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The Influence of Human Resource Competence, Accounting Understanding, and the Application of Government Accounting Standards on the Quality of Local Government Financial Reports (An Empirical Study of OPDs in Palu City)

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Abstract

This study aims to examine and analyze the influence of human resource competencies, accounting understanding, and the application of government accounting standards on the quality of local government financial reports, both simultaneously and partially. This is an empirical study using quantitative research methods and primary data. The population in this study is the Regional Apparatus Organization in Palu City. The sampling technique used in this study is saturated sampling, with respondents comprising all financial managers in all OPDs in Palu City, totaling 82 respondents. The analysis techniques used in this study are classical assumption tests, multiple linear regression analysis, and hypothesis tests, specifically the simultaneous test (F) and partial test (t). The results of this study indicate that human resource competence, accounting understanding, and the application of government accounting standards have a significant simultaneous effect on the quality of local government financial reports. Human resource competence has a significant partial effect on the quality of local government financial reports. Accounting knowledge does not have a significant partial effect on the quality of local government financial reports, while the application of government accounting standards has a significant partial effect on the quality of local government financial reports.

1. Introduction

Currently, the public demands good governance. The performance of Regional Work Units must be improved in order to produce high-quality financial reports. Financial reports reflect whether a government is functioning properly, so the government is required to produce high-quality financial reports. These reports must meet the qualitative characteristics of financial reports, which are relevance, reliability, comparability, and understandability (Tempomona et al., 2023; Aqsha et al., 2025; Bawias et al., 2025).

The implementation of regional autonomy accompanied by fiscal decentralization, based on Law Number 23 of 2014 on Regional Government and Law Number 33 of 2004 on Financial Balance between the Central Government and Regions, demonstrates the government's seriousness in reforming the government system, which has traditionally been centralized, toward decentralization by granting greater authority to regions, including the authority to manage regional finances.

The low quality of financial reports may be due to the accounting knowledge of the report preparers themselves, as well as the inadequate implementation of regional financial accounting information systems. According to the Indonesian Language Dictionary, someone is said to understand accounting if they understand and are skilled in how the accounting process is carried out to produce financial reports based on the principles and standards for preparing financial reports as stipulated in Government Regulation No. 71 of 2010 on Government Accounting Standards.

Financial statements are a product generated by the field of accounting. Therefore, competent human resources are required to produce high-quality financial statements. Similarly, in government entities, producing high-quality local government

financial statements requires human resources who understand and are competent in the fields of government accounting, local government finance, and organizational governance.

The phenomenon occurring in Palu City itself has received the same opinion from 2021 to 2024. This can be seen from the results of the audit conducted by the State Audit Agency (BPK). From 2021 to 2024, the Palu City Government received an Unqualified Opinion (WTP). Based on the opinion received, the Palu City Government has successfully obtained an Unqualified Opinion for four consecutive years.

The Head of the BPK Representative Office for Central Sulawesi Province stated that although the Palu City Government has achieved an Unqualified Opinion, the BPK still identified several issues related to local financial management that must be addressed, including:

a. Inconsistencies in budget utilization.
b. Insufficiently established building permit fees.
c. Excessive payments and wasteful spending on employee expenses.
d. Improper management of capital expenditures for roads, irrigation, and networks at the Public Works Department, as well as excessive payments for twenty projects at the Public Works Department and one road project at the Housing and Settlement Department.

From the above phenomena, there are still issues related to local government financial management in 2021. This demonstrates that despite receiving an Unqualified Opinion, there are still issues that have arisen. The phenomenon of local government financial reporting is an interesting topic for further study. In fact, many local government financial reports are still presented with inaccurate data. Additionally, the BPK identified numerous deviations during its audit of local government financial reports. Based on these phenomena, it can be stated that local government financial reports have not yet fully met the criteria and elements that constitute the quality of reports, where financial reports hold value or utility.

