

## Analysis Of Factors Affecting The Quality Of Financial Reports Of The Palopo City Government

Anindya Rahmadani<sup>1</sup>, A. Dahri Adi Patra Ls<sup>2</sup>, Nispa Sari<sup>3</sup>

<sup>123</sup>Faculty of Economics and Business, Muhammadiyah University of Palopo

Email :[anindyarahmadani965@gmail.com](mailto:anindyarahmadani965@gmail.com)<sup>1</sup>,[dabri8595@gmail.com](mailto:dabri8595@gmail.com)<sup>2</sup>,[nispasari@umpalopo.ac.id](mailto:nispasari@umpalopo.ac.id)<sup>3</sup>

---

### **Abstract**

#### **Keywords:**

Quality of Financial Reports,  
Human Resources Competence,  
Information Technology, Internal  
Control Systems

*The quality of local government financial reports is a key indicator in measuring the accountability and transparency of public financial management. This study aims to analyze the factors influencing the quality of Palopo City Government's financial reports, focusing on three main variables: human resource competency, information technology utilization, and internal control systems. The research method used is a quantitative approach with data collection through questionnaires distributed to employees involved in the preparation of financial reports in Palopo City Government. The results show that human resource competency has a significant influence on the quality of financial reports, where employees with a good understanding of accounting standards and adequate training tend to produce more accurate and transparent reports. In addition, the use of information technology also contributes positively to increasing the efficiency and effectiveness of financial report preparation by reducing manual errors and accelerating data processing. Another influential factor is a strong internal control system, which helps ensure compliance with regulations and prevents irregularities in financial management. Therefore, this study provides recommendations for the Palopo City Government to improve employee competency through continuous training, strengthen the implementation of information technology in the financial system, and improve the internal control system to improve the quality of more accountable and transparent financial reports.*

---

## INTRODUCTION

The quality of local government financial reports (LKPD) is a key indicator for measuring accountability and transparency in public financial management. Accurate and reliable financial reports not only serve as a basis for government decision-making but also serve as a crucial tool in building public trust in the performance of state financial management. As public demands increase, public sector organizations are required to continually improve the quality, professionalism, and public accountability of all financial management activities, both at the central and regional government levels (Sulastris et al., 2022).

In Indonesia, the standard used to prepare public sector financial reports is the Government Accounting Standards (SAP), which was ratified through Government Regulation Number 71 of 2010. Optimal SAP implementation is expected to increase transparency and accountability in regional financial management, including in Palopo City, one of the developing cities in South Sulawesi Province. Based on the Audit Report (LHP) of the Republic of Indonesia Supreme Audit Agency (BPK RI) for South Sulawesi in 2023, Palopo City successfully maintained an Unqualified Opinion (WTP). However, several important notes still exist related to the management of fixed assets and cash management in the expenditure treasurer, which are not yet fully orderly. This

indicates that although the WTP opinion can be achieved, the quality of regional financial reports still needs to be improved in various aspects of substance and administrative compliance.

Several previous studies have shown that the quality of local government financial reports is influenced by various internal and external factors. Internally, human resource competency is the dominant factor determining the quality of financial report preparation. Mulia (2020) in his research in West Pasaman Regency found that improving human resource competency significantly impacted the quality of financial reports. A similar phenomenon also occurred in Palopo City, where, based on the 2023 Regional Inspectorate evaluation, some employees still lacked a full understanding of SAP principles and optimal regional financial system applications, particularly in asset recording and reporting and cash management.

On the other hand, the use of information technology in the preparation of regional financial reports, such as the use of the SIMDA Keuangan and SIPKD applications, has not been optimal. The 2022 monitoring of the Palopo City Government Financial Reporting Apparatus (APIP) showed that several work units have not yet fully and consistently implemented these applications in their monthly and quarterly financial reporting. This is due to limited human resource competency in mastering technology and network infrastructure constraints in some regional government agencies (OPD).

In addition to these factors, internal control systems also play a crucial role in maintaining the reliability and accuracy of local government financial reports. Handayani et al. (2022) stated that regions with strong internal control systems tend to produce better financial reports. In Palopo City, the Inspectorate's evaluation results indicated that the implementation of internal control systems in several regional government agencies (OPD) remained weak, particularly in terms of monitoring cash, assets, and accountability for goods and services expenditures, which impacted the quality of financial report presentation.

Externally, support from stakeholders such as the Regional People's Representative Council (DPRD), the Supreme Audit Agency (BPK), and the public also influences the quality of financial reports. In their research in Boalemo Regency, Bano et al. (2022) found that stakeholder support positively contributed to improving the quality of regional financial reports.

