Utilization of Information Technology to Increase Human Resources Capacity and Internal Control Systems on Local Government Financial Reporting Information

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Abstract There are increasing demands from the public related to the accountability and transparency in public sector administration. The governments usually respond by providing financial information to the public. In order to fulfill public rights to the information, government is also establishing the efficient way to achieve transparency by utilizing information technology (IT) in both financial management and public administration. This study aims to analyze the effect of human resource capacity and government internal control systems on the value of local government financial reporting information using information technology as a moderating variable. The population in this study is the financial manager in 41 government units in Palu City, Indonesia. The sampling technique uses purposive sampling with analysis tools processing data using WarpPLS. The results showed that human resource capacity had a positive and significant effect on the value of local government financial reporting information. The results also revealed that government's internal control system had a positive and significant effect on the value of local government financial reporting information. In terms of moderating effects, the results found that the use of information technology moderates the

relationship between human resource capacity and the value of local government financial reporting information and the relationship of the government's internal control system to the value of local government financial reporting information.

Keywords Human Resource Capacity, Value of Financial Reporting Information, Government Internal Control System, Information Technology

1. Introduction

There are increasing demands for the implementation of public accountability by public sector organizations in development of the public sector in Indonesia [1]. This demand for accountability is related to the need for transparency and accountability in providing information to the public in order to fulfill public rights [2, 3]. One of the information needed by the public is information on regional financial management in the form of financial reports. Therefore, the information presented in financial

statements must be useful for stakeholders, both users and auditors of financial statements [4].

Information will be useful if the financial statements have value [5]. Information that has value will produce quality financial reports. Government Regulation No. 71 of 2010 concerning Government Accounting Standards has four qualitative characteristics in assessing the quality of a financial report, among them are relevant, reliable, comparable, and understandable. Indonesian Supreme Auditor (BPK) found a number of problems and weaknesses in the regional government financial statement (LKPD) for the 2018 fiscal year. Problems include the inadequate management or administration of fixed assets or regional owned goods that occurred in nine regions in Central Sulawesi regencies [6]. In the 2018 fiscal year, BPK found problems that occurred in the Palu city government, namely the management of supplies was not orderly and the acquisition of disaster assistance had not been assessed and reports on the use of the regional budget for expenditure on life insurance for disaster victims were not supported by complete and legal documents [6].

The value of local government financial reporting information can be seen based on several factors that can influence the first thing is the capacity of human resources, with research results stating that human resource capacity affects the value of local government financial reporting information [7], [8], [9], [10] (Hertati et al., 2019; Afiah & Rahmatika, 2014; Das, 2013; Vithana et al., 2021). The second thing is the government's internal control system. The results of the study state that the government's internal control system affects the value of local government financial reporting information [11], [12], [13], [14], [15].

Another factor that also affects the value of financial reporting information is the use of information technology [16], [17], [18], [19], [20]. Human resource capacity and the government's internal control system can be more effective if supported by utilizing existing information technology. Utilization of information technology that offers speed in processing transaction data and storing large amounts of data reports is expected to help produce the value of quality financial reporting information. Palu City was able to maintain an unqualified opinion from the BPK, but in the last year, namely the 2018 fiscal year, the Palu City government financial report still found problems and weaknesses including the government's internal control system. This needs to be considered because the lack of human resource development and the government's internal control system as well as the less than use of information technology results in the underperformance of government units, so that it affects the value of local government financial reporting information.

2. Literature Review and Hypotheses Development

2.1. Human Resource Capacity and Financial Reporting Information

One of the improvement steps that need to be taken to realize more optimal regional financial management is to increase the capacity of human resources. This is because one of the things that determine the quality of financial statement is basically related to HR problems as the manager [21], [22]. Therefore, local governments need quality human resources to produce valuable information. Previous research on the effect of human resource capacity on the value of local government financial reporting information has been carried out. [7], [8], [9], [10] showing that human resource capacity has a positive and significant effect on the value of local government financial reporting information. Based on the explanation, the first hypothesis in this study is as follows:

H1: Human Resource Capacity has a positive effect on Financial Reporting Information.

