Determinants of Financial Reporting Quality in Local Government Agencies: Evidence from Post-WTP Langsa City, Indonesia

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Abstract— **This study analyzes determinants from financial reporting information quality in Regional Government Organizations (OPD) of Langsa City, Indonesia. Despite consistently obtaining an Unqualified Opinion (WTP) from Audit Board of Indonesia, audit findings still reveal weaknesses in internal control and revenue management, indicating a gap between audit opinions and actual reporting quality at the operational level. This study detects this breach by examining the effects from human resource competence, internal control systems, and transparency. Utilizing a quantitative approach, data were accumulated from 72 financial officers across 36 OPDs and assessed utilizing multiple linear regression. The outcomes stipulate that human resource competence is the most influential determinant, while transparency shows a positive but marginal effect. Internal control systems exhibit a statistically significant yet very weak contribution. Simultaneously, all variables significantly affect financial reporting quality, although the explanatory power from model remains limited. The novelty from this study sits in demonstrating that WTP status does not necessarily reflect strong operational-level financial reporting quality. Policy implications emphasize improving accounting competencies, strengthening effective internal control implementation, and enhancing transparency to support more accountable local government financial reporting.**

Keywords*: Financial Reporting Quality, Human Resource Competence, Internal Control System, Local Government, Transparency

1. INTRODUCTION

High-quality financial reporting is a fundamental requirement for public sector accountability and transparency, as it provides essential information for stakeholders in evaluating government performance and fiscal management. In Indonesia, Local Government Financial Reports (Laporan Keuangan Pemerintah Daerah/LKPD) serve as formal instrument by assessing the quality of regional financial management, particularly past audit opinions issued by the Audit Board of Indonesia (Badan Pemeriksa Keuangan/BPK). Since the realization of regional autonomy, all local governments at provincial and district/city levels have been mandated to prepare annual financial statements as a shape of responsibility for budget utilization within a fiscal year [1]. This obligation contemplates the government's vision to translurentncy and responsibility from public financial management.

Government financial reporting in Indonesia must obey Government Accounting Standards (Standar Akuntansi Pemerintahan/SAP) as governed under Government

Regulation No. 71 of 2010, later updated by Government Regulation No. 12 of 2019. These standards require financial information to meet qualitative characteristics of relevance, reliability, comparability, and understandability. Compliance with SAP is intended to ensure that financial information accurately represents government financial conditions and supports informed decision-making by stakeholders.

Nevertheless, empirical evidence indicates that formal compliance with accounting standards and favorable audit opinions do not necessarily guarantee high-quality financial reporting in practice. Audit reports issued by BPK continue to identify weaknesses in internal control systems, irregularities in revenue management, and non-compliance with financial regulations across many local governments [2]. These findings suggest that financial reporting quality may still be shaped by internal organizational conditions and human factors at the operational level of government agencies (Organisasi Perangkat Daerah/OPD).

This phenomenon is evident in Langsa City. Despite consistently achieving Unqualified Opinions (Wajar Tanpa Pengecualian/WTP) for eleven consecutive years, audit findings reveal recurring weaknesses in financial management. The 2022 BPK report documented deficiencies in internal control implementation, irregularities in local revenue management, and overpayments in several departments, including environmental impact assessment (AMDAL) activities and infrastructure projects [3]. These findings highlight a contradiction between formal audit outcomes and actual financial management practices.

Concerns regarding financial reporting quality are further reinforced by the volatility of Local Own-Source Revenue (Pendapatan Asli Daerah/PAD) realization in Langsa City. PAD is a key indicator of fiscal independence and a major source of local development funding. However, data from the city's public information portal show significant fluctuations in PAD realization over recent years, as presented in Table 1.

Table 1. Langsa City PAD Realization, 2015–2022 (in billion rupiah)

Year	PAD Realization (Rp)
2015	± Rp 109.12 billion
2016	± Rp 10.86 billion
2017	± Rp 13.29 billion
2018	± Rp 121.36 billion
2019	± Rp 115.24 billion
2020	± Rp 126.28 billion
2021	± Rp 19.39 billion
2022	± Rp 22.49 billion

Source: Langsa City's public information

These drastic fluctuations raise concerns regarding the consistency, reliability, and accuracy of financial reporting. Such volatility may reflect weaknesses in revenue administration, accounting practices, or internal control mechanisms. Given the strategic role of PAD in supporting fiscal policy and development planning, unreliable PAD information may impair evidence-based decision-making at the local government level [4], [5], [6], [7], [8].