Based on the above description, it can be concluded that the management of local government financial reports, particularly in Palopo City, still faces a number of challenges, both in terms of human resource competency, the use of information technology, and the effectiveness of internal control systems. Therefore, this study is important to conduct a deeper examination of the influence of these three factors on the quality of financial reports within the Palopo City Government. By understanding the extent of the influence of these factors, it is hoped that this study can provide strategic recommendations in efforts to improve the quality of financial reports in the future. This study uses a quantitative approach with a data collection method through questionnaires to employees directly involved in the preparation of financial reports within the Palopo City Government.

## **Agency theory**

Agency theory is a theory about how agents and principals interact with each other; the agent functions as the company manager, and the principal functions as the owner. Furthermore, both are bound by a contract. Agency theory is a combination of economic theory, decision theory,

sociology, and organizational theory. The basic concept of this theory emphasizes the working relationship between the party granting authority (the principal), namely the company's investors, and the party authorized to manage (the agent), in this case the company's managers, who are bound by an employment contract often referred to as the nexus of contracts. The application of this theory has implications that can encourage agents to act effectively or, conversely, to act opportunistically. In the context of financial reporting, the government acts as an agent responsible for presenting relevant and useful information to the public as users of the report. (Türmaida et al., 2021)

The relevance of agency theory in this study is evident in the role of the Majene Regency Regional Apparatus Organization (OPD) as an agent obligated to submit reports to the principal, the public, in the form of quality financial reports. Agency problems often arise when the implementing party (agent) prioritizes personal or group interests. This situation can occur from the budget preparation process and decision-making to the presentation of financial reports, which are structured in a way that appears reasonable, in order to convey the impression to the legislature and the public that government performance is running optimally (Fattah et al., 2023).

### **Quality of Financial Reports**

The quality of financial reports is a very important aspect of government accounting, as these reports serve as the primary tool for decision-making by stakeholders. Kapriana & Agung (2020), the quality of financial reports can be defined as the report's ability to present relevant, reliable, understandable, and timely information. Furthermore, Laitera et al., (2021) added that the quality of financial reports depends not only on accurate data presentation but also on systematic data collection and processing. Good financial reports should provide useful information for decision-makers, whether in the context of planning, budgeting, or performance evaluation. This demonstrates that the quality of financial reports is the result of a series of processes involving various factors, including internal control systems and human resource competencies.

Nilawati et al., (2021) also stated that the quality of financial reports can be measured through several indicators, such as relevance, reliability, comparability, and consistency. (Suhardjo, 2020) emphasizes the importance of quality financial reporting in the context of local government, where the reports must meet applicable accounting standards and be accountable. This shows that when financial reports are well-prepared and meet quality standards, the public tends to have more trust in the government regarding budget management and the use of public funds. Good quality financial reporting will not only support better decision-making but also increase accountability and transparency in public financial management. In this regard, high-quality financial reporting serves as a tool to ensure that public resources are managed efficiently and effectively.

### **Human Resources Competence**

Human resources (HR) are a key factor influencing the quality of local government financial reports, including in Palopo City. The quality of financial reports is largely determined by the competence, integrity, and professionalism of the accountants and staff involved in the report preparation process. Research by Laitera et al. (2021) Research shows that improving human resource competency in accounting and finance is directly proportional to the quality of the reports produced. This includes an understanding of applicable accounting standards and skills in using accounting software.

Data from the National Civil Service Agency shows that many employees in local government agencies still lack a good understanding of accounting principles. For example, in

Palopo City, a report stated that 60% of finance employees had not received adequate training in preparing financial reports.(Indriyani & Ahmad, 2023)Therefore, continuous training and education are crucial to improving human resource capabilities in this area. Furthermore, human resource integrity plays a crucial role in maintaining the accuracy and reliability of financial reports. Corruption and abuse of authority cases involving government employees can lead to distortions in financial reports. Research byFattah et al. (2023)emphasizes the importance of ethics in public financial management. By improving employee integrity and work ethics, the quality of financial reports can be significantly improved. Overall, developing human resources in accounting and finance is a strategic step that local governments must take to ensure better quality financial reports, which in turn will increase public trust in public financial management.

### **Utilization of Information Technology**

Developments in information technology (IT) have had a significant impact on the quality of local government financial reports. The use of sophisticated accounting information systems allows for faster and more accurate financial data processing.Lavenia Fitri & Ali Alam (2022)The application of information technology in regional financial management in Bandar Lampung City has increased the efficiency and effectiveness of financial reporting. A good accounting information system not only facilitates data collection and processing but also increases the transparency and accountability of financial reports. In Palopo City, the implementation of an IT-based information system is expected to reduce manual errors that frequently occur in report preparation. This is in line with research byRiskia Putri (2020)which shows that effective use of IT can reduce inaccuracies in financial reports.

