significant effect on the quality of financial reports. Conversely, work motivation had a positive and significant effect on the quality of financial reports. This indicates that motivational factors have a more dominant role in encouraging employee accuracy, discipline, and responsibility in preparing financial reports, resulting in reports that are relevant, reliable, timely, and understandable.</p> <p>© 2025 UPI Journal and Publication Office</p>	<p><b>Article History:</b> <i>Submitted/Received 20 Oct 2025</i> <i>First Revised 10 Nov 2025</i> <i>Accepted 17 Nov 2025</i> <i>First Available online 28 Nov 2025</i> <i>Publication Date 13 Dec 2025</i></p> <hr/> <p><b>Keywords:</b> <i>Financial Report Quality, Human Resource Competence, Internal Control System, and Work Motivation</i></p>

## 1. INTRODUCTION

In 2023, the Provincial Government of South Kalimantan once again obtained an Unqualified Opinion (WTP) from the Supreme Audit Agency (BPK) for its Regional Government Financial Report (LKPD), marking its tenth consecutive achievement since 2013. Despite this accomplishment, the BPK continued to identify several issues related to deficiencies within the internal control framework and a failure to adhere to prevailing statutory and regulatory requirements (BPK RI Audit Report, 2023). The results obtained indicate that the standard of the financial statements, specifically its has yet to reach an optimal standard (Haryati, 2016).

A contributing element among the various determinants frequently associated with the internal control framework serves as a fundamental determinant influencing the overall standard of financial statement disclosure (Rahmayani, 2023). Internal controls that align with organizational objectives are essential for producing reliable and reliable and materially accurate financial data (Agbenyo *et al.*, 2018). A well-functioning internal control structure helps entities detect irregularities in financial processes and supports the preparation of accurate financial reports (Pradipa *et al.*, 2016). Several studies report that the internal control framework significantly and favorably impacts the overall standard and reliability of financial statement disclosure (Annisia Holle *et al.*, 2019; Anto & Yusran, 2023; Lari Dashtbayaz *et al.*, 2019; Rahmawati & Trisnawati, 2021; Rahmayani, 2023; Syafaah & Baroroh, 2023). However, other researchers have reached different conclusions, finding that the internal control framework fails to exert a statistically significant influence on the overall standard and reliability of financial statement disclosure (Ernawati & Budiyo, 2019; Imelia & Rahayu, 2021; Leiwakabessy, 2021; Trisnawati *et al.*, 2020; Yasmin *et al.*, 2021). Weak internal controls may increase the likelihood of deviations in financial management and ultimately compromise the quality of the resulting financial reports (Lari Dashtbayaz *et al.*, 2019).

Human resource competence is another factor believed to influence financial reporting quality (Leiwakabessy, 2021). Competent and well-educated personnel who are capable of utilizing available systems are better equipped to carry out tasks related to budgeting and financial reporting (Trisnawati *et al.*, 2020). High levels of competence tend to contribute to higher-quality financial reports (Nirwana & Haliah, 2018), which is supported by findings from several studies indicating a positive effect of human resource competence on reporting quality (Anto & Yusran, 2023; Kolit *et al.*, 2023; Leiwakabessy, 2021; Sasneti, 2022; Trisnawati *et al.*, 2020). Conversely, limited understanding of accounting principles may result in errors or non-compliance with government reporting standards (Nurhasinawati *et al.*, 2020). Some studies further suggest that Human Resource (HR) competence fails to exert a statistically significant impact on the financial reporting quality (Animah *et al.*, 2020; Anto & Yusran, 2023; Lukman Nur Hakim & Wibowo, 2022; Mustafa *et al.*, 2021).

Work motivation has also been suggested as an important factor contributing to financial reporting quality (Annisia Holle *et al.*, 2019). Motivation is defined as the intrinsic impetus or internal stimulus that compels individuals toward the accomplishment of predetermined objectives or complete assigned tasks. Highly motivated employees tend to demonstrate stronger commitment toward their responsibilities (Hidayatullah & Ardhani, 2024). Low levels of motivation may lead to inaccuracies, incomplete financial information, or delays in report preparation, thereby diminishing report quality (Rizky Shiyammurti & Nuraidah, 2025). Empirical studies have shown that work motivation favorably impact the standard and integrity of financial statement disclosure (Annisia Holle *et al.*, 2019; Lodhrakentjana & Luthan, 2014; Mustafa *et al.*, 2021; Sasneti, 2022). However, contrasting results have also been reported, signifying that individual motivation lacks a statistically significant impact on the reliability and overall standard

of financial statement disclosure (Rahmawati & Trisnawati, 2021; Yusriwati & Susanti, 2022).

