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Research Paper

Determinants of financial reporting quality: Evidence from Indonesian public sector institutions

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Abstract

This study aims to examine the effects of employees' educational level, internal control, and the use of the Sistem Aplikasi Keuangan Tingkat Instansi (SAKTI) on financial reporting quality in public sector institutions. This study employed a quantitative approach with a cross-sectional design. Data were collected through a survey of 102 employees involved in financial management and reporting and analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS). The results indicate that employees' educational level and internal control do not have significant effects on financial reporting quality. In contrast, the use of SAKTI has a positive and significant effect on financial reporting quality. These findings highlight the role of integrated financial information systems in supporting data accuracy, consistency, and accountability in public sector financial management. This study contributes to the public sector accounting literature by highlighting the importance of digital transformation in improving financial reporting quality in government institutions.

Keywords: Financial Reporting Quality, Internal Control, Government Financial Information Systems, SAKTI Application, Public Sector Accounting.

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Abstrak
Penelitian ini bertujuan untuk menganalisis pengaruh tingkat pendidikan pegawai, pengendalian internal, dan penggunaan Sistem Aplikasi Keuangan Tingkat Instansi (SAKTI) terhadap kualitas pelaporan keuangan pada lembaga sektor publik. Penelitian menggunakan pendekatan kuantitatif dengan desain *cross-sectional*. Data diperoleh melalui survei terhadap 102 pegawai yang terlibat dalam pengelolaan dan pelaporan keuangan dan dianalisis menggunakan *Structural Equation Modeling–Partial Least Squares* (SEM-PLS). Hasil penelitian menunjukkan bahwa tingkat pendidikan pegawai dan pengendalian internal tidak berpengaruh signifikan terhadap kualitas pelaporan keuangan. Sebaliknya, penggunaan SAKTI berpengaruh positif dan signifikan terhadap kualitas pelaporan keuangan. Temuan ini menunjukkan bahwa pemanfaatan sistem informasi keuangan terintegrasi berperan penting dalam mendukung akurasi, konsistensi, dan akuntabilitas pengelolaan keuangan sektor publik. Penelitian ini berkontribusi pada literatur akuntansi sektor publik dengan menegaskan pentingnya transformasi digital dalam meningkatkan kualitas pelaporan keuangan pada lembaga pemerintah.

Kata Kunci: Kualitas Pelaporan Keuangan, Pengendalian Internal, Sistem Informasi Keuangan Pemerintah, Aplikasi SAKTI, Akuntansi Sektor Publik.

1. Introduction

The quality of financial reporting is a critical component of financial management systems across countries. Financial reporting aims to provide relevant, accurate, and timely financial information to stakeholders, enabling such information to serve as a basis for economic decision-making (Abed et al., 2022). Strategic decision-makers, including investors, lenders, and regulators, rely heavily on the quality of financial reports because the information presented provides a basis for evaluating financial performance, assessing investment risks, and ensuring compliance with applicable regulations (Hsu & Yang, 2022). In the public sector, high-quality financial reporting is particularly important because financial information is not only used for organizational decision-making but also supports transparency, accountability, and public oversight.

The increasing adoption of digital technology has further transformed public sector governance and financial management. Digital transformation has become a central element of government administration and has been widely discussed as a mechanism for improving transparency, efficiency, and overall public sector performance (Gil-Garcia et al., 2018). The integration of digital technologies into government operations has also reshaped public sector governance by improving administrative efficiency, data management, and financial transparency within government institutions (Vial, 2019). Accordingly, the utilization of digital technologies in financial management has become increasingly relevant to efforts to improve the quality and reliability of financial information generated by public institutions.

As the demand for high-quality financial reporting continues to increase, governments in various countries have adopted digital technologies within their public financial management systems. In general, digital finance has acted as a catalyst for financial inclusion and has been widely regarded as a future-oriented strategy for expanding inclusive financial systems (Luo et al., 2022). In the public sector, the application of integrated digital financial systems enables governments to consolidate financial information and coordinate budgeting, expenditure, accounting, and reporting processes. For instance, the French government undertook a coordination process from 2006 to 2011 that resulted in an inter-ministerial financial information system known as Chorus. This system manages budget allocations, public expenditures, government assets, and non-tax revenues by integrating three types of accounting: general accounting, budgetary accounting, and cost accounting (Defacqz & Dupuy, 2023). Such systems illustrate the growing importance of integrated information technology in supporting government financial management and reporting.