However, challenges in implementing information technology must also be addressed. Many local government agencies still use outdated manual systems, resulting in slow reporting processes and increased risk of errors. Data from the Ministry of Finance shows that only around 40% of local governments have implemented integrated accounting information systems.(Trihudyatmanto et al., 2022)To address this issue, significant investment in IT infrastructure and employee training is required. By providing adequate training to employees on the use of information systems, the quality of financial reporting can be improved. Research by(Noble, 2020)shows that effective IT training can improve employee skills in using information systems, which has a positive impact on the quality of reports produced. Therefore, researchers can conclude that information technology has significant potential to improve the quality of local government financial reports. However, successful implementation depends heavily on appropriate investment and adequate training for the human resources involved.

### **Internal control system**

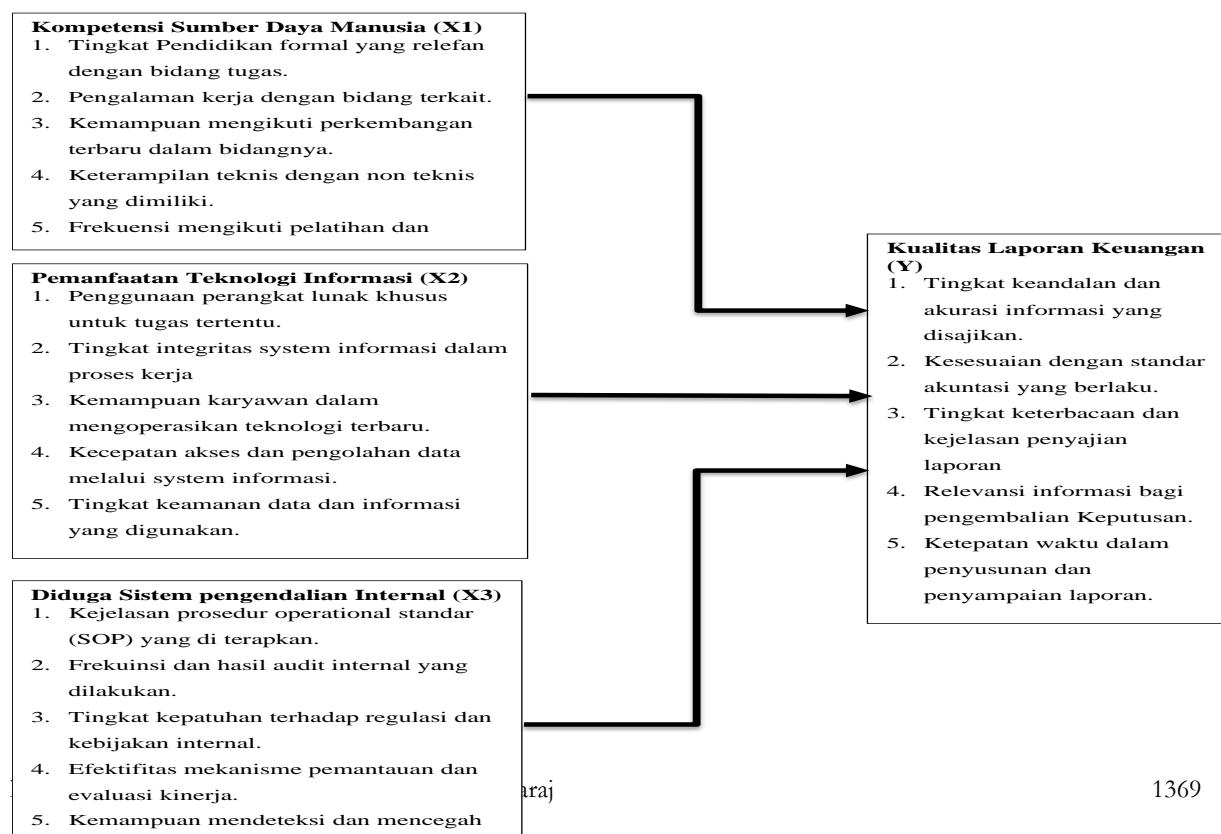
Based on Government Regulation Number 60 of 2008, the Internal Control System (ISC) is defined as a process inherent in every action and activity carried out continuously by management and all employees. The purpose of ISC is to provide adequate assurance regarding the achievement of organizational goals through effective and efficient implementation of activities, presentation of reliable financial reports, protection of state assets, and compliance with statutory provisions. According toGasperz (2020)A good internal control system can improve the accuracy and reliability of financial reports. In a governmental context, this system serves to prevent irregularities and ensure that all financial transactions are recorded correctly. Failure to

implement an internal control system can result in unreliable financial reports, which in turn can impact budgeting decisions and resource allocation.