Given these inconsistencies in previous findings, this study re-examines the impact exerted by the internal control framework, human resource competence, and the influence of employee work motivation on the financial reporting quality. The Provincial Government of South Kalimantan is chosen as the research context because, as a public institution, it is expected to provide high-quality financial information as part of its accountability to the public. The novelty of this study lies in reassessing these relationships within Regional Work Units (SKPD) that have consistently received an unqualified opinion (WTP) for ten consecutive years.

### **STEWARDSHIP THEORY**

Stewardship Theory describes a condition in which managers act not to pursue personal interests, but rather to prioritize the goals and expectations of the principal. This theory has been widely applied in accounting research (Davis *et al.*, 1997), particularly within governmental entities and related agencies operating within the public sector institutions (Morgan *et al.*, 1996; Van Slyke, 2007). In the context of public sector accounting, Stewardship Theory is considered highly relevant for explaining disclosure practices and the implementation of good governance. Unlike Agency Theory, where reporting behavior is influenced by pressure from the principal, public sector stewards are simultaneously the parties responsible for and entitled to receive performance reports. Consequently, the government, as a steward, is obligated to report its performance results as part of its mandate to manage public resources.

As public servants, government officials are expected to achieve optimal performance by empowering their competencies and motivating employees to produce high-quality financial reports. The theoretical linkage between stewardship and financial reporting quality suggests that the government can direct its expertise, resources, and capabilities toward the preparation of reliable and credible financial information.

### **INTERNAL CONTROL SYSTEM**

The internal control framework comprises the comprehensive organizational architecture and structured, coordinated processes established to protect corporate assets, verify the precision and trustworthiness of financial records, optimize operating effectiveness, and foster adherence to directorial policies (Mulyadi, 2010). Government Rules No. 60 of 2008 defines the internal control framework is viewed as an integrated process, continually executed by management and personnel, intended to offer rational assurance that organizational aims are accomplished through optimizing operational efficacy, ensuring the trustworthiness of financial disclosure, safeguarding public assets, and maintaining strict compliance with relevant statutes and regulations.

Government financial statements are required to be developed in strict adherence to the Internal Control System (SPI), in line with the dictates set forth by Article 56 Paragraph (4) of Law No. 1 of 2004 on State Treasury. The regulation requires the laed of the SKPD, as the budget and asset user, to declare that regional financial management have been executed premised upon a sound internal control framework, thereby ensuring that the subsequent financial statements comply with established governmental accounting standards.

## HUMAN RESOURCE COMPETENCIES

Human resources play a fundamental role in determining the success of an organization; therefore, competence becomes a critical factor influencing organizational effectiveness. Human resource competence refers concerning the inherent capacity of a person, organization, or framework to execute its designated duties and responsibilities effectively and efficiently (Yendrawati, 2013). The quality of human resources significantly affects organizational outcomes, as the performance of each individual contributes directly to institutional achievements.

Developing competent government personnel requires long-term commitment, continuous improvement, and sustained effort. Enhancing human resource management practices—from recruitment based on competency standards to employee development, performance evaluation, career planning, remuneration, and promotion or demotion processes—must be carried out consistently and in accordance with regulations. A more immediate improvement strategy involves strengthening employee capabilities through formal education, technical training, and non-formal learning initiatives. Individuals with an educational background in accounting are generally more capable of generating financial statements that strictly adhere to all relevant and prevailing reporting standards (Dwi Fitriani *et al.*, 2025). Furthermore, empirical evidence suggests that human resources possessing adequate accounting knowledge and skills tend to produce higher-quality financial reports (Hitawasana & Dewi, 2023).

## WORK MOTIVATION

The word 'motivation' is etymologically derived from the Latin term *movere*, which carries the definition of movement to action or drive. According to Uno (2012), work motivation is an intrinsic impetus or drive that determines the orientation, magnitude, and sustained effort of an individual's self-initiated actions in carrying out tasks. Motivation may arise intrinsically—from within the individual—or extrinsically, as a result of external conditions. Intrinsic motivation stems from personal perceptions, self-esteem, aspirations, needs, and internal desires. Extrinsic motivation, on the other hand, emerges from external factors such as the work environment, task characteristics, workgroups, or compensation systems.