Despite the persistence of these empirical problems, existing studies have not sufficiently explained why weaknesses in financial reporting quality continue to occur in local governments that consistently obtain WTP opinions. Previous research has examined various determinants of financial reporting quality, including human resource competence, internal control systems, transparency, and information technology utilization [9]. While these studies generally report positive relationships, most focus on explaining audit opinions or overall compliance with accounting standards. Limited attention has been given to understanding financial reporting quality beyond audit

outcomes, particularly at the OPD level and within medium-sized cities such as Langsa [10], [11].

This condition indicates a clear research gap. There remains a lack of empirical evidence that explicitly examines how human resource competence, internal control systems, and transparency individually and conjointly govern quality of financial reporting information from operational degree of local government agencies, especially in contexts where audit opinions already indicate favorable results [12]. Addressing this gap is scientifically urgent, as reliable and transparent financial information is essential for strengthening public trust, improving fiscal governance, and supporting effective policy formulation [13].

Therefore, this study aims for assessing the impact from human resource competence, internal control systems, also transparency to quality of financial reporting information in Regional Government Organizations (OPD) of Langsa City. Specifically, this research examines the partial and simultaneous effects of these factors on financial reporting quality. The findings are expected to contribute to public sector accounting literature by clarifying the determinants of financial information quality beyond audit opinions and to provide practical insights for improving financial reporting practices and accountability in local governments.

2. THEORETICAL REVIEW

2.1 Good Governance Theory as the Overarching Framework

Good governance theory provides a comprehensive framework for understanding how internal governance practices shape public sector performance, particularly in financial reporting. Rather than viewing financial reporting quality solely as a technical or regulatory outcome, good governance theory conceptualizes it as the result of how public organizations manage authority, resources, and accountability in practice. According to the United Nations Development Programme, good governance foregrounds accountability, transparency, effectiveness, and law' rule in the management of public affairs [14].

In this study, good governance theory is explicitly positioned as the umbrella theory that integrates human resource competence, internal control systems, and transparency as interrelated governance pillars. Financial reporting quality is therefore understood not merely as compliance with accounting standards or audit requirements, but as an outcome of internal governance practices operating at the organizational (OPD) level, where financial transactions are recorded, controlled, and disclosed. This level of analysis distinguishes the present study from prior research that primarily focuses on consolidated LKPD outcomes or audit opinions.

Importantly, good governance theory also recognizes that governance mechanisms may function unevenly in practice. Formal structures may exist without substantive implementation, leading to gaps between expected and actual outcomes. This perspective allows the study to interpret weak or marginal empirical effects not as methodological limitations, but as evidence of governance practices that are symbolic or compliance-oriented rather than operationally effective [15].

2.2 Quality of Financial Reporting Information at the OPD Level

Financial reporting information quality refers to the degree to which financial information is useful, reliable, and credible for decision-making and accountability purposes. While Government Accounting Standards define qualitative characteristics such as relevance, reliability, comparability, and understandability [16], this study shifts the analytical focus from regulatory definitions to how these qualities are produced in practice at the OPD level.

At the operational level, financial reporting quality depends on daily behaviors of public sector actors, including how transactions are recorded, how controls are

exercised, and how information is disclosed. By focusing on OPDs rather than aggregated LKPD outcomes, this study conceptualizes financial reporting quality as a process-based outcome shaped by internal governance conditions, rather than as a static result captured solely by audit opinions.

2.3 Human Resource Competence as a Capacity Pillar (X_1)

Within the good governance framework, human resource competence represents capacity pillar from governance. Competent financial personnel possess the technical knowledge, experience, and professional judgment necessary to apply accounting standards correctly and consistently. From an analytical perspective, competence affects financial reporting quality through behavioral mechanisms: accurate transaction recognition, appropriate classification, timely reporting, and professional discretion in complex accounting situations [17].