2.2. Internal Control System and Financial Reporting Information

The government's internal control system is expected to be able to prevent and provide protection for organizational data by implementing the five elements of internal control system. Government Regulation No. 60 of 2008 specified the control environment, risk control, control activities, information and communication [23]. It also regulated internal control monitoring effectively and efficiently. The ultimate goals are to avoid fraud and the risk of wrong procedures and maintain the reliability of financial reporting and to produce the value of timely financial reporting information [24]. Previous research on the effect of the government's internal control system on the value of local government financial reporting information has been carried out with the results of research that the government's internal control system affects the value of local government financial reporting information [11], [12], [13], [14], [15], [25]. Based on the explanation above, the second hypothesis in this study is as follows:

H2: There is a positive effect of Internal Control System on Financial Reporting Information.

2.3. Human Resource Capacity, Financial Reporting Information and Information Technology

Timely information can be generated with the role of technology. The use of information technology can help human resources in carrying out their duties and responsibilities easily and does not require a long time. Information technology has had a positive impact by

streamlining financial reporting times and avoiding human errors in the financial reporting process so that financial reporting becomes efficient and timely [26] (Fakhimuddin et al., 2021). Therefore, it is hoped that the government can increase the use of information technology so that the performance of human resources also increases and can have an impact on the value of local government financial reporting information. Previous research on the effect of human resource capacity on the value of local government financial reporting information moderated by the use of information technology was conducted by some studies [16], [17], [18], [19], [20] which stated that the use of information technology moderated the effect of human resource capacity on the value of local government financial reporting information. Based on the explanation, the third hypothesis is as follows:

H3: Utilization of information technology moderates the relationship between human resource capacity and financial reporting information.

2.4. Internal Control System, Financial Reporting Information and Information Technology

Utilization of information technology and government internal control systems is expected to contribute to each other to prevent and detect errors in the accounting process by providing protection for organizational data from the threat of fraud or system sabotage. Internal control systems role in maintaining the reliability of financial statements is supported by the use of information technology to minimize the occurrence of errors in calculations and recording of financial transactions, thereby fulfilling the principle of order by submitting financial reports in a timely manner [27], [28]. Previous research on the effect of the government's internal control system on the value of local government financial reporting information moderated by the use of information technology was conducted stated that the use of information technology moderated the effect of the government's internal control system on the value of local government financial reporting information [16], [17], [18], [19], [20]. Based on the explanation, the fourth hypothesis is as follows:

H4: Information technology strengthens the positive effect of internal control system on financial reporting information.

Figure 1. Research Framework

3. Research Methods

The object of this research is human resource capacity (X1) government internal control system (X2), value of local government financial reporting information (Y) and Information technology utilization (Z), studied in 41 Regional Apparatus Organizations of Palu City. The type of research used is survey research, which uses a sample size of a population and uses a questionnaire as a data collection tool.

The type of data used is quantitative data. Sources of data used are obtained from primary data and secondary data. The population in this research is the head of government units, secretary, head of sub-division of finance and treasurer with purposive sampling.

In this study, the data was processed using WarpPLS Version 0.7. The stages of data analysis in PLS are [29] by developing a specification model, namely the path analysis model, including test the Measurement Model (Outer model) which is used to test the validity and test the reliability, structural Model Test (Inner model) to assess the effect of one variable on other variables, and weight estimation where the case value of the latent variable can be estimated. It is also done by evaluating the measurement model, structural models, and hypothesis testing.

4. Results

Table 1 showed that the composite reliability value and Cronbach's alpha value for all constructs > 0.70 . Thus, it can be said that the reliability requirements of this research instrument have been met.

Table 1. Reliability Test Results

Variable	Composite Reliability	Cronbach's Alpha	Information
Human Resources Capacity	0.889	0.853	Reliable
Government Internal Control System	0.928	0.917	Reliable
Value of Financial Reporting Information	0.921	0.904	Reliable
Utilization of Information Technology	0.899	0.871	Reliable

Moreover, the validity of the instrument is seen from the value of convergent validity and discriminant validity. To evaluate convergent validity, it is done by looking at

the results of the loading values presented in Table 2.