Internal control consists of several components, including the control environment, risk assessment, control activities, information and communication, and monitoring. ((Palangan 2020))suggests that a strong control environment, which includes organizational ethics and a commitment to integrity, is the foundation of an effective internal control system. When employees perceive that they work in a fair and transparent environment, they are more likely to comply with established procedures and report financial information accurately. Data shows that many local governments in Indonesia still face challenges in implementing adequate internal control systems. A study byWidiastuti et al. (2023)shows that there is a positive relationship between the implementation of internal control systems and the quality of financial reports. In the case of the Badung Regency local government, increased implementation of internal control systems contributed to increased accuracy of financial reports, indicating that these systems have a significant impact on transparency and accountability.

A case in point in Palopo City is the lack of fully transparent financial management practices. Several published financial reports revealed discrepancies between the planned budget and actual budget use. This indicates the need for improvements in the internal control system to ensure that every financial transaction is accounted for. By implementing a better internal control system, it is hoped that the quality of the Palopo City government's financial reports can significantly improve. The importance of an internal control system lies not only in preventing errors and fraud but also in increasing operational efficiency. With proper controls in place, organizations can identify areas requiring improvement and optimize resource utilization. Therefore, this study will delve deeper into how the internal control system implemented in Palopo City can affect the quality of financial reports and provide recommendations for necessary improvements.

## Conceptual Framework



## **METHODS**

### **3.1 Types of research**

The type of research used in this study is quantitative. Quantitative research was chosen because it aims to measure and analyze the relationships between variables that influence the quality of the Palopo City government's financial reports. According to Gasperz (2019), a quantitative approach allows researchers to conduct a more in-depth analysis of the factors influencing financial report quality and provides a clear picture of the relationships between these variables. In this context, the variables to be analyzed include human resource competencies, internal control systems, and the use of information technology. This study will use numerical data that can be statistically processed to produce objective conclusions.

### **3.2 Place and time of research**

This research was conducted at the Regional Financial and Asset Management Agency (BPKAD) office in South Sulawesi. This location was chosen based on the importance of financial reporting quality in regional financial management, especially amidst ongoing development dynamics. The research period was from December 2024 to January 2025. During this period, researchers collected relevant primary and secondary data to analyze factors influencing financial reporting quality.

### **3.3 Population and sample**

According to Widiastuti et al. (2023), selecting the right sample is crucial to ensure that research results can be generalized and reflect the actual situation. The population in this study is all employees involved in the process of preparing financial reports in the Palopo City Government, consisting of various work units. Based on data from the Regional Financial and Asset Management Agency (BPKAD), there are approximately 41 employees who play a role in financial management. From this population, the researcher will take a sample of 30 employees using a purposive sampling technique, namely sampling based on certain criteria relevant to the research.

### **3.4 Research variables**

The research variables consist of independent and dependent variables. The independent variables include human resource competency (X1), information technology utilization (X2), and internal control systems (X3). Meanwhile, the dependent variable is the quality of financial reports (Y). Human resource competency is measured based on the level of education and training received by employees. Information technology utilization is measured based on the use of accounting software and financial information systems. Internal control systems are measured through the effectiveness of procedures and policies implemented in financial management. The quality of financial reports is measured through compliance with government accounting standards and the accuracy of the information presented.

### **3.5 Data collection**

Data collection was conducted using two methods: primary and secondary data collection. According to Fattah et al. (2023), a combination of primary and secondary data can provide a more comprehensive picture of the factors influencing financial report quality. Primary data was obtained through questionnaires distributed to a predetermined sample. The questionnaires were

designed to measure respondents' perceptions of the variables studied. Secondary data, on the other hand, was obtained from official documents, financial reports, and other sources relevant to the research.

### 3.6 Data analysis

Data analysis was conducted using descriptive and inferential statistical methods. Descriptive statistics were used to describe the characteristics of respondents and the variables studied, while inferential statistics were used to test hypotheses and relationships between variables. Multiple regression testing was applied to determine the extent of influence of each independent variable on the quality of financial reports.

### 3.7 Validation and reliability testing

Before conducting data analysis, it is important to test the validity and reliability of the research instrument. Validity testing is conducted to ensure that the questionnaire used actually measures what it is intended to. Meanwhile, reliability testing aims to determine the consistency of the measurement results. According to Indriyani & Ahmad (2023), valid and reliable instruments are crucial to ensure that the collected data is trustworthy and can be used for further analysis.

In this study, the validity test can be carried out using factor analysis, while the reliability test uses the Cronbach's Alpha coefficient.

### 3.8 Data processing

Data processing was performed using statistical software, such as SPSS version 27, to facilitate analysis. After data collection, the first step was to process the raw data into data ready for analysis. This process included coding, cleaning the data from errors, and grouping the data according to predetermined variable categories. Afterward, statistical analysis was performed to test the proposed hypotheses. The results of this data processing will provide a clear picture of the factors influencing the quality of financial reports in the Palopo City Government.