However, governance theory also suggests that competence alone may not guarantee high-quality reporting if institutional incentives, supervision, or controls are weak. In OPD contexts, competent personnel may still operate within constrained systems or prioritize administrative compliance over information quality. Therefore, human resource competence is expected to positively influence financial reporting quality, while acknowledging that its effect may be moderated by other governance mechanisms.

Based on this reasoning, human resource competence was expected on owning a positive impact to the quality of financial reporting information (H1).

2.4 Internal Control Systems as Accountability Mechanisms (X_2)

Internal control systems function as formal mechanisms of accountability and compliance within public organizations. Drawing on the COSO framework, internal controls are designed to ensure reliable financial reporting, safeguard assets, and enforce adherence to regulations [8]. Analytically, internal controls influence financial reporting quality by structuring routines, checks, and supervision that constrain opportunistic behavior and reduce errors.

Nevertheless, institutional theory highlights the possibility of formal compliance without substantive effectiveness. Internal controls may exist on paper to satisfy regulatory or audit expectations, while their actual enforcement remains weak. In such cases, internal controls contribute minimally to improving information quality despite being formally present. This perspective is particularly relevant in post-WTP contexts, where audit opinions may incentivize procedural compliance rather than operational rigor.

Accordingly, internal control systems are expected to positively influence financial reporting quality, while allowing for the possibility of weak empirical effects due to implementation gaps.

Based on this reasoning, internal control systems are expected to own a positive influence on the quality of financial reporting information (H2).

2.5 Transparency as Openness and Trust-Building (X_3)

Transparency reflects the openness of financial information and the accessibility of disclosures to stakeholders. Within good governance theory, transparency functions as a mechanism for reducing information asymmetry and strengthening public trust. From an agency perspective, transparency can limit opportunistic behavior by increasing external scrutiny and reputational accountability [10].

However, transparency may also take a symbolic form, where information is disclosed formally but lacks clarity, completeness, or usability. In such cases, transparency exists procedurally but does not substantially improve information quality. This distinction between symbolic and substantive transparency is critical for

interpreting marginal empirical effects, particularly at the OPD level where disclosure practices may prioritize form over substance.

Thus, transparency is theoretically expected to enhance financial reporting quality, while recognizing that its effectiveness depends on the quality of underlying data and governance practices.

Based on this reasoning, transparency is expected to bring a positive effect to quality of financial reporting information (H3).

2.6 Integrated Governance Effects and Hypotheses Development (H4)

Good governance theory emphasizes that governance outcomes emerge from the interaction of multiple internal mechanisms, rather than from isolated factors. Human resource competence provides capacity, internal control systems enforce accountability and compliance, and transparency promotes openness and trust. These mechanisms are mutually reinforcing, but weaknesses in one may reduce the effectiveness of others.

At the OPD level, financial reporting quality is therefore conceptualized as the cumulative result of internal governance practices rather than as a direct reflection of audit outcomes. This integrated perspective explains why favorable audit opinions (WTP) may coexist with operational weaknesses in reporting quality.

Based on this theoretical reasoning, human resource competence, internal control systems, and transparency are expected to simultaneously bring a positive impact to the quality from financial reporting information (H4).