Table 2. Loading Factor

Items	Loading Factor	Items	Loading Factor
HR1	0.668	Continued...	-
HR2	0.725	IT6	0.760
HR3	0.818	IT7	0.693
HR4	0.636	IT8	0.685
HR5	0.669	IC1	0.638
HR6	0.718	IC2	0.592
HR7	0.864	IC3	0.657
FR1	0.752	IC4	0.309
FR2	0.714	IC5	0.521
FR3	0.764	IC6	0.741
FR4	0.700	IC7	0.683
FR5	0.677	IC8	0.762
FR6	0.675	IC9	0.641
FR7	0.809	IC10	0.758
FR8	0.788	IC11	0.786
FR9	0.706	IC12	0.585
FR10	0.740	IC13	0.510
IT1	0.662	IC14	0.700
IT2	0.651	IC15	0.638
IT3	0.723	IC16	0.670
IT4	0.818	IC17	0.641
IT5	0.800	IC18	0.741

Table 2 showed that there are 5 indicators whose values are < 0.60 , namely: X2.2 (0.592); X2.4 (0.309); X2.5 (0.521); X2.12 (0.585) and X2.13 (0.510). In addition to looking at the cross-loading value to test the validity, a convergent validity test was carried out by looking at the results of the average variances extracted (AVE) value with a value > 0.50 . The AVE values are presented in Table 3.

Table 3. AVE value

Variable	AVE
Human Resources Capacity (HR)	0.537
Internal Control System (IC)	0.426
Value of Financial Reporting Information (FR)	0.539
Utilization of Information Technology (IT)	0.528

Table 3 showed that the AVE value on the government internal control system variable does not meet the requirements and the discriminant validity value is presented in Table 4.

Table 4. Discriminant Validity

	HR	IC	FR	IT	IT*HR	IT*IC
HR	0.733	0.648	0.725	0.579	0.234	0.355
IC	0.648	0.653	0.688	0.488	0.407	0.511
FR	0.725	0.688	0.734	0.651	0.388	0.363
IT	0.579	0.488	0.651	0.726	0.148	0.169
IT*HR	0.234	0.407	0.388	0.148	1.000	0.722
IT*IC	0.355	0.511	0.363	0.169	0.722	1.000

Table 5. Loading Value (After Dispose of 5 Indicators)

Items	Loading Value	Information	Items	Loading Value	Information
HR1	0.668	Valid	Continued...	-	Valid
HR2	0.725	Valid	IT6	0.760	Valid
HR3	0.818	Valid	IT7	0.693	Valid
HR4	0.636	Valid	IT8	0.685	Valid
HR5	0.669	Valid	IC1	0.603	Valid
HR6	0.718	Valid	IC2	0.619	Valid
HR7	0.864	Valid	IC3	0.762	Valid
FR1	0.752	Valid	IC4	0.685	Valid
FR2	0.714	Valid	IC5	0.800	Valid
FR3	0.764	Valid	IC6	0.672	Valid
FR4	0.700	Valid	IC7	0.770	Valid
FR5	0.677	Valid	IC8	0.792	Valid
FR6	0.675	Valid	IC9	0.693	Valid
FR7	0.809	Valid	IC10	0.656	Valid
FR8	0.788	Valid	IC11	0.686	Valid
FR9	0.706	Valid	IC12	0.672	Valid
FR10	0.740	Valid	IC13	0.762	Valid
IT1	0.662	Valid	IC14	0.603	Valid
IT2	0.651	Valid	IC15	0.619	Valid
IT3	0.723	Valid	IC16	0.762	Valid
IT4	0.818	Valid	IC17	0.685	Valid
IT5	0.800	Valid	IC18	0.800	Valid

Table 6. AVE Value (After Clear 5 Indicators)

Variable	AVE
Human Resources Capacity	0.537
Government Internal Control System	0.502
Value of Financial Reporting Information	0.539
Utilization of Information Technology	0.528

To increase the AVE value, indicators that have a loading value below 0.60 are removed from the model (Latan & Ghazali, 2016). Based on Table 4, there are 5 indicators being removed from the model whose values were below 0.60, namely: IC2 (0.592); IC4 (0.309); IC5

(0.521); IC12 (0.585) and IC13 (0.510).