Digital transformation in government financial management is also reflected in the implementation of various information systems, including the Integrated Financial Management Information System (IFMIS), which is designed to enhance transparency, accountability, and efficiency in public financial management (Osei-Dwomoh & Forkuo, 2025). In Indonesia, this transformation is realized through the implementation of the SAKTI (Sistem Aplikasi Keuangan Tingkat Instansi) application. Officially launched in 2022, SAKTI serves as an integrated application for ministries and government agencies in managing state finances. The system encompasses modules for administration, budgeting, commitments, payments, treasury, fixed assets, inventory, receivables, and reporting, supported by information technology and organizational resources (Zaenudin et al., 2024). SAKTI is expected to support integrated state financial management and promote governance that is orderly, effective, efficient, economical, transparent, and accountable (Wildan & Reni, 2023). Nevertheless, the implementation of digital financial systems may also encounter operational challenges. Technical problems during data entry, including slow loading times and system errors that prevent the application from responding to user commands or properly processing and storing data, have been reported in the implementation of SAKTI (Veronika et al., 2022). These conditions indicate that the availability of a digital financial system alone does not necessarily guarantee optimal financial reporting outcomes.

In addition to technological factors, the quality of financial reporting is closely associated with organizational and human resource factors. High-quality financial reporting can influence economic decisions and organizational activities because financial information is utilized by various stakeholders in the decision-making process (Biehl et al., 2024). Employees' educational attainment represents one aspect of human resource capacity that may contribute to their ability to understand accounting procedures, financial regulations, and reporting requirements. Internal control is another important organizational mechanism because effective controls can enhance transparency and timeliness in financial reporting by reducing reporting errors and improving the quality of audit processes (Khalid et al., 2026). Furthermore, the implementation of high-quality accounting information systems plays a crucial role in generating accurate and relevant financial information, thereby supporting organizational decision-making processes (Monteiro et al., 2024).

Empirical findings concerning these factors, however, have produced varying results. Maghfiroh et al. (2022) found that educational attainment had a positive effect on the quality of financial statements, whereas Ratmasari et al. (2021) reported a negative result and argued that work experience and training played a greater role in improving financial statement quality. Similar variations can be observed in studies examining internal control. Ibrahim et al. (2024) reported that internal control had a positive effect on financial statement quality, while Maulida and Tumirin (2025) found a negative effect, which was associated with the implementation of internal controls that had not yet been effective. These findings suggest that the contribution of human resource capacity and control mechanisms to financial reporting quality may depend on how such factors are implemented within public sector organizations.

Differences in empirical findings are also evident in research concerning the use of SAKTI. Rahman et al. (2023) concluded that the utilization of SAKTI had been optimal and positively contributed to supporting organizational operations. Conversely, Chandra and Salsabilla (2024) revealed that the implementation of SAKTI remained inefficient and had a negative impact on the implementation process. The varying findings highlight the importance of examining the use of digital financial systems together with organizational and human resource factors when assessing the quality of financial reporting in public institutions. In this context, the Technology Acceptance Model (TAM) provides a relevant theoretical perspective for understanding technology utilization, particularly through users' acceptance and use of digital systems (Wicaksono, 2022).

Against this background, this study examines the effect of employees' educational level, internal control, and the use of the SAKTI application on the quality of financial reports. By examining these factors simultaneously, the study seeks to provide a more comprehensive understanding of the determinants of financial reporting quality in Indonesian public sector institutions. The findings are expected to provide practical benefits for public institutions in improving financial management and producing reliable, transparent, and accountable financial statements. The results may also serve as a basis for evaluating employee competence, strengthening the effectiveness of internal control, and optimizing the use of SAKTI in public financial management.

2. Theoretical Background and Hypothesis

Human Capital Theory (HCT)

Human Capital Theory (HCT) explains how investment in education, training, knowledge, and experience can enhance individual productivity and performance (Awu et al., 2025). The theory was initially developed by Schultz (1961) and Becker (1964), who conceptualized education and training as forms of investment that increase individuals’ capabilities and productivity (Awu et al., 2025). From this perspective, employees with higher levels of education are expected to possess greater knowledge and skills that support the effective execution of their work.

In the context of financial reporting, Human Capital Theory provides a theoretical basis for explaining the role of employees’ educational level in improving the quality of financial statements. A higher level of education may enhance employees’ competence in understanding accounting principles, financial procedures, and reporting requirements, thereby supporting the preparation of higher-quality financial statements (Congna & Saad, 2025). This argument is consistent with the findings of Maghfiroh et al. (2022), which indicate that educational level has a positive effect on the quality of financial statements.

Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) is one of the widely used theoretical frameworks for explaining individual acceptance and use of information technology. Introduced by Davis in 1989, TAM proposes that technology use is primarily influenced by perceived ease of use and perceived usefulness, which subsequently shape an individual's attitude and intention to use the technology (Wicaksono, 2022). The model suggests that individuals are more likely to use a technology when they perceive that the system is easy to operate and provides benefits for their work.

In the context of the SAKTI application, users’ perceptions of the system’s usefulness and ease of use may influence their willingness to utilize the application in performing financial management and reporting activities. A system that is easy to use and provides clear benefits can improve work efficiency and support the production of higher-quality financial information (Sari & Abdullah, 2023). Furthermore, TAM encompasses several key constructs, namely perceived ease of use, perceived usefulness, attitude toward using, behavioral intention to use, and actual system use, which collectively explain the process of technology acceptance and utilization by individuals (Natasia et al., 2021).

Employees' Educational Level and the Quality of Financial Reporting

According to Human Capital Theory, educational attainment represents an investment in human capital that can enhance individuals' knowledge, skills, and productivity (Awu et al., 2025). In financial management, employees with higher educational attainment may have a greater capacity to understand accounting principles, financial procedures, and reporting requirements. Such competencies can support the accurate processing and presentation of financial information and consequently contribute to the quality of financial statements (Monteiro et al., 2024).

Empirical evidence also indicates a relationship between educational level and financial reporting quality. Maghfiroh et al. (2022) found that educational level has a positive effect on the quality of financial statements. However, Ratmasari et al. (2021) found that educational level does not necessarily improve the quality of financial statements, as work experience also plays an important role in developing employees' ability to perform financial reporting tasks. These findings indicate that educational attainment represents an important component of employee competence in financial reporting, particularly when supported by other forms of human capital. Based on Human Capital Theory and the findings of previous studies, the first hypothesis is formulated as follows:

H1: Employees' educational level has an effect on the quality of financial reporting.

Internal Control and Financial Reporting Quality

The COSO Internal Control Framework defines internal control as a process designed to provide reasonable assurance regarding the achievement of organizational objectives, including operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable regulations. Within financial management, an effective internal control system provides mechanisms for authorization, transaction recording, segregation of duties, monitoring, and evaluation. These mechanisms can reduce the likelihood of errors and irregularities and support the reliability of financial information.

Effective internal control can therefore contribute to the quality of financial reporting by ensuring that financial transactions are appropriately authorized, accurately recorded, and continuously monitored. A well-functioning control system also facilitates the identification and correction of errors, thereby improving the reliability of financial information. This relationship is supported by Hadi et al. (2025) and Nageri (2025), who found that internal control has a positive effect on the quality of financial statements because it minimizes errors and improves the reliability of financial information.

However, the effectiveness of internal control depends on its implementation within the organization. Maulida and Tumirin (2025) found that internal control does not always improve the quality of financial statements when the control system is not implemented effectively. Thus, the existence of internal control procedures needs to be accompanied by consistent implementation and monitoring to support reliable financial reporting. Based on the conceptual framework and findings of previous studies, the second hypothesis is formulated as follows:

H2: Internal control has an effect on the quality of financial reporting.

Government Financial Information Systems and Financial Reporting Quality

According to the Technology Acceptance Model (TAM), the acceptance and utilization of technology are influenced by users' perceptions of its usefulness and ease of use (Schorr, 2023). When users perceive an information system as useful and easy to operate, they are more likely to utilize the system in performing their work. In the context of public sector financial management, the effective use of government financial information systems can facilitate the integration of financial management processes, improve data accuracy, and enhance organizational efficiency.

The implementation of financial information systems can support the production of reliable, relevant, and timely financial information by facilitating data processing and integration across financial management activities (Monteiro et al., 2024; Roztocki et al., 2025). In government institutions, these capabilities are particularly relevant because financial reporting involves various interconnected processes, including budgeting, expenditure management, asset management, and reporting. An integrated financial information system can therefore facilitate the consistency and accuracy of financial data used in the reporting process.