Research conducted by Antonia Jultri et al. (2021) on the influence of human resource competence, the application of government accounting standards, the application of financial accounting systems, and new public management on the quality of government financial reports (a study of the BKAD in Malang Regency). Human resource competence, the implementation of government accounting standards, the implementation of local government financial accounting systems, and new public management collectively have a significant and positive impact on the quality of government financial reports. Competent human resources or financial managers who understand local government financial accounting standards and also possess managerial components of new public management will enhance employee performance when preparing and producing accurate financial reports.

2. Research Method

Research Location and Time

This research was conducted at Regional Apparatus Organizations in Palu City. The research took place from May to June 2025.

Population, Sample, and Sampling Method

According to Sugiyono (2014), a sample is a portion of the total population selected based on specific characteristics. The sampling technique used in this study is saturation sampling, also known as a census. According to Sugiyono (2014:85), saturation sampling is a technique where the entire population is used as the sample.

The criteria used as the unit of analysis in determining respondents are based on the Minister of Home Affairs Regulation No. 13 of 2006 on Local Government Financial Management, which states that employees responsible for performing accounting or financial administration functions in OPDs and users of financial reports (OPDs) refer to all financial management staff in all OPDs in the City of Palu.

Based on the above criteria, the sample consists of 41 OPDs, and from each OPD, two respondents are selected to represent each OPD in the City of Palu, totaling 82 samples.

The measurement for the independent variable (X) and dependent variable (Y) in this study uses an ordinal scale with the Likert scale technique, where respondents are given several options to choose the answer they consider most appropriate. Based on the Likert scale above, there are five answer options used in this study, as follows:

Table 1. Questionnaire Answer Scores According to the Likert Scale

No	Choice	Score
1.	Strongly agree	5
2.	Agree	4
3.	Undecided	3
4.	Disagree	2
5.	Strongly disagree	1

Data Collection Method

Data collection in this study was conducted using a survey-based quantitative research method. A survey is a research method that can examine a large population using a sampling method aimed at understanding behavior, characteristics, and making descriptions and generalizations within that population, as well as using hypotheses to address issues. Survey research is used to obtain data from a natural (not artificial) setting, but the researcher conducts interventions in data collection, such as distributing questionnaires (Sugiyono, 2014). The responses obtained by the researcher from the questionnaire completion will be scored using the Likert scale.

Analysis and Testing Methods

The instruments used in the research need to be tested for validity and reliability. This test is conducted so that when the questionnaires are distributed, the research instruments are valid and reliable, meaning that the measurements used to obtain data are usable.

Validity and Reliability Tests

Validity testing is conducted by performing bivariate correlations between each indicator score and the total construct score. The criteria for validity testing are as follows:

a. If the calculated r is positive and r calculated > r table, then the item is valid
b. If the calculated r is negative and r calculated < r table, then the item is invalid

Reliability testing of the instrument is related to accuracy. To assess reliability, if Cronbach's Alpha > 0.60, the reliability of the question is acceptable (Ghozali, 2016:42). Validity and reliability analysis will be conducted using the SPSS (Statistical Product Service Solution) software package.

Classical Assumption Test

Normality Test: if the significance value of the test result is < 0.05, it means the residual data is not normally distributed, and if the significance value of the test result is > 0.05, it means the residual data is normally distributed.

Multicollinearity Test: this can be performed by referring to the Variance Inflation Factor (VIF), where the value is < 10 and the tolerance value is not less than 0.1.

Heteroskedasticity is detected using the Glacier test, which involves performing regression between the residual values as the dependent variable and the independent variables from the proposed regression model. To determine the heteroskedasticity-free regression equation, the regression results must be insignificant. The Glacier test results indicate that the variables in this study are free from heteroskedasticity, as evidenced by the absence of significant independent variables at the 5% level.

Hypothesis Testing

Descriptive tests are used to describe the characteristics and quantitative developments of both independent and dependent variables.