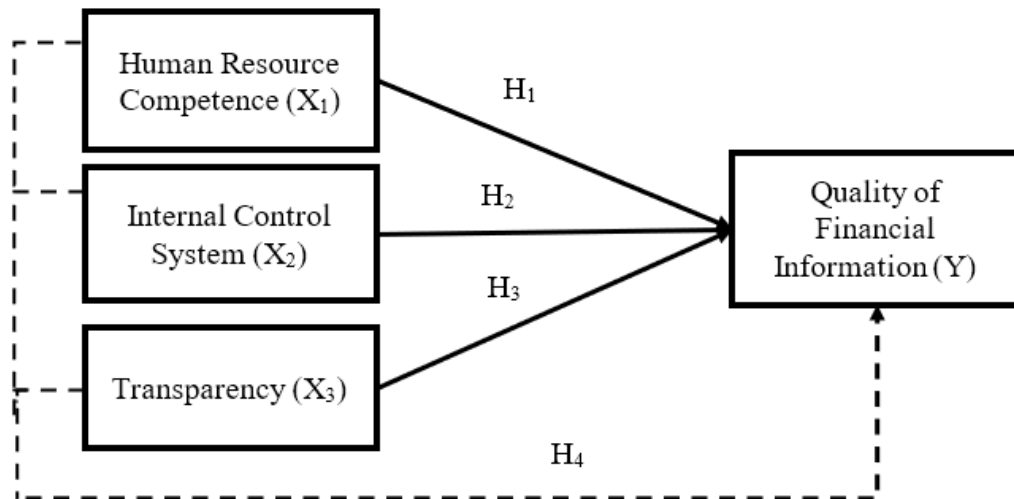### 2.7 Conceptual Framework

Figure 1. Conceptual framework

Derived from good governance theory and prior empirical studies, this research proposes a conceptual framework in which human resource competence, internal control systems, and transparency influence quality of financial reporting information. These factors represent key internal governance mechanisms within local government agencies.

Individually, competent human resources ensure technical accuracy, internal control systems provide assurance and compliance, and transparency enhances openness and credibility. Collectively, these factors strengthen the overall quality of financial information produced by public sector organizations. Therefore, this study formulates the following hypotheses:

H1: Human resource competence positively influences the quality of financial reporting information.

H2: Internal control systems positively influence the quality of financial reporting information.

H3: Transparency positively influences the quality of financial reporting information.

H4: Human resource competence, internal control systems, and transparency simultaneously have a positive influence on the quality of financial reporting information.

3. METHOD

This study bring a goal to assess the impact from human resource competence, internal control systems (SPI), also transparency toward quality of financial reporting information on Regional Government Organizations (Organisasi Perangkat Daerah/OPD) of Langsa City. The research was executed in Langsa City from April to June 2025 utilizing a quantitative explanatory research approach. Primary data were accumulated by structured, closed-ended questionnaires designed to capture respondents' perceptions of internal governance practices linked to financial reporting.

The population of this study comprises all OPDs in Langsa City. The sample consists of 36 OPDs with a total of 72 respondents picked utilizing purposive sampling. The respondents include heads of finance sub-sections and treasurers. These positions were deliberately chosen because they are directly responsible for budget execution, transaction recording, internal control implementation, also the preparation of financial reports at the OPD level. As key actors in daily financial management processes, these respondents are considered to have the most relevant knowledge and practical experience for appraising the quality from financial reporting information even from its internal determinants.

The research instrument was developed based on established concepts in public sector accounting and good governance literature. Whole variables were calculated utilizing a Likert scale scaling from 1 (strongly disagree) until 5 (strongly agree). Human resource competence was measured through indicators reflecting educational background, training in government accounting, work experience, and understanding of Government Accounting Standards. Internal control systems were measured derived from the perceived effectiveness from 5 COSO stages: control environment, risk assessment, control activities, information & communication, also monitoring. Transparency was measured through indicators related to accessibility, clarity, completeness, also timeliness of financial information disclosure. The quality of financial reporting information was measured based on the extent to which financial reports meet the qualitative characteristics of relevance, reliability, comparability, and understandability.

Data analysis was conducted using descriptive statistical analysis and multiple linear regression analysis. Prior to hypothesis testing, the data were subjected to validity and reliability tests, also classical assumption tests, involving normality, multicollinearity, also heteroscedasticity tests. Hypotheses were tested utilizing t-test toward partial effects along with F-test toward simultaneous effects at a significance level of 5%. This study utilized the regression model as composed below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where Y stands for the quality from financial reporting information, X_1 represents human resource competence, X_2 represents internal control systems, X_3 represents transparency, and ε represents the error term. The coefficient from determination (R^2) was used to calculate explanatory power from independent variables toward dependent variable.

This study own some methodological limitations that must be admitted from the outset. First, the usage of self-reported questionnaire data might be liable to respondent bias, including social desirability bias. Second, the study focuses exclusively on OPDs in Langsa City, which mght restrict the applicability of the outcomes to other regions with different institutional characteristics. Third, the cross-sectional research design

apprehends perspectives on a single point of time and does not permit for causal inference or dynamic analysis of governance practices over time. Despite these limitations, the chosen method is considered appropriate for exploring operational-level determinants from financial reporting information quality on the post-WTP context.