Empirical evidence supports the role of financial information systems in improving financial reporting quality. Monteiro et al. (2024) and Roztocki et al. (2025) found that the use of financial information systems has a positive effect on the quality of financial reporting by improving data accuracy, transparency, and the reliability of financial information. Nevertheless, the successful implementation of an information system is also influenced by users' perceptions of its usefulness and ease of use (Schorr, 2023). This indicates that the availability of a financial information system does not necessarily result in improved financial reporting quality when the system is not utilized effectively by its users. Based on TAM and the findings of previous studies, the third hypothesis is formulated as follows:

H3: The use of the SAKTI application has an effect on the quality of financial reporting.

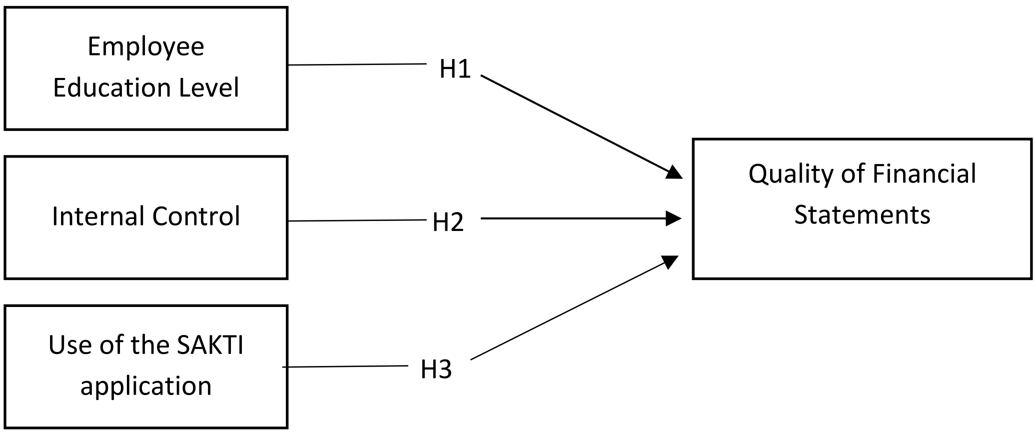

Figure 1. Conceptual framework

3. Method

This study employs a quantitative approach with a cross-sectional research design to examine the effects of employees' educational level, internal control, and the use of the SAKTI application on the quality of financial reporting. A quantitative approach was selected because the study aims to empirically examine the relationships among the variables using statistical analysis. The data were collected through a structured questionnaire distributed to employees involved in financial management and financial reporting processes at a public sector institution in Jakarta.

Sample and Procedure

The population of this study consists of employees at a public sector institution in Indonesia who are involved in financial management and reporting activities. The study applies a cross-sectional design, in which data are collected from respondents at a specific period to examine the relationships among the research variables (Wang & Cheng, 2020).

A non-probability sampling technique was employed, with respondents selected based on predetermined inclusion and exclusion criteria relevant to the objectives of the study (Ahmed, 2024). The respondents were employees of a government agency who use the SAKTI application and are directly involved in financial management or financial reporting activities. The inclusion and exclusion criteria were established to ensure that the respondents had sufficient experience and direct involvement with the financial management processes examined in this study.

Based on the specified criteria, 102 valid questionnaires were obtained and used in the analysis. Respondents who did not meet the inclusion criteria, did not use the SAKTI application in their financial duties, or submitted incomplete or invalid questionnaires were excluded from the analysis. The study was conducted at a single public sector institution because of accessibility and resource constraints. Therefore, the findings should be interpreted within the context of the institution studied, and caution is required when generalizing the results to other public sector institutions.

Table 1. Criteria for Questionnaire Respondents

Inclusion Criteria	Exclusion Criteria
Employees who are directly involved in the preparation, management, or reporting of financial data using the SAKTI application.	Employees who are on leave, undertaking study assignments, or undergoing job rotation during the research period.
Employees who use the SAKTI application in performing their financial duties.	Employees who do not complete the questionnaire or provide invalid responses.
Employees who have a minimum formal education level of Diploma I.	Employees who do not use the SAKTI application in their financial duties.
Employees who are willing to complete the questionnaire fully and in accordance with the provided instructions.	

Source: Developed by the authors based

Measurement

The study consists of one dependent variable, namely the quality of financial reporting, and three independent variables, namely employees' educational level, internal control, and the use of the SAKTI application. All constructs were measured using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree.