Personnel motivation functions as a pivotal factor in determining corporate prosperity. Staff members who exhibit high levels of drive are typically more efficacious, creative, and dedicated to fulfilling enterprise objectives. Their strong sense of direction, persistence, and intensity helps facilitate the accomplishment of performance targets. Previous studies (Annissa Holle *et al.*, 2019; Lodhrakentjana & Luthan, 2014; Mustafa *et al.*, 2021; Sasneti, 2022) confirm that employee work motivation exerts a statistically significant impact on the standard and reliability of financial reporting.

## QUALITY OF FINANCIAL REPORTING

Financial reporting serves as a mechanism for demonstrating stewardship regarding the administration of an entity's financial and economic assets. According to PSAK No. 1, the financial statements function as a systematic disclosure detailing both an entity's current financial standing and its operating results over a specified period. Similarly, Kasmir (2019) describes financial statements as documents that reflect a company's financial condition and operational results. To ensure reliability, financial statements are obligated to be compiled in strict adherence to all relevant and prevailing accounting standards, enabling them to be compared across reporting periods and with other entities.

A high-quality financial report provides useful information for users and supports effective decision-making (Rohman, 2013). Defitri (2018) emphasizes that quality financial information

must be understandable, meet user needs, be free from material errors and misleading interpretations, and be reliable and comparable across periods. Government Regulation No. 71 of 2010 on Government Accounting Standards stipulates four essential qualitative characteristics that financial reports must fulfill: relevance, reliability, comparability, and understandability.

### **The Influence of Internal Control Systems on the Quality of Financial Reports.**

A strong internal control systems expected to positively influence the quality of financial reporting. An effective system incorporates procedures designed to ensure the accuracy, completeness, and consistency of financial information. When internal controls are functioning properly, the organization is better able to prevent and detect errors and fraud, thereby enhancing the reliability of its financial reports.

Within the perspective of stewardship theory, the government is viewed as an institution entrusted with acting in the best interests of the public. Maintaining this trust includes strengthening internal control mechanisms to ensure the production of high-quality financial reports (Dewi & Susilowati, 2022). A strong control system facilitates the early detection of irregularities in financial processes, ultimately improving the quality of reporting (Pradipa *et al.*, 2016). This view is supported by empirical findings from several studies, which demonstrate that internal control systems exert a positive influence on the quality of financial reports (Annissa Holle *et al.*, 2019; Anto & Yusran, 2023; Lari Dashtbayaz *et al.*, 2019; Rahmawati & Trisnawati, 2021; Rahmayani, 2023; Syafaah & Baroroh, 2023).

#### **H1 : Internal Control System Positive Influence on Report Quality Finance .**

### **The Influence of Human Resource Competence on the Quality of Financial Reports.**

A high level of human resource competency will positively contribute to the quality of financial reporting. Competent human resources will possess the knowledge and skills necessary to understand relevant accounting standards, correctly execute accounting processes, and produce accurate and timely financial reports.

Stewardship theory states that the government, as a steward, is expected to develop and maintain high-quality human resources capable of fulfilling their role as stewards of the principal, the public. Carrying out financial management functions to realize a good public sector organization requires qualified human resources. With the support of competent human resources, quality financial reports will be achieved.(Hidayati *et al.*, 2023)

Competent, highly educated human resources who can use existing systems will help complete tasks, especially in budgeting and financial reporting. (Trisnawati *et al.*, 2020)This is in line with research conducted by (Anto & Yusran, 2023; Kolit *et al.*, 2023; Leiwakabessy, 2021; Sasneti, 2022; Trisnawati *et al.*, 2020) which revealed that human resource competence influences the quality of financial reports.