4. RESULTS AND DISCUSSIONS

4.1 Results

4.1.1 Descriptive Statistical Analysis Test

Descriptive statistical analysis is executed to describe the characteristics from the research variables, including human resource competence, internal control systems, transparency, and quality of financial reporting information.

Table 2. Descriptive Statistical Analysis Test

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Human Resource Competence	72	72,00	84,00	75,8333	4,05247
Internal Control System	72	56,00	70,00	65,5417	3,74518
Transparency	72	21,00	28,00	25,6667	1,76028
Quality of Financial Information	72	44,00	56,00	51,7639	3,08332
Valid N (listwise)	72				

Source: SPSS 25 (2025)

Derived from the descriptive statistics, the mean values of whole variables indicate that human resource competence, internal control systems, transparency, and quality of financial reporting information in OPDs of Langsa City are generally perceived to be at a good level. This suggests that, from the respondents' perspective, basic financial management practices have been implemented adequately, although improvements are still required to enhance overall reporting quality.

4.1.2 Validity And Realibility Test

Table 3. Validity test

Variable	Statement Item	R tabel	Corrected item total correlation	Description
Human Resource Competence (X_1)	Item 1	0.231	0,583	Valid
	Item 2	0.231	0,779	Valid
	Item 3	0.231	0,526	Valid
	Item 4	0.231	0,792	Valid
	Item 5	0.231	0,355	Valid
	Item 6	0.231	0,303	Valid
	Item 7	0.231	0,655	Valid
	Item 8	0.231	0,239	Valid
	Item 9	0.231	0,764	Valid
	Item 10	0.231	0,914	Valid
	Item 11	0.231	0,793	Valid
	Item 12	0.231	0,621	Valid
Internal Control System (X_2)	Item 1	0.231	0,749	Valid
	Item 2	0.231	0,731	Valid
	Item 3	0.231	0,603	Valid
	Item 4	0.231	0,710	Valid
	Item 5	0.231	0,815	Valid
	Item 6	0.231	0,691	Valid

Variable	Statement Item	R tabel	Corrected item total correlation	Description
	Item 7	0.231	0,794	Valid
	Item 8	0.231	0,718	Valid
	Item 9	0.231	0,647	Valid
	Item 10	0.231	0,660	Valid
Transparency (X_3)	Item 1	0.231	0,790	Valid
	Item 2	0.231	0,759	Valid
	Item 3	0.231	0,782	Valid
	Item 4	0.231	0,877	Valid
Quality of Financial Information (Y)	Item 1	0.231	0,677	Valid
	Item 2	0.231	0,677	Valid
	Item 3	0.231	0,657	Valid
	Item 4	0.231	0,797	Valid
	Item 5	0.231	0,731	Valid
	Item 6	0.231	0,525	Valid
	Item 7	0.231	0,727	Valid
	Item 8	0.231	0,510	Valid

Source: SPSS 25 (2025)

Table 4. Reliability test

Variable	Total Item	Reliability Limit	Cronbach's Alpha	Description
Human Resource Competence (X_1)	12	0,60	0,823	Reliable
Internal Control System (X_2)	10	0,60	0,888	Reliable
Transparency (X_3)	4	0,60	0,814	Reliable
Quality of Financial Information (Y)	8	0,60	0,816	Reliable

Source: SPSS 25 (2025)

The validity test utilizing Pearson product–moment correlation shows that all questionnaire items have corrected item–total correlation values exceeding critical r-table value, stipulating that whole items are correct and suitable for further analysis. The reliability test results stipulate that whole variables own Cronbach's Alpha values surpass 0.60, confirming that research instruments are reliable and internally consistent.