The measurement items were adapted from previous studies and adjusted to the context of public sector financial management and the use of the SAKTI application. Employees' educational level was measured using indicators related to understanding regulations and work procedures, analytical skills, attention to detail, responsibility for work, critical thinking skills, and the alignment between educational background and employment (Junita et al., 2022).

Internal control was measured based on five dimensions, namely the control environment, risk assessment, control activities, information and communication, and monitoring activities (Kartika & Ningsih, 2024). These dimensions represent the main components of an internal control system relevant to organizational financial management.

The use of the SAKTI application was measured through indicators covering work completion efficiency, ease of record-keeping and reporting, reduction of manual processes, transaction transparency, accessibility of information, and prevention of reporting errors (Munawarah & Setiawan, 2024). These indicators reflect the extent to which the SAKTI application is utilized to facilitate financial management and reporting activities.

The quality of financial reporting was measured using four qualitative characteristics of financial information, namely relevance, reliability, comparability, and understandability (Ode Sumail et al., 2024). The complete measurement instruments used in the study are presented in Table 2.

Table 2. Questionnaire Instruments

Variable	Measurement Items/Indicators	Reference
Employees' Educational Level	Understanding of regulations and work procedures; analytical skills; attention to detail at work; responsibility for work; critical thinking skills; alignment of education with employment	Junita et al. (2022)
Internal Control	Control environment; risk assessment; control activities; information and communication; monitoring activities	Kartika & Ningsih (2024)
Use of the SAKTI Application	Work completion efficiency; ease of record-keeping and reporting; reduction of manual processes; transaction transparency; accessibility of information; prevention of reporting errors	Munawarah & Setiawan (2024)
Quality of Financial Reporting	Relevance; reliability; comparability; understandability	Ode Sumail et al. (2024)

Source: Adapted from Junita et al. (2022); Kartika and Ningsih (2024); Munawarah and Setiawan (2024); and Ode Sumail et al. (2024).

Technique of Analysis

The data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS version 4. SEM-PLS was selected because it is appropriate for predictive analysis and does not require strict assumptions regarding data distribution (Hair & Alamer, 2022). The analysis was conducted in two main stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model).

The measurement model was evaluated to assess the validity and reliability of the constructs. Convergent validity was assessed by examining outer loadings and Average Variance Extracted (AVE), while discriminant validity was evaluated to determine whether each construct was sufficiently distinct from the other constructs. Internal consistency reliability was assessed using Cronbach's alpha and composite reliability.

The structural model was subsequently evaluated to examine the relationships among the constructs and test the proposed hypotheses. The analysis included assessment of the coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). The significance of the hypothesized relationships was assessed using the bootstrapping procedure in SmartPLS. The hypotheses were evaluated based on the path coefficients, t-statistics, and p-values generated from the structural model analysis.

4. Results and Discussion

Measurement Model Assessment

The measurement model was evaluated to assess the reliability and validity of the constructs before testing the structural relationships. Since all constructs were specified as reflective constructs, the assessment focused on indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. Indicator reliability was assessed using outer loadings, while internal consistency was examined using Cronbach's alpha (CA) and composite reliability (CR). Convergent validity was assessed using the average variance extracted (AVE), and discriminant validity was evaluated using the heterotrait-monotrait ratio (HTMT).