## RESULTS AND DISCUSSION

### 4.1 Hresearch results

#### 4.1.1 Validity Test

**Table 1 Validity Test Results**

Variables	Instrument	R count	R table	Information
Human Resources Competence (X1)	P1	0.784	0.361	VALID
	P2	0.780	0.361	VALID
	P3	0.658	0.361	VALID
	P4	0.794	0.361	VALID
	P5	0.629	0.361	VALID
Utilization of Information Technology (X2)	P6	0.800	0.361	VALID
	P7	0.628	0.361	VALID
	P8	0.525	0.361	VALID
	P9	0.800	0.361	VALID
	P10	0.760	0.361	VALID

Control System Internal (X3)	P11	0.671	0.361	VALID
	P12	0.730	0.361	VALID
	P13	0.596	0.361	VALID
	P14	0.635	0.361	VALID
	P15	0.752	0.361	VALID
Quality of Regional Financial Reports (Y)	P16	0.771	0.361	VALID
	P17	0.681	0.361	VALID
	P18	0.565	0.361	VALID
	P19	0.644	0.361	VALID
	P20	0.883	0.361	VALID

Source: Primary data processed by SPSS version 27.

Based on Table 4.1, the Human Resources Competence Variable (X1), Utilization of Information Technology (X2), Internal Control System (X3) and Quality of Regional Financial Reports (Y) have valid status because all calculated  $r$  values are greater than  $r$  table of 0.361. So it can be concluded that all statements for the Human Resources Competence Variable (X1), Utilization of Information Technology (X2), Internal Control System (X3) and Quality of Regional Financial Reports (Y) can be used as research measuring tools and can be used for further analysis.

#### 4.1.2 Reliability Test

**Table 2 Results of Reliability Test**

Variables	Cronbach's Alpha	Reliability Limits	Information
Human Resources Competence (X1)	0.780	0.60	Reliable
Utilization of Information Technology (X2)	0.744	0.60	Reliable
Control System Internal (X3)	0.702	0.60	Reliable
Quality of Regional Financial Reports (Y)	0.753	0.60	Reliable

Source: Primary data processed in SPSS version 27.

Based on Table 4.2, the reliability test was conducted by testing the instrument only once, then analyzed using the (Cronbach Alpha) method. The results of the reliability coefficient test for the Human Resource Competence instrument (X1) were 0.780 with a high level of reliability, the Information Technology Utilization instrument (X2) was 0.744 with a high level of reliability, the Internal Control System instrument (X3) was 0.702 with a high level of reliability, and the Quality of Regional Financial Reports (Y) was 0.753 with a high level of reliability, which means that the four instruments were declared reliable or met the requirements.



#### 4.1.3 t-Test (Partial)

**Table 3 Results of t-Test (Partial)**

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.105	1,299		.081	.936
Human Resources Competence (X1)	.691	.101	.723	6,871	.000
Utilization of Information Technology (X2)	.700	.072	.708	9,668	.000
Control System Internal (X3)	-.405	.116	-.400	-3,501	.002

*Source: Primary data processed in SPSS 27.*

T table = (5% or 0.05), (df = n – k )

Note:

a : Significance level = 5% (0.05)

Df : Degree of freedom

N : Sample

K : Independent variable

Ttable  $\alpha$  ( 5% or 0.05 ), df (30 - 2 ) = 27 is (2.052)

Based on the table above, it can be concluded that the influence of each independent variable on the dependent variable is as follows:

1. The First Hypothesis (H1) shows that the results of the t-count analysis produce a t-count value of 6.871, which is greater than the t-table of 2.052, with a Sig value of 0.001, which is smaller than 0.050. This indicates that the Human Resource Competence variable (X1) has a significant influence on the Quality of Regional Financial Reports (Y).
2. The Second Hypothesis (H2) shows that the results of the t-count analysis produce a t-count value of 9.668, which is greater than the t-table of 2.052, with a Sig value of 0.001, which is smaller than 0.050. This indicates that the variable Utilization of Information Technology (X2) has a significant influence on the Quality of Regional Financial Reports (Y).
3. The Third Hypothesis (H3) shows that the results of the t-count analysis produce a t-count value of 3.501, which is greater than the t-table of 2.052, with a Sig value of 0.002, which is smaller than 0.050. This indicates that the Internal Control System variable (X3) has a significant influence on the Quality of Regional Financial Reports (Y).