#### **H2: Human Resource Competence Has a Positive Influence on the Quality of Financial Reports**

### **The Influence of Work Motivation on the Quality of Financial Reports.**

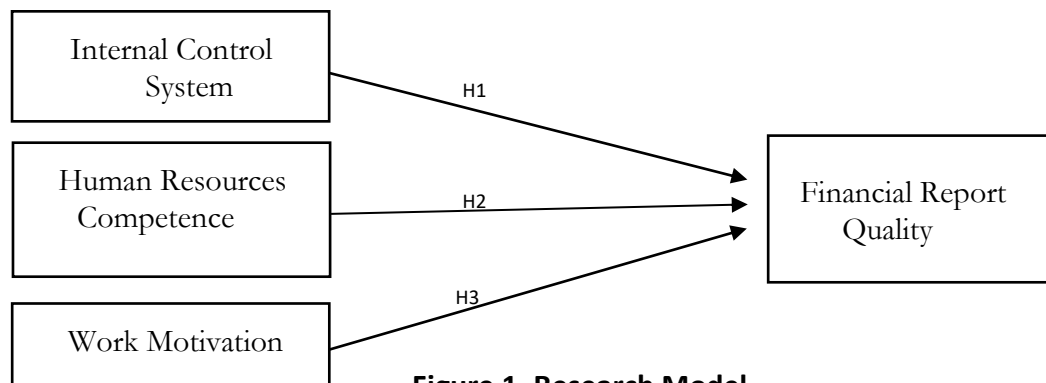
Employees who possess high levels of work motivation generally exhibit enthusiasm, persistence, and a strong commitment to completing tasks effectively, including the preparation of financial reports. Motivated employees are more likely to achieve organizational targets and demonstrate responsible behavior in carrying out their duties. In stewardship theory, motivation

is often reflected in intrinsic achievements—such as opportunities for growth, accomplishment, affiliation, and self-actualization—that may not always be directly measurable (Pasoloran, 2001).

High work motivation has been shown to enhance employee performance, which in turn contributes to higher-quality financial reporting (Setiawan, 2017). Conversely, low motivation often results in irresponsible behavior, delays, and failure to meet organizational deadlines, ultimately compromising the quality of financial statements (Lodhrakentjana & Luthan, 2014). Several empirical studies consistently show that work motivation positively influences the quality of financial reports produced (Annissa Holle et al., 2019; Mustafa et al., 2021; Sasneti, 2022).

**H3: Work Motivation Positive Influence to Quality Report Finance**

Based on hypothesis the so framework conceptual Which will be examined can be seen as follows:



**Figure 1. Research Model**

**2. METHODOLOGY**

**Research Design**

This study employs an associative research design. Associative research aims to examine the relationships between variables (Abubakar, 2021). In this context, the study seeks to determine the influence of the internal control system, human resource competence, and work motivation on the quality of financial reporting.

**Research Sample**

The population of this study consists of technical policy reviewers within the Regional Work Units (SKPD) of the South Kalimantan Provincial Government. The sample comprises 100 technical policy reviewers responsible for preparing financial reports within the SKPD environment of the South Kalimantan Provincial Government.

**Data collection**

Data were collected using a survey method through structured questionnaires distributed to respondents in the field. Each questionnaire item was measured using a Likert scale. The analytical techniques employed in this study include validity testing, classical assumption testing, multiple linear regression analysis, the coefficient of determination, and t-statistic testing.

## Variable Measurement

Table 1. Operational Definition of Variables

Research Variables	Operational Definition	Indicator
Internal Control System	A process influenced by management created to provide adequate assurance in achieving effectiveness, efficiency and compliance with applicable laws and regulations, and the reliability of government financial reports (PP No 60 about Government Internal Control System, 2008)	<ul style="list-style-type: none"> <li>- Control environment</li> <li>- Monitoring</li> <li>- Risk Assessment</li> <li>- Control Activities</li> <li>- Information and Communication</li> </ul> PP No 60 about Government Internal Control System, 2008
Human Resources Competence	The characteristics of knowledge, skills, behavior and experience that humans have to carry out a particular job or role effectively.(Wirawan, 2015)	<ul style="list-style-type: none"> <li>- Knowledge</li> <li>- Skills</li> <li>- Behavior/attitude(Hutapea, 2008 ,p. 28)</li> </ul>
Work Motivation	Factors within a person that motivate someone to achieve higher performance can be in the form of achievement, recognition, the work itself, responsibility and progress. (Herzberg <i>et al.</i> , 1959)	<ul style="list-style-type: none"> <li>- Performance</li> <li>- Confession</li> <li>- The work itself</li> <li>- Responsibility</li> <li>- Progress</li> <li>- Individual potential development</li> <li>- (Herzberg <i>et al.</i>, 1959)</li> </ul>

### 3. RESULT AND DISCUSSION

**Table 2. Descriptive Statistics**

Variables	N	Mean	Median	Mode	Standard Deviation
Internal Control System (X1)	100	60.7	59	56	6,058
Human Resources Competence (X2)	100	64.19	61	60	6,535
Work Motivation (X3)	100	80	80	72	7,602
Financial Report Quality (Y)	100	64	64	65	6,208

Source : Research Data, 2025

The average value for all variables is quite good. This indicates that respondents' responses are quite good. A lower standard deviation below the mean indicates that some respondents share the same perception of all variables.