4.1.3 Normality Test

The normality test utilizing the P-Plot shows the normality results of the data for the variables from human resource competence, internal control system, transparency, also quality of financial report information.
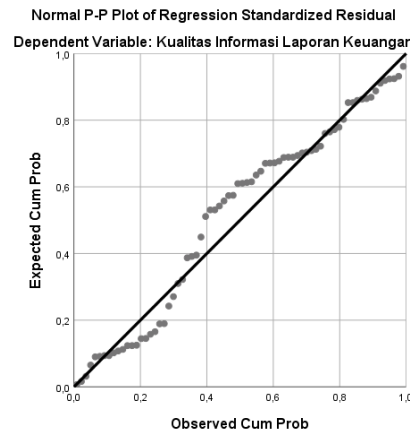
Figure 2. P-Plot graphics
Source: SPSS 25 (2025)

Based on the SPSS P-Plot, the data points are near to and trail the aslant line, stipulating that residuals are normally distributed along with linear regression model complies normality assumption.

4.1.4 Multicollinearity Test

The multicollinearity test is used to determine whether there is a strong correlation or intercorrelation among independent variables. In a good regression model, no correlation should exist between the independent variables. Derived from the SPSS output, Variance Inflation Factor (VIF) is used to detect multicollinearity, which occurs when the VIF value exceeds 10 and the tolerance is beneath 0.10, while no multicollinearity exists when the VIF is below 10 and the tolerance is above 0.10.

Table 5. Multicollinearity test

Variable	Tolerance	VIF	Description
Human Resource Competence (X_1)	0,956	1.046	Free from Multicollinearity
Internal Control System (X_2)	0,959	1.043	Free from Multicollinearity
Transparency (X_3)	0,995	1.005	Free from Multicollinearity

Source: SPSS 25 (2025)

All three variables (human resource competence, internal control system, and transparency) have VIF values beneath 10 and tolerance values surpass 0.10, indicating clear from multicollinearity among the independent variables.

4.1.5 Heteroscedasticity Test

The heteroscedasticity test plots ZPRED (predicted values) against SRESID (residual values) to discover either the variance of residuals is consistent across observations or not. If the data points are randomly spread without a clear pattern above and below zero, it indicates no heteroscedasticity from the regression model.
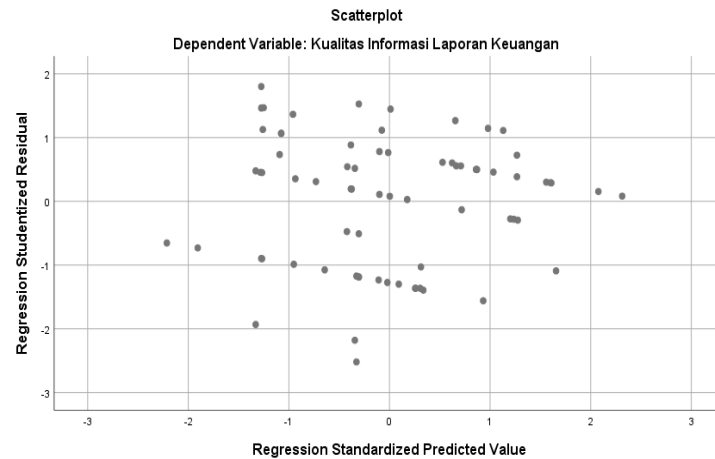
Figure 3. Scatterplot
Source: SPSS 25 (2025)

The figure unfolds that the data points are irregularly distributed on top as well as beneath zero from the Y-axis regardless shaping a clear pattern, stipulating clear from heteroscedasticity and confirming that the regression model is applicable for predicting the dependent variable using independent variables.

4.1.6 Multiple Linear Regression Analysis

Table 6. Multiple linear regression analysis

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	31,267	11,265		2,776	,007
Human Resource Competence	,172	,091	,226	1,898	,042
Internal Control System	,007	,098	,008	,070	,035
Transparency	,273	,204	,156	1,337	,046

a. Dependent Variable: Quality of Financial Report Information
Source: SPSS 25 (2025)

The outcomes of the multiple linear regression analysis stipulate that human resource competence, internal control systems, also transparency have positive regression coefficients, suggesting that improvements in these variables tend to be linked to growth from quality of financial reporting information. The regression formulation expressed as below:

$$Y = 31.267 + 0.172X_1 + 0.007X_2 + 0.273X_3$$

However, the magnitude of the coefficients and t-values indicates that the power of the relationships varies across variables and should be interpreted cautiously.