## DISCUSSION

### The Influence of Human Resource Competence (X1) on the Quality of Regional Financial Reports (Y).

The results of this study support the first hypothesis, which states that human resource competency significantly influences the quality of local government financial reports. This is demonstrated by the t-test results listed in the table, which indicate that this hypothesis is accepted. In this context, it is important to understand that human resource (HR) competency encompasses the abilities, knowledge, and skills possessed by individuals within an organization, particularly in regional financial management. When HR possesses high competency, they are more likely to produce accurate and transparent financial reports, which in turn improves the quality of those reports. As an illustration, a regional accountant with a deep understanding of accounting standards and financial regulations will be better able to prepare reports that not only meet legal requirements but also provide a clear and accurate picture of the region's financial condition.

Previous research by Santoso (2020) also showed that increased training and education for civil servants in accounting significantly contributed to improving the quality of financial reports. This finding aligns with the findings of this study, which confirms that investment in developing human resource competencies will positively impact the quality of the resulting financial reports. Therefore, well-implemented human resource competencies will improve the quality of government financial reports, ensuring that the resulting reports meet the expected qualitative characteristics. Competent human resources will be more efficient and effective in completing their work. The findings of this study also align with the findings of Rohmah et al. (2020), which confirm that human resource competencies have a positive influence on the quality of regional financial reports.

Furthermore, based on HR competency indicators, work experience is the most widely used aspect in various companies and government agencies to assess employee competency. Work experience is considered a direct reflection of an individual's practical abilities in dealing with real-world situations and problems in the workplace. In the context of managing local government financial reports, employees with extensive experience in government accounting and public finance tend to be more responsive, thorough, and understand standard reporting procedures. This aligns with the findings of Amalia and Pohan (2020), who stated that work experience significantly influences the quality of employee output, including in the preparation of financial reports.

Conversely, the ability to keep up with the latest developments in one's field is the least frequently used aspect in the competency assessment process in companies and government agencies. Yet, in the current era of regional financial digitalization, the ability to follow the latest regulations, accounting standards, and financial technology is crucial to ensuring financial reports remain accurate, relevant, and accountable. Research by Putri et al. (2023) also revealed that many organizations do not yet have a specific assessment system to measure HR's adaptability to the latest developments in the financial sector. Therefore, this study also recommends the importance of integrating this indicator into future HR competency assessments, particularly in regional financial management, to improve the quality of financial reports that are responsive to regulatory and technological dynamics.

The Influence of Information Technology Utilization (X2) on the Quality of Regional Financial Reports (Y).

The second hypothesis proposed in this study states that the use of information technology has a positive effect on the quality of financial reports. Based on the results of the t-test, which

showed a significance value greater than 0.05, the second hypothesis was accepted, meaning that the use of information technology has an effect on the quality of financial reports. This finding indicates that the variable of information technology utilization does play a significant role in improving the quality of regional financial reports. As explained by Ariska et al. (2023), information technology functions as a provider of very useful information for decision-makers in organizations, including in reporting, thus supporting a more effective decision-making process. In this case, the use of computers and networks is an important aspect of accounting information technology, which produces output in the form of better financial reports.

The use of information technology in managing regional financial reports is crucial. For example, by using sophisticated accounting software, local governments can produce more accurate and timely financial reports. The application of information technology can be seen in several regions that have implemented e-reporting systems. Through this system, financial data can be accessed in real time, enabling faster and more accurate decision-making. This system also reduces the possibility of human error that often occurs in manual recording. In line with these findings, Sari and Hadi (2020) found that regions that adopted information technology in public financial management showed significant improvements in the transparency and accountability of financial reports. This research provides empirical evidence that information technology not only affects data processing efficiency but also increases public trust in regional financial management.

However, despite the continued development of information technology, its use will not be optimal without a strong understanding, adequate mastery, and effective training and work processes. Without these, the use of information technology will not have a maximum positive impact, resulting in the quality of the resulting financial reports possibly not meeting the expected standards. This finding is supported by research conducted by Purba et al. (2021), which underscores the importance of mastery and proper use of information technology in improving the quality of financial reports.

Furthermore, we can see from the indicators of information technology utilization used in various organizations that the use of specialized software for specific tasks is the most widely implemented indicator. This is because accounting software, regional financial information systems (SIKD), and e-reporting applications have now become standard requirements in the financial reporting process, both in the public and private sectors. As explained by Hidayat et al. (2021), the use of information technology-based software has been proven to accelerate the process of recording, processing, and reporting financial data systematically and accurately. Conversely, the level of information system integrity in work processes remains the least addressed aspect, despite its crucial role in maintaining the accuracy and consistency of the resulting financial data. Research by Ramadhani et al. (2022) states that most agencies focus more on speed of access and ease of system operation than on ensuring overall data integrity. Therefore, the findings of this study indicate the need to strengthen the integrity aspect of information systems to maintain the quality and accuracy of regional financial reports, particularly in the current era of digitalization of government financial administration.

The Influence of Internal Control Systems (X3) on the Quality of Regional Financial Reports (Y).