The deletion of these 5 indicators resulted in all variables having an AVE value of more than 0.50. These results indicate that the research instruments have met convergent validity (Table 6).

Table 7. Discriminant Validity (After Remove 5 Indicators)

	HR	IC	FR	IT	IT*HR	IT*IC
HR	0.733	0.600	0.725	0.579	0.234	0.342
IC	0.600	0.708	0.667	0.428	0.400	0.519
FR	0.725	0.667	0.734	0.651	0.388	0.334
IT	0.579	0.428	0.651	0.726	0.148	0.133
IT*HR	0.234	0.400	0.388	0.148	1.000	0.689
IT*IC	0.342	0.519	0.334	0.133	0.689	1.000

Figure 2. Full Model Path

Table 7 showed the value of the square root of average variance extracted after removing 5 indicators is obtained, which is greater than the correlation value between the constructs and other constructs, meaning that the discriminant validity value of the instrument in this study is fulfilled.

The figure produces a significance level > 0.05 , which can be said that all paths in the research model are significant (Figure 2).

Table 8. R-Square, Adj R-Squared and Q-Squared values

Items	FR
<i>R-Square</i>	0.827
<i>Adj R-Square</i>	0.821
<i>Q Squared</i>	0.675

Table 8 showed R-squared value for the variable value of financial reporting information of 0.827 is included in

the high category (<0.35). This value means that the variable of human resource capacity (HR), government internal control system (IC) and moderation of the use of information technology (IT) is able to influence the variable value of financial reporting information (FR) by 82.7%, while the remaining 17.3 % is influenced by other variables. The results of data processing found that the predictive validity value of this research model was good. This is because the Q-Squared value of the financial reporting information value variable is 0.675, the value is above zero.

Table 9. Effect Size for Path Coefficient Value

Relationship	HR	IC	IT*HR	IT*IC
FR	0.400	0.235	0.115	0.078

Table 9 showed the effect size value used to measure how strong the predictor variables affect the criteria can

be explained as follows: First, the magnitude of the influence of human resource capacity on the value of financial reporting information is 0.400. This value indicates that the involvement of human resources in the government environment in the preparation of financial reports in the related units has a role of 40%. This value is included in the strong category. Second, the magnitude of the influence of the government's internal control system on the value of financial reporting information is 0.235. This value indicates that the involvement of the government's internal control system in the government environment in the preparation of financial reports in the related units has a role of 23.5%, and this value is in the medium category. Third, the moderating role of the use of information technology on the relationship between human resource capacity and the value of financial reporting information is 0.115. This value explains that the involvement of human resources is strengthened by information technology in the preparation of financial reports in the related units has a role of 11.5%. This value is in the medium category. Fourth, the moderating role of the use of information technology on the relationship between the government's internal control system and the value of financial reporting information is 0.078. This value explains that the involvement of the government's internal control system is strengthened by information technology in the preparation of financial statements in the related units, which has a role of 7.8%, the value is in the medium category.

Based on Table 10, APC value = 0.318; ARS = 0.827; and AARS = 0.821 and all of these values are significant at the level (<0.001). Thus, it can be concluded that the model in this study meets the criteria. This result is also supported by AVIF and AFVIF which are used as indicators to see whether or not multicollinearity occurs. The resulting value for AVIF is 1.952 and AFVIF is 2.404. This value is below 5 or under 3.3. it means that this research model has met the criteria and there are no multicollinearity problems between indicators and between exogenous variables and the GoF value of 0.752

is included in the large category ($0.752 > 0.36$). It can be concluded that the goodness of fit criteria of the model in this study have been met.