Multiple Linear Regression Equation Testing is an analytical tool for predicting the influence of two or more independent variables on one dependent variable

(Riduwan, 2015:13). To test this hypothesis, the regression formula used in this study is

$$Y = \alpha + \beta_1X1 + \beta_2X2 + \beta_3X3 + e$$

Description:

Y = Quality of Financial Reports
α = Constanta
$\beta_1;\beta_2;\beta_3$ = Regression Coeffisien
X1 = Human Resource Competence
X2 = Accounting Understanding
X3 = Application of Government Accounting Standars
e = Error

The - F test (simultaneous test) uses a standard measure of significance level of 0.05. In this study using two test criteria, namely:

1. H_0 is accepted if $F_{count} < F_{table}$ H_0 is rejected if $F_{count} > F_{table}$.
2. H_0 is accepted if the significance value> 0.05 H_0 is rejected if the significance value <0.05.

T-test (Partial Test) To test this hypothesis, the t statistical test is used with the following decision-making criteria:

a. If the significance value is <0.05 then the hypothesis is accepted. This shows that the independent variable has a significant effect on the dependent variable.
b. If the significance value is> 0.05 then the hypothesis is rejected. This indicates that the independent variable has no significant effect on the dependent variable.

3. Results and Discussion

3.1 Analysis and Testing Methods

Validity Test

This test is carried out to determine whether the questionnaire is valid or not. It is said to be valid if the statements in the questionnaire can reflect what you want to measure. The validity of each statement item representing each variable in this study was tested using the SPSS 26 application. The process of testing the validity of the statement in the questionnaire is carried out by comparing the calculated r value with the r table, where the degree of freedom (df) = n-2, the amount of df in this study can be calculated as 82-2 = 80, so that with df = 80 and alpha = 0.05, the r table = 0.1829 is obtained.

According to Ghozali (2006) validity can be known by comparing the corrected item-total correlation (r count) of each statement in different variables with the r table value. If r count is greater than r table and the value is positive, then the statement item being tested is considered valid. Validity testing is done by analyzing the adjusted item-total correlation which is the result of the relationship between each statement and the variance-corrected total. The results of the validity test for each statement item in the variable can be described as follows:

Human resource competence (X1)

The human resource competency variable consists of 8 questions submitted in the research questionnaire. The validity test results can be seen in the table as follows.

Table 2. Validity Testing

Sub Indicator	*Corrected item-Total Correlation*	r-tabel	Status
1.	0,362	0,1829	Valid
2.	0,271	0,1829	Valid
3.	0,381	0,1829	Valid
4.	0,237	0,1829	Valid
5.	0,193	0,1829	Valid
6.	0,196	0,1829	Valid
7.	0,195	0,1829	Valid
8.	0,191	0,1829	Valid

It can be shown in table 2 that all statements measured for the Human Resources Competency variable are valid and appropriate for use as research instruments, and can be used for further testing because the correlation value of all statement items obtained is greater than the t-table value and is positive.

Accounting Understanding (X2)

The Accounting Understanding variable consists of 10 questions asked in the research

questionnaire. The validity test results can be seen in the table as follows.

Table 3. Validity Testing

Sub Indicator	*Corrected item-Total Correlation*	r-tabel	Status
1.	0,195	0,1829	Valid
2.	0,254	0,1829	Valid
3.	0,236	0,1829	Valid
4.	0,249	0,1829	Valid
5.	0,212	0,1829	Valid
6.	0,225	0,1829	Valid
7.	0,242	0,1829	Valid
8.	0,226	0,1829	Valid
9.	0,254	0,1829	Valid
10.	0,224	0,1829	Valid

It can be shown in table 3 that all statements measured for the Accounting Understanding variable are valid and appropriate for use as research instruments, and can be used for further testing because the correlation value of all statement items obtained is greater than the t-table value and is positive.