The third hypothesis proposed in this study states that the internal control system (ISC) has a positive effect on the quality of financial reports. Based on the t-test results, it can be concluded that the ISC has a significant influence on the quality of financial reports. This indicates that the ISC's influence on the quality of regional financial reports is significant and cannot be

ignored. For example, we can observe a region like Surabaya City, which successfully improved the quality of its financial reports to Unqualified Opinion (WTP) thanks to the implementation of an effective ISC. Conversely, regions that pay less attention to internal control aspects often face difficulties in preparing financial reports, resulting in an inadequate audit opinion.

The analysis results, which showed a t-value of 3.501 and a significance value of 0.002, further confirm that the internal control system has a significant influence on the quality of regional financial reports. With the implementation of sound SPI, the quality of financial reports is expected to improve, which in turn will improve accountability and transparency in public financial management. This finding aligns with previous research that stated that effective internal control is a key factor in producing high-quality financial reports. Therefore, strengthening and improving the internal control system should be a top priority for every regional government.

Of the five internal control system indicators used in this study, the clarity of standard operating procedures (SOPs) and the level of compliance with regulations and internal policies are the two aspects most frequently applied and measured in various previous studies. This is because these two indicators serve as the main foundation of an internal control system. Clear SOPs ensure that every financial process runs according to regulations, while compliance with regulations ensures that financial reports are prepared in accordance with applicable standards. Conversely, the ability to detect and prevent fraud and irregularities tends to be the least used indicator, as this indicator is more often found in studies specifically addressing fraud detection or risk management, rather than in general research on financial reporting quality. However, despite being rarely measured, this capability plays a strategic role in maintaining the integrity of financial reports and preventing potential violations that could undermine regional financial accountability. Therefore, it is important for regional governments to focus not only on administrative aspects such as SOPs and regulatory compliance, but also on strengthening fraud prevention and detection mechanisms as an integral part of the internal control system.

#### **4.2 Tolimitations**

This section explains the limitations encountered in the research, which were not caused by laziness, but rather by specific constraints that limited the scope of the study. These limitations should be accompanied by an explanation of the positive benefits that could be gained if these constraints could be overcome. In general, limitations in research can be categorized into two main areas. First, limitations in the scope of the study that occur due to procedural reasons, research techniques, or logistical factors that limit the scope of the research. Second, limitations due to external factors, such as customs, traditions, ethics, or beliefs that prevent the researcher from obtaining the necessary data. Although these limitations limit the research, understanding them can help improve future research and provide direction for further research.

### **CONCLUSION**

This study aims to analyze the factors influencing the quality of Palopo City government financial reports, focusing on three main variables: human resource competency, information technology utilization, and internal control systems. The results indicate that these three factors significantly influence the quality of regional financial reports.

**Human Resource Competence** The competence of employees involved in preparing financial reports plays a critical role in ensuring the accuracy, transparency, and reliability of the

reports. Employees with a good understanding of standards, relevant work experience, and adequate training tend to produce higher-quality financial reports.

**Utilizing Information Technology:** Internal control plays a crucial role in improving the efficiency and effectiveness of financial reporting. The use of an integrated accounting information system can reduce human error, accelerate data processing, and increase transparency and accountability in regional financial management.

**Internal Control Systems:** Good internal controls help ensure that the financial reporting process complies with applicable regulations and standards. Clear procedures, effective internal audits, and effective monitoring and evaluation mechanisms contribute to improving the quality of local government financial reporting.

The results of the statistical analysis show that the three independent variables have a significant influence on the quality of the Palopo city government's financial reports. Therefore, to improve the quality of financial reports, local governments are advised to improve employee competency through continuous training, strengthen the implementation of information technology in the financial system, and improve the internal control system to be more effective in detecting and preventing potential errors or fraud. Thus, this research is expected to contribute to increasing accountability and transparency in regional financial management, as well as being a reference for the government in taking better policies in the field of public financial management