The results confirmed the first hypothesis testing of the effect of human resource capacity on the value of local government financial reporting information. The results of testing the first hypothesis show the resulting coefficient value of 0.525 (positive 0.525) and the resulting p-value of 0.001 (<0.01), significant at the level of = 5%, with t ratios of 6.557 values t is greater than t table (1.960). The results indicate that human resource capacity has a positive and significant effect on the value of local government financial reporting information, so it can be said that the first hypothesis can be accepted.

In testing the second hypothesis of the effect of the government's internal control system on the value of local government financial reporting information, the results of testing the second hypothesis showed that the resulting coefficient value is 0.339 (positive 0.339) and the resulting p-value is 0.001 (<0.01), significant at the level of = 5%, with the t ratios value of 4.040. t is greater than t table (1.960). The results found that the government's internal control system has a positive and significant effect on the value of local government financial reporting information, so it can be said that the second hypothesis can be accepted.

Statistical output showed that in examining the third hypothesis of the effect of human resource capacity on the value of local government financial reporting information moderated by utilization of information technology, the results showed that the resulting coefficient value is 0.214 (positive 0.214) and the resulting p-value is 0.007 (<0.01), significant at the level of = 5%, with t ratios of 2,477 values. t is greater than t table (1.960), which means that there is a positive and significant influence. Based on these results, it shows that the use of information technology moderates the relationship between human resource capacity and the value of local government financial reporting information, so it can be said that the third hypothesis can be accepted.

Table 10. Fit Model Measurement

Parameter	Value	Criteria	Information
<i>Average path coefficient (APC)</i>	0.318, $P<0.001$	$p<0.05$	Model Fit
<i>Average R-squared (ARS)</i>	0.827, $P<0.001$	$p<0.05$	Model Fit
<i>Average adjusted R-squared (AARS)</i>	0.821, $P<0.001$	$p<0.05$	Model Fit
<i>Average block VIF (AVIF)</i>	1.952	acceptable if ≤ 5 , ideally ≤ 3.3	Model Fit
<i>Average full collinearity VIF (AFVIF)</i>	2.404	acceptable if ≤ 5 , ideally ≤ 3.3	Model Fit
<i>Tenenhaus GoF (GoF)</i>	0.752	small ≥ 0.1 , medium ≥ 0.25 , large ≥ 0.36	Model Fit

Lastly, in testing the fourth hypothesis on the effect of government internal control system on value of local government financial reporting information moderated by utilization of information technology, the results of testing the fourth hypothesis showed that the resulting coefficient value is 0.192 (positive 0.195) and the resulting p-value is 0.015 (<0.01), significant at the level of $\alpha = 5\%$, with the t ratios value of 2.210. t is greater than t table (1.960), which means that there is a positive and significant influence. The results indicate that the use of information technology moderates the relationship of the government's internal control system to the value of local government financial reporting information, so it can be said that the fourth hypothesis can be accepted [30] (Purnamasari et al., 2021). This is in line with previous studies highlighting the importance of information technology in auditing and financial reporting practices [16], [17], [18], [19], [20] (Hertati & Zarkasyi, 2015; Sawitri et al., 2019; Xiao et al., 1996; Garg & Divya 2009; Al-Hajaya & Sawan, 2018).

5. Conclusions

The results showed that human resource capacity has a positive and significant impact on the financial reporting information in local government context. The results also showed that the internal control system has a positive and significant effect on financial reporting information. In examining the mediating effects, the results found that utilization of information technology moderates the relationship between human resource capacity and the financial reporting information, and also moderates the relationship between the internal control system and financial reporting information.

There are some limitations in this study. There are several indicators that the statement on the questionnaire is invalid, namely the cross-loading value of the government internal control system variable which causes the AVE value not meet the validity requirements so that the convergent validity test is carried out twice. As suggested this research is expected to provide additional knowledge and as a source of information in the development of public sector accounting science and contribute to research development. For further researches, it is recommended to use other variables that may affect the value of local government financial reporting information and use other factors as moderating variables. For government agencies, it is expected to be able to maintain and improve the quality of the value of their financial reporting information as a form of accountability by paying attention to and increasing human resource capacity by conducting trainings and developing information technology both at the system level and means of communication that are evenly available in all government units in Palu City.

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