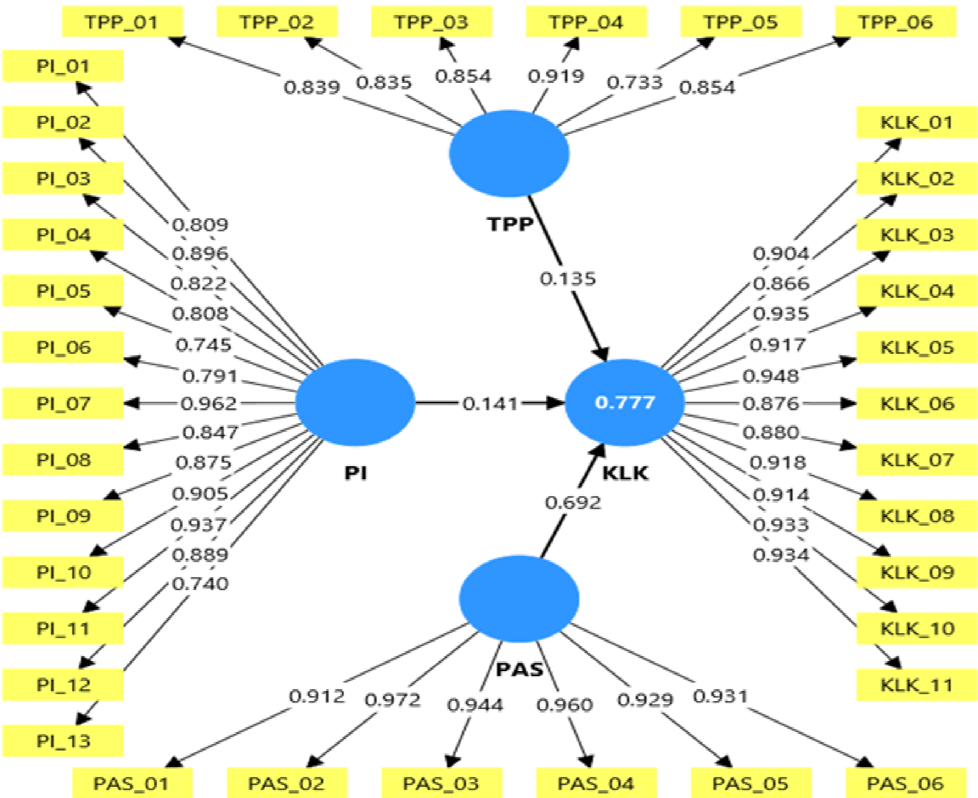

Figure 2. Complete Path Model Diagram

The results of the measurement model assessment are presented in Table 3. All indicators obtained outer loadings above the recommended threshold of 0.70, with values ranging from 0.73 to 0.96. These results indicate that the indicators adequately represent their respective constructs (Hair et al., 2019).

The Cronbach's alpha values ranged from 0.91 to 0.98, while composite reliability values ranged from 0.93 to 0.98. All values exceeded the recommended threshold of 0.70, indicating satisfactory internal consistency reliability (Hair et al., 2019). The AVE values ranged from 0.707 to 0.886, exceeding the minimum criterion of 0.50 and therefore indicating adequate convergent validity (Hair et al., 2019).

Discriminant validity was assessed using the HTMT criterion. The HTMT values ranged from 0.54 to 0.87 and remained below the conservative threshold of 0.90, indicating that the constructs were empirically distinct from one another (Henseler et al., 2015). Overall, the measurement model satisfied the required reliability and validity criteria and was therefore considered suitable for subsequent structural model evaluation.

Table 3. Measurement Model Assessment

Construct	Outer Loading	CA	CR	AVE	HTMT Range
Quality of Financial Reporting (QFR)	0.86–0.94	0.98	0.98	0.830	—
Use of SAKTI Application (USA)	0.86–0.94	0.97	0.97	0.886	0.87
Internal Control (IC)	0.74–0.96	0.96	0.97	0.724	0.68–0.72
Employees' Educational Level (EDL)	0.73–0.91	0.91	0.93	0.707	0.54–0.85

Source: Processed by the authors (2026).
Notes: CA = Cronbach's Alpha; CR = Composite Reliability; AVE = Average Variance Extracted; HTMT = Heterotrait-Monotrait Ratio.

Structural Model and Hypothesis Testing

After the measurement model met the required reliability and validity criteria, the structural model was evaluated to examine the hypothesized relationships among employees' educational level, internal control, use of the SAKTI application, and financial reporting quality. The assessment focused on path coefficients (β), standard deviations (SD), t-statistics, p-values, and the coefficient of determination (R^2).

As presented in Table 4, the use of the SAKTI application had a positive and statistically significant effect on the quality of financial reporting ($\beta = 0.69$; $t = 6.20$; $p < 0.001$). This result indicates that greater utilization of the SAKTI application is associated with higher financial reporting quality. Therefore, H3 was supported.

In contrast, employees' educational level did not have a statistically significant effect on financial reporting quality ($\beta = 0.13$; $t = 1.58$; $p = 0.11$). Thus, H1 was not supported. Similarly, internal control did not have a statistically significant effect on financial reporting quality ($\beta = 0.14$; $t = 1.02$; $p = 0.30$), resulting in H2 not being supported.

The R^2 value for financial reporting quality was 0.77, indicating that employees' educational level, internal control, and use of the SAKTI application jointly explained 77% of the variance in financial reporting quality. The remaining 23% was explained by other factors not included in the research model.