## REFERENCE

- Andi Kusnadi, Fahmi Oemar, & Bambang Supeno. (2022). Factors Affecting the Quality of Local Government Financial Reports. *Accounting and Financial Science*, 1(1), 51–63. <https://doi.org/10.55356/sak.v1i1.10>
- Bano, ARM, Blongkod, H., & Tuli, H. (2022). Analysis of Factors Influencing the Quality of Financial Reports in Boalemo Regency (A Study on the Regional Apparatus Organization of Boalemo Regency). *Journal of Accounting Students*, 1(2), 101–115. <https://doi.org/10.37479/jamak.v1i2.34>
- Fattah, NW, Damayanti, RA, & Idris, MIU (2023). Analysis of Factors Influencing the Quality of Local Government Financial Reports. *Apssai Accounting Review*, 3(1), 66–83. <https://doi.org/10.26418/apssai.v3i1.70>
- Gasperz, JJ (2019). The Influence of Human Resource Competence, Internal Control Systems, and Information Technology Utilization on Financial Report Quality (A Study at the Central Statistics Agency of the Maluku Region). *JBMP (Journal of Business, Management, and Banking)*, 5(2), 75–83. <https://doi.org/10.21070/jbmp.v5i2.2550>
- Handayani, F., Sari, DM, & Yuniarti, A. (2022). Factors Affecting the Quality of Financial Report Information of the Balikpapan City Regional Government. *Scientific Journal of Accounting and Finance*, 11(1), 9–20. <https://doi.org/10.32639/jiak.v11i1.14>
- Indriyani, AT, & Ahmad, A. (2023). Factors Affecting the Quality of Financial Reports of the Ponorogo Regency Regional Government. *Journal of Accounting and Management Economics*, 3(1), 505–520.

- Kapriana, AP, & Agung, I. (2020). Factors Affecting the Quality of Regional Government Financial Reports with the Government Internal Control System as a Moderator (Empirical Study on Regional Government Organizations in Kuburaya Regency). *JAAKFE UNTAN (Journal of Audit and Accounting, Faculty of Economics, Tanjungpura University)*, 9(1), 47–70. <https://doi.org/10.26418/jaakfe.v9i1.41143>
- Laitera, F., Ahuluheluw, N., & Laitupa, MF (2021). Analysis of Factors Influencing the Quality of Regional Government Financial Reports (A Study of Regional Apparatus Organizations in Southwest Maluku Regency). *Kupna Akuntansi: Kumpulan Artikel Akuntansi*, 1(2), 74–80. <https://doi.org/10.30598/kupna.v1.i2.p74-80>
- Lavenia Fitri, S., & Ali Alam, I. (2022). Analysis of Factors Influencing the Quality of Financial Report Information of the Bandar Lampung City Regional Government for the 2020 Fiscal Year. *SIBATIK JOURNAL: Scientific Journal of Social, Economic, Cultural, Technology, and Education*, 1(10), 2057–2070. <https://doi.org/10.54443/sibatik.v1i10.301>
- Mulia, RA (2019). Analysis of Factors Influencing the Quality of Regional Government Financial Reports (A Study of the West Pasaman Regency Government). *EL-RIYASAH Journal*, 9(1), 7. <https://doi.org/10.24014/jel.v9i1.6798>
- Nilawati, N., Naz'aina, N., & Haykal, M. (2021). Analysis of Factors Influencing the Quality of Bireuen Regency Regional Government Financial Reports. *J-MIND (Indonesian Journal of Management)*, 6(2), 60. <https://doi.org/10.29103/j-mind.v6i2.5127>
- Palalangan, CA (2020). The Influence of Internal Control Systems on the Quality of Regional Government Financial Reports (Case Study at the Public Works and Spatial Planning Office of Mamasa Regency). *Scientific Journal of Accounting and Business*, 4(2), 121. <https://doi.org/10.38043/jiab.v4i2.2260>
- Riskia Putri, N. (2020). *Muhammadiyah Riau Accounting and Business Journal: Factors Affecting the Quality of Regional Government Financial Reports (A Study of Kampar Regency Regional Apparatus Organizations)*. *Muhammadiyah Riau Accounting and Business Journal*, 1(2). <http://ejurnal.umri.ac.id/index.php/MRABJ>
- Suhardjo, Y. (2019). Factors Influencing the Quality of Regional Government Financial Reports (Case Study of Semarang City Government). *Solusi*, 17(4), 1–22. <https://doi.org/10.26623/slsi.v17i4.1769>
- Sulastri, D., Abdullah, A. 'Ala, Fathir, K., & Casilam, C. (2022). Analysis of Factors Influencing the Quality of Regional Government Financial Report Information. *Journal of Civilization*, 2(2), 80–88. <https://doi.org/10.55182/jnp.v2i2.173>
- Tiurmaida, J., Murwaningsari, E., Simanjuntak, B., & Mayangsari, S. (2021). Determinants of Indonesian Government Financial Reporting Quality. *Journal of Business and Management Review*, 2(9), 595–604. <https://doi.org/10.47153/jbmr29.2192021>
- Trihudiyatmanto, M., Mojotengah, K., Wonosobo, K., & Tengah, J. (2022). *AkMen AkMen* nn. 19(April), 164–175.
- Widiastuti, IA, Indraswarawati, SAPA, & Putra, IMEL (2023). The Influence of Human Resource Competence, Internal Control Systems, and Information Technology Utilization on the Quality of Financial Reports of the Badung Regency Regional Government. *Hita Accounting and Finance*, 4(2), 65–75. <https://doi.org/10.32795/hak.v4i2.4025>