4.1.7 Coefficient Of Determination (R^2) Test

Table 7. Coefficient Of Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,281[a]	,779	,338	3,02371

a. Predictors: (Constant), Transparency, Internal Control System, Human Resource Competence
b. Dependent Variable: Quality of Financial Report Information
Source: SPSS 25 (2025)

Table 7 shows that the regression model has a correlation coefficient (R) that is 0.281, stipulating a subtle positive relation along the independent variables plus the quality of financial reporting information. Adjusted R Square value (0.338) recommends that

around 33.8% from the variation on financial reporting quality could be elaborated by human resource competence, internal control systems, also transparency. The remaining variation is affected by other factors not involved from the model. This indicates that, while the variables examined contribute to financial reporting quality, the final explanatory power from the model remains moderate.

4.1.8 Hypotesis Test

Table 8. Simultaneous Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53,275	3	17,758	1,942	,031[b]
	Residual	621,711	68	9,143		
	Total	674,986	71			
a. Dependent Variable: Quality of Financial Report Information						
b. Predictors: (Constant), Transparency, Internal Control System, Human Resource Competence						

Source: SPSS 25 (2025)

Table 9. Partial test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	31,267	11,265		2,776	,007
	Human Resource Competence	,172	,091	,226	1,898	,042
	Internal Control System	,007	,098	,008	,070	,035
	Transparency	,273	,204	,156	1,337	,046
a. Dependent Variable: Quality of Financial Report Information						

Source: SPSS 25 (2025)

The partial test results indicate the human resource competence own a positive as well as statistically significant impact to quality of financial reporting information, although the effect size is moderate. The internal control system shows a statistically significant but very weak coefficient, suggesting that internal controls may exist formally but are not yet optimally implemented in practice. Transparency demonstrates a borderline level of statistical significance, indicating that while openness contributes positively to financial reporting quality, its practical impact remains limited.

The simultaneous test results stipulate that human resource competence, internal control systems, also transparency collectively bring a significant effect to quality of financial reporting information. Nevertheless, relatively low strength of the relationship suggests that these variables should be viewed as supporting factors rather than dominant determinants.

4.2 DISCUSSIONS
4.2.1 The Effect Of Human Resource Competence On The Quality Of Financial Report Information

The acceptance of H_1 indicates that human resource competence plays an important role in shaping the quality of financial reporting information at the OPD level. This finding suggests that financial reporting quality is strongly influenced by the capacity of personnel responsible for recording, processing, and reporting financial transactions. From a technical perspective, competent financial personnel are better equipped to apply government accounting standards consistently, exercise professional judgment, and minimize reporting errors. This supports the good governance view that capacity is a foundational pillar of effective public financial management. From an organizational

perspective, competent human resources enhance accountability by reducing delays, inaccuracies, and misstatements in financial reporting processes.

This result is consistent with previous studies that identify human resource competence as a central determiner from financial reporting quality in local government institutions. Prior research generally finds that higher levels of education, training, and accounting knowledge improve compliance with standards and reporting accuracy. However, the relatively moderate strength of the relationship in this study suggests that competence alone is insufficient. Institutional support, clear procedures, and effective supervision remain necessary to translate individual capacity into consistently high-quality reporting outcomes [18].

4.2.2 The Effect Of Internal Control System On The Quality Of Financial Report Information

Acceptance from H_2 indicates that internal control systems bring a positive but weak influence to financial reporting quality. This finding highlights a distinction between the formal existence of internal control mechanisms and their substantive effectiveness in practice. From an analytical standpoint, this result reflects a formal compliance versus substantive implementation gap. Internal controls may be well documented to meet regulatory or audit requirements, yet not fully embedded in daily financial management practices. As a result, their contribution to improving reporting quality remains limited. This interpretation is consistent with internal control theory, which emphasizes that controls are effective only when supported by leadership commitment, ethical culture, and consistent enforcement [19], [20].

Empirically, this finding aligns with prior studies reporting that internal control systems in local governments often function procedurally rather than operationally, particularly in post-WTP contexts. In Langsa City's OPDs, the weak effect suggests that strengthening internal controls requires not only formal structures, but also greater control awareness, monitoring intensity, and accountability at the operational level.