Table 4. Structural Model and Hypothesis Testing

Hypothesis	Relationship	β	SD	t-value	p-value	Decision
H1	EDL → QFR	0.13	0.08	1.58	0.11	Not supported
H2	IC → QFR	0.14	0.13	1.02	0.30	Not supported
H3	USA → QFR	0.69	0.11	6.20	< 0.001	Supported
R^2 (QFR) = 0.77						

Source: Processed by the authors (2026).
Notes: β = path coefficient; SD = standard deviation; EDL = Employees' Educational Level; IC = Internal Control; USA = Use of SAKTI Application; QFR = Quality of Financial Reporting.

Discussion

The results of this study indicate that employees' educational level and internal control do not have significant effects on the quality of financial reporting, whereas the use of the SAKTI application has a positive and significant effect. These findings indicate that the factors examined do not contribute equally to financial reporting quality in the public sector. In the context of government financial management, the quality of financial reporting appears to be influenced not only by individual human resource characteristics and organizational control mechanisms but also by the extent to which integrated information technology is effectively utilized in financial management processes.

The first hypothesis examined the effect of employees' educational level on the quality of financial reporting. The results show that employees' educational level does not have a significant effect on financial reporting quality. This finding suggests that formal educational attainment is not necessarily the primary factor determining the quality of financial information produced by public sector organizations. In government institutions, financial reporting activities generally follow standardized procedures and accounting regulations and are supported by integrated financial information systems. Such standardized processes may reduce the extent to which financial reporting quality depends directly on employees' formal educational backgrounds. Employees are required to follow established procedures and operate systems that structure various stages of financial management and reporting.

The finding can also be understood from the role of practical competence in financial reporting activities. The quality of financial reporting may be influenced by employees' work experience, technical training, and understanding of the financial management systems used by the organization. Employees with sufficient practical experience and technical skills may be better able to operate financial information systems and comply with applicable reporting procedures. Consequently, competencies developed through work experience and training may contribute more directly to reporting quality than formal educational attainment alone. This finding is consistent with Biehl et al. (2024), who demonstrate that the development of professional competencies and technical skills has a stronger influence on financial reporting quality than formal educational background.

The insignificant effect of educational level further indicates that a higher level of formal education does not automatically guarantee higher financial reporting quality. Adequate technical accounting knowledge and practical experience remain important, particularly in the governmental context, where employees are required to implement standardized financial procedures and operate specific financial management systems. Without continuous work practice and effective supervision, the contribution of formal education to financial reporting quality may be limited. This result is in line with Erawati and Setyaningrum (2021) and Anggreni et al. (2024), who concluded that educational level is not a primary determinant of financial report quality. Financial reporting quality may also depend on employees' accounting understanding (Yulianingsih et al., 2021), human resource competence (Binawati & Nidyaningsih, 2022), and the quality of the accounting and reporting system (Purba & Purba, 2023). Thus, the findings provide a more nuanced interpretation of Human Capital Theory by indicating that human capital relevant to financial reporting extends beyond formal educational attainment and includes practical knowledge and technical competencies.

The second hypothesis examined the effect of internal control on the quality of financial reporting. The results show that internal control does not have a significant effect on financial reporting quality. This finding indicates that the existence of internal control mechanisms does not necessarily translate directly into improvements in the quality of financial information. In public sector organizations, internal control may function primarily as a mechanism for ensuring compliance with government regulations and administrative procedures. Although internal control is designed to promote accountability and transparency in financial management, its contribution to reporting quality depends substantially on the effectiveness of its implementation and oversight.

The implementation of internal control may have a limited effect when control activities are conducted primarily to fulfill administrative requirements rather than to identify and address risks in financial reporting processes. Effective internal control requires consistent supervision, organizational commitment, and the appropriate implementation of control mechanisms. In addition, the integration of internal control with the financial information systems used by the organization may strengthen its contribution to reporting quality. When internal control is implemented only as a procedural requirement without adequate monitoring and follow-up, its ability to prevent errors and improve the reliability of financial information may be constrained. This finding is consistent with Zheng and Han (2025), who indicate that internal control does not always have a direct effect on financial reporting quality when its implementation has not been carried out optimally.

The result is also consistent with Gustina and Afrida (2021) and Hamruna et al. (2022), who found that internal control does not necessarily have a positive effect on financial report quality and may even have a negative relationship when its implementation is ineffective or not aligned with organizational needs. These findings indicate that the presence of internal control procedures alone is insufficient to ensure high-quality financial reporting. Other factors, including employees' accounting understanding (Yulianingsih et al., 2021), human resource competence (Binawati & Nidyaningsih, 2022), and the quality of accounting and reporting systems (Purba & Purba, 2023), may also contribute to the effectiveness of financial reporting processes. Therefore, the findings suggest that internal control needs to function as an active managerial mechanism rather than merely as a set of administrative procedures.