**Table 3. Normality Test**

Kolmogorov-Smirnov	
Statistics	0.085
Sig	0.075
Information	normally distributed data

Research Data, 2025

Kolmogorov- normality test Smirnov ( Lilliefors ) obtained a p-value of 0.075 > (0.05) , the results of this test indicate that the data does not show significant deviations from the normal distribution.

**Table 4. Multicollinearity Test**

Variables	Tolerance > 0.10	VIF < 10	Information
Internal Control System (X1)	0.513	1,950	Not occur multicollinearity
Human Resources Competence (X2)	0.650	1,539	Not occur multicollinearity
Work motivation (X3)	0.526	1,900	Not occur multicollinearity

The results of the multicollinearity test show that the tolerance value of all variables is >0.10 and the VIF value of all variables is <10. This means that there is no multicollinearity between the three variables in this study.

**Table 5. Heteroscedasticity Test**

Variables	t	Sig > 0.05	Information
Internal Control System (X1)	0.824	0.412	There is no heteroscedasticity
Human Resources Competence (X2)	-0.967	0.336	There is no heteroscedasticity
Work Motivation (X3)	1,101	0.273	There is no heteroscedasticity

*Research Data, 2025*

The heteroscedasticity test in this study used the Glesjer test method. The test results showed a sig value > 0.05 for all variables, meaning there was no heteroscedasticity in all variables in this study.

**Table 6. Model Summary**

R	R-Square	Adjusted R-Square	Standard Error of Estimate
0.923	0.852	0.847	2,184

*Source : Research Data, 2025*

This regression model is able to explain most (85.2%) of the variation in variable Y. The remaining (100% - 85.2% = 14.8%) of the variance in Y is not explained by this model and may be caused by other factors not included in the model or by random error.

**Table 5. t-test**

Model	Unstandardized Coefficients B	Standardized Coefficients Std. Error Beta	t	Sig	Conclusion	
Constant	2,329	2,897	0.804	0.423		
Internal Control System	0.065	0.055	0.065	1,181	0.241	H1 Rejected
Human Resources Competence	0.063	0.046	0.066	1,350	0.180	H2 Rejected
Work motivation	0.687	0.044	0.842	15,540	< 0.001	H3 Accepted

Dependent Variable: Quality of Financial Reports

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### The Influence of Internal Control Systems on the Quality of Financial Reports

The results of this study show a significance value of  $0.241 > 0.05$ , indicating that H1 is rejected. This finding demonstrates that the internal control system does not significantly influence the quality of financial reports within the Regional Work Units (SKPD) of South Kalimantan Province. One possible explanation is that respondents tended to select neutral or disagree responses to items related to the implementation of internal controls. Such responses suggest that most financial statement preparers have not fully experienced the effective operation of internal control procedures in their reporting activities.

This result supports prior research by Imelia & Rahayu (2021), Ernawati & Budiyo (2019), and Leiwakabessy (2021), which found that internal control implementation does not always contribute directly to financial reporting quality. This condition may arise when controls function only as administrative requirements and are not applied consistently in day-to-day reporting practices. However, the current finding contrasts with studies conducted by Annissa Holle *et al.* (2019), Anto & Yusran (2023), and Rahmayani (2023), which reported a positive effect of internal control systems on reporting quality. The discrepancy may relate to contextual factors: despite South Kalimantan consistently obtaining an unqualified opinion (WTP), control procedures at the operational level may not be sufficiently embedded to influence the behavior of financial report preparers. Thus, the effectiveness of internal controls is not determined solely by regulatory presence but by the extent to which they are internalized and applied in practice.

From the perspective of stewardship theory, internal control systems represent mechanisms that support trust between stewards and principals. Stewards are expected to act ethically and responsibly, and effective internal controls reinforce this expectation. However, stewardship theory also suggests that when employees possess strong moral commitments, loyalty, and integrity, they can deliver high-quality outcomes even without strict formal oversight. The finding that internal control systems do not significantly influence financial report quality implies that preparers rely more on professional responsibility and intrinsic commitment rather than on structural control mechanisms. In this context, stewardship values—such as integrity, ethical awareness, and loyalty—may play a more dominant role in ensuring quality reporting compared to formal administrative controls.