4.2.3 The Effect Of Transparency On The Quality Of Financial Report Information

Acceptance from H_3 indicates that transparency contributes positively to financial reporting quality, although its effect remains limited. This finding suggests that transparency practices exist but have not yet translated into substantial improvements in information quality. From a governance perspective, transparency reduces information asymmetry and enhances public trust. However, the limited effect observed in this study supports the notion of symbolic transparency, where disclosure focuses on meeting formal requirements rather than improving clarity, completeness, and usability of information [21]. In such cases, information is available but not necessarily informative.

This result is consistent with previous studies that report mixed findings regarding the impact of transparency on financial reporting quality. Contextual factors—such as institutional culture, public engagement, and oversight capacity—play a significant role in determining whether transparency functions substantively or symbolically [22]. In the OPD context of Langsa City, transparency may still be oriented toward administrative compliance rather than active public accountability.

4.2.4 The Effect Of Human Resource Competence, Internal Control System, And Transparency On The Quality Of Financial Report Information

Acceptance of H_4 indicates that financial reporting quality is influenced by the combined impact from human resource competence, internal control systems, also transparency. This finding reinforces the good governance perspective that reporting quality is the outcome of interacting internal governance mechanisms, rather than a single dominant factor.

Human resource competence provides technical capacity, internal control systems ensure procedural reliability, and transparency enhances accountability and trust. When these mechanisms operate together, they support the production of higher-quality financial information. However, the relatively weak overall explanatory power of the model suggests that additional factors—such as leadership commitment, organizational culture, information technology systems, and audit follow-up—also play a substantial role. From a theoretical standpoint, this result explains why favorable audit opinions (WTP) may coexist with operational weaknesses in reporting quality. From a policy perspective, it implies that improvement strategies should be integrated rather than fragmented, addressing capacity, controls, and transparency simultaneously.

5. CONCLUSION

This study concludes that human resource competence, internal control systems, also transparency pitch in to the quality of financial reporting information at Regional Government Organizations (OPDs) of Langsa City. However, the relatively modest strength of these relationships indicates that these factors alone are insufficient to fully explain variations in financial reporting quality at the operational level. This finding suggests that financial reporting quality in local governments is shaped by a broader set of institutional, managerial, and behavioral factors beyond formal governance mechanisms.

The novelty of this study abides in its empirical evidence showing that the consistent achievement of an Unqualified Audit Opinion (WTP) does not necessarily reflect strong financial reporting quality in day-to-day financial management practices. This result highlights the gap between formal audit outcomes and actual operational reporting quality, offering a more nuanced understanding of public sector financial accountability, particularly at the OPD level.

From an operational policy perspective, the findings imply several practical actions for local governments. First, capacity-building initiatives should move beyond general administrative training toward targeted, SAP-based technical training focusing on transaction recognition, classification, and accrual implementation at the OPD level. Regular refresher programs and competency assessments can help ensure consistent application of accounting standards. Second, local governments should strengthen internal audit functions within OPDs, emphasizing risk-based internal audits, routine monitoring of financial processes, and systematic follow-up on audit findings to reduce the gap between formal controls and substantive implementation. Third, transparency policies should prioritize improving disclosure quality rather than disclosure volume, including clearer financial narratives, standardized reporting formats, and user-oriented presentation of financial information to enhance usability for stakeholders.

This study is liable to some limitations. First, the analysis was conducted solely within OPDs of Langsa City, limiting the applicability from the outcomes to other regions with distinguish institutional situations. Second, the measurement of financial reporting quality reckoned on self-reported questionnaire data, that might be liable to respondent bias. Third, the study examined a limited set of explanatory variables and did not explicitly incorporate other potentially influential factors such as leadership commitment, organizational culture, or information technology maturity.

Future research is therefore encouraged to expand the geographical scope of analysis, employ qualitative or mixed-method approaches to capture deeper institutional dynamics, and examine additional governance-related variables, including leadership commitment, organizational culture, information technology systems, and audit quality. Such extensions would afford a more in-depth grasp from the determiners from financial reporting information quality of the public section and further inform evidence-based policy interventions.

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