The third hypothesis examined the effect of the use of the SAKTI application on financial reporting quality. In contrast to the first two hypotheses, the results demonstrate that the use of the SAKTI application has a positive and significant effect on the quality of financial reporting. This finding indicates that greater utilization of an integrated government financial information system is associated with better financial reporting quality. The result highlights the importance of technology in supporting the management of financial data and the preparation of government financial reports. Through an integrated system, financial data can be processed more efficiently, manual recording can be reduced, and consistency in the financial information generated by different financial management activities can be improved.

The positive relationship between SAKTI utilization and financial reporting quality can be attributed to the system's capacity to integrate financial management processes. The integration of financial data within a unified system facilitates the processing, recording, and reporting of financial transactions and may reduce the possibility of errors associated with manual procedures. It can also support faster access to financial information and facilitate greater transparency in the reporting process. These capabilities are particularly relevant to public sector organizations because reliable financial information is required not only for internal decision-making but also for accountability and monitoring by authorized parties. The findings are consistent with Monteiro et al. (2024), who argue that the quality of accounting information systems positively influences financial reporting quality and organizational performance. The result is also supported by Eom and Lee (2022), who demonstrate that digital transformation in the public sector can enhance administrative efficiency and strengthen information management within government organizations.

From the perspective of the Technology Acceptance Model (TAM), the significant effect of SAKTI utilization provides support for the importance of users' acceptance and actual use of financial information technology. TAM explains that technology adoption is influenced by perceived usefulness and perceived ease of use. When users perceive an information system as useful and easy to operate, they are more likely to use the system in performing their work. In the context of SAKTI, employees who perceive the application as useful for financial management and reporting activities are more likely to utilize its functions effectively. Greater utilization can subsequently improve work efficiency and support the preparation of more accurate and consistent financial reports.

The finding is further supported by Afronisa and Erawati (2024), Hanifa and Jati (2022), and Punarto and Irawan (2024), who concluded that the utilization of integrated accounting information systems, particularly the SAKTI application, has a positive effect on the quality of government financial reports. These findings reinforce the role of SAKTI beyond its function as a financial administration tool. Its integration of financial management processes enables technology to become part of the organizational mechanism for improving the accuracy, consistency, efficiency, and transparency of financial reporting. Accordingly, the significant relationship identified in this study suggests that effective digital system utilization can make a more direct contribution to financial reporting quality than formal educational attainment or the mere existence of internal control procedures.

The findings indicate that technological capability has a more prominent role in explaining financial reporting quality in the context examined than formal education and procedural control mechanisms. This result does not imply that employee competence and internal control are unimportant; rather, their contribution may depend on how effectively they are translated into daily financial management practices and integrated with the systems used by the organization. Digital transformation in public financial management can therefore support not only administrative efficiency but also transparency, accountability, and the reliability of financial information produced by public sector organizations. The findings reinforce the importance of combining competent human resources, effective control practices, and optimal utilization of integrated financial information systems to support sustainable improvements in public sector financial reporting quality.

5. Conclusion

This study finds that employees' educational level and internal control do not have significant effects on financial reporting quality, whereas the use of the SAKTI application has a positive and significant effect. These findings indicate that formal education and the existence of internal control procedures alone are not sufficient to improve financial reporting quality. In contrast, effective utilization of an integrated financial information system can support more efficient data processing, reduce errors, and improve the reliability of financial reporting. Therefore, public sector institutions should optimize the use of SAKTI while strengthening employees' technical competencies and the effectiveness of internal control.

Limitations and Suggestions

This study has several limitations. First, it was conducted at a single public sector institution, which limits the generalizability of the findings. Future research should involve a broader range of government institutions to strengthen the external validity of the results. Second, the cross-sectional design captures conditions at a single point in time and may not fully reflect changes in financial reporting practices over time. Third, the use of perception-based questionnaires may introduce subjective bias in respondents' responses.

Despite these limitations, this study contributes to understanding the role of integrated financial information systems in improving financial reporting quality in the public sector. Future studies may incorporate additional factors, such as organizational culture, leadership support, and technological readiness, to provide a more comprehensive understanding of the determinants of financial reporting quality.

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