### The Influence of Human Resource Competence on the Quality of Financial Reports

Hypothesis 2 states that human resource competence influences financial reporting quality. However, the empirical results show a significance value of  $0.180 > 0.05$ , leading to the rejection of H2. This indicates that human resource competence does not significantly affect financial reporting quality. Although employees may possess adequate technical skills, these competencies are not always optimally applied due to various constraints such as heavy workloads, limited organizational support, or insufficient incentives. High task demands can prevent employees from fully applying accounting standards, while the absence of reward structures may reduce their motivation to utilize their expertise. Additionally, disparities in employees' understanding of reporting systems, interpretation of regulations, and analytical skills mean that competence alone is not sufficient to guarantee high-quality financial reporting.

These results are consistent with studies by Animah *et al.* (2020), Mustafa *et al.* (2021), and Lukman Nur Hakim & Wibowo (2022), which concluded that competence is not always a primary determinant of reporting quality. This occurs when competence is not supported by an enabling

work culture, adequate workload distribution, or sufficient motivation. In contrast, the findings differ from research by Trisnawati *et al.* (2020), Kolit *et al.* (2023), and Sasneti (2022), which found competence to be a significant predictor. The divergence highlights that competence—even when strong—does not automatically lead to quality financial reports unless it is accompanied by commitment, opportunities for development, and organizational incentives.

Stewardship theory emphasizes that employees in public institutions are expected to act in the public interest, grounded in loyalty, responsibility, and professional ethics. Therefore, even if technical competence is not maximized, employees with high moral commitment can still produce quality financial reports through careful work, attention to detail, and adherence to regulations. This suggests that intrinsic responsibility and ethical stewardship may outweigh technical competence as determinants of reporting quality within governmental settings.

### **The Influence of Work Motivation on the Quality of Financial Reports**

H3 states that work motivation affects financial reporting quality. The results reveal a significance value of  $0.001 < 0.05$ , meaning H3 is accepted. Work motivation is the most dominant factor in this study, demonstrating that higher levels of employee motivation lead to better-quality financial reports. Motivated employees are more diligent, responsible, and attentive to accuracy in their work. They are also more inclined to learn, enhance their competencies, and comply with established standards and organizational regulations. High motivation reduces procrastination, increases timeliness, and promotes meticulousness—factors essential for producing relevant, reliable, comparable, and understandable financial information.

These findings align with prior studies by Annissa Holle *et al.* (2019), Mustafa *et al.* (2021), and Sasneti (2022), which highlight the critical role of motivation in producing accurate and disciplined reporting. In contrast, studies by Rahmawati & Trisnawati (2021) and Yusriwati & Susanti (2022) report no significant influence. However, in the context of South Kalimantan's SKPD—where maintaining a consistent WTP opinion is an organizational priority—motivation naturally becomes a key determinant of reporting quality. Employees' desire to preserve institutional reputation and public trust fosters higher levels of performance.

Stewardship theory supports these findings by asserting that stewards are intrinsically motivated to act in the organization's best interest. Intrinsic factors such as self-fulfillment, recognition, and contribution drive employees to voluntarily deliver high-quality work. Motivated employees demonstrate loyalty, accountability, and commitment, all of which contribute to the production of high-quality financial reports.

## **4. CONCLUSION**

The findings derived from this research suggest that the internal control framework fails to exert a statistically significant impact on the standard and reliability of financial statement disclosure. Although SKPDs within South Kalimantan Province have established policies and procedures related to internal control, their implementation has not yielded a tangible impact on improving reporting quality. Human resource competence also does not significantly affect reporting quality, suggesting that technical knowledge, skills, and attitudes are insufficient without supporting factors such as motivation, organizational culture, and leadership.

Conversely, work motivation has a positive and significant effect on the quality of financial reports. Employees with high motivation tend to be more meticulous, disciplined, and responsible,

resulting in financial reports that are relevant, reliable, timely, and easy to understand. Efforts to improve work motivation—such as reward systems, opportunities for professional development, and supportive work environments—are therefore crucial.

Overall, this study contributes to the literature by demonstrating that in local governments with consistently strong audit outcomes (WTP opinions), technical factors such as internal control and competence do not necessarily determine reporting quality. Instead, psychological factors—particularly work motivation—play a more decisive role. This underscores that financial reporting success depends not only on systems and skills but also on employees' intrinsic commitment and sense of responsibility

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