Application of Government Accounting Standards (X3)

The variable Application of Government Accounting Standards consists of 28 questions asked in the research questionnaire. The validity test results can be seen in the table as follows

Table 4. Validity Testing

Sub Indicator	*Corrected item-Total Correlation*	r-tabel	Status
1.	0,386	0,1829	Valid
2.	0,498	0,1829	Valid
3.	0,612	0,1829	Valid
4.	0,307	0,1829	Valid
5.	0,395	0,1829	Valid
6.	0,406	0,1829	Valid
7.	0,267	0,1829	Valid
8.	0,214	0,1829	Valid
9.	0,256	0,1829	Valid
10.	0,203	0,1829	Valid
11.	0,317	0,1829	Valid
12.	0,214	0,1829	Valid
13.	0,457	0,1829	Valid
14.	0,130	0,1829	Valid
15.	0,371	0,1829	Valid
16.	0,447	0,1829	Valid
17.	0,399	0,1829	Valid
18.	0,255	0,1829	Valid
19.	0,347	0,1829	Valid
20.	0,412	0,1829	Valid
21.	0,323	0,1829	Valid
22.	0,223	0,1829	Valid
23.	0,319	0,1829	Valid
24.	0,317	0,1829	Valid
25.	0,234	0,1829	Valid
26.	0,366	0,1829	Valid
27.	0,383	0,1829	Valid
28.	0,181	0,1829	Valid

It can be shown in table 4 that all statements measured for the Government Accounting Standards Implementation variable are valid and appropriate for use as research instruments, and can be used for further testing because the correlation value of all statement items obtained is greater than the t-table value and is positive.

Quality of Financial Statements (Y)

The Quality of Financial Statements variable consists of 10 questions asked in the research questionnaire. The validity test results can be seen in the table as follows.

Table 5. Validity Testing

Sub Indicator	*Corrected item-Total Correlation*	r-tabel	Status
1.	0,610	0,1829	Valid
2.	0,647	0,1829	Valid
3.	0,686	0,1829	Valid
4.	0,607	0,1829	Valid
5.	0,662	0,1829	Valid

6.	0,618	0,1829	Valid
7.	0,618	0,1829	Valid
8.	0,692	0,1829	Valid
9.	0,636	0,1829	Valid
10.	0,663	0,1829	Valid

It can be shown in table 5 that all statements measured for the Accounting Understanding variable are valid and appropriate for use as research instruments, and can be used for further testing because the correlation value of all statement items obtained is greater than the t-table value and is positive.

Reability Test

After all instruments have been tested for validity and declared valid, the next step is to conduct reliability testing to assess the reliability of this study. Reliability testing in this study used the Cronbach Alpha (α) statistical test. To determine whether a variable if it provides a Cronbach Alpha value> 0.60 (Ghozali, 2006: 46),

The results of the reliability test on all variables can be seen in the following table

Table 6. Realibility Testing

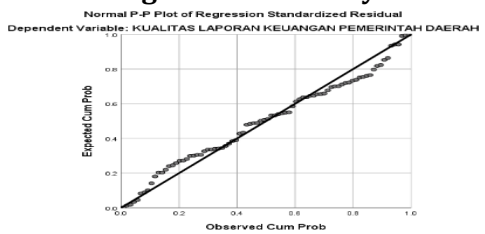
No	Variabel	Sub Indicator	*Cronbach Alpha (a)*	Description
1.	Human Resource Competence	8	0,707	Reliabel
2.	Accounting Understanding	10	0,840	Reliabel
3.	Application of Government Accounting Standars	28	0,815	Reliabel

3.2 Classical Assumption Test

Normality Test

The normality test is carried out to find out whether the variables of Human Resources Competence (X1), Accounting Understanding (X2), Implementation of Government Accounting Standards (X3) and Quality of Local Government Financial Statements (Y) have normal data retribution. According to Ghozali (2006: 149), a good regression model is characterized by normal or near normal data distribution. To detect normality, a visual method is used by observing the pattern of the distribution of data points on the diagonal line in the graph. The results of this normality test are shown in the following figure

Figure 2. Normality Test



Based on the visualization of the normal plot or historigram graph in the figure, it can be seen that the data is spread around the diagnostic line and follows the direction of the line and the histgram pla. This condition indicates that the data distribution is normal, so the regression model has fulfilled the normality assumption.

Multicollinearity Test

Multicollinearity testing aims to determine whether there is a relationship or correlation between independent variables in the regression model. According to Ghozali (2006: 95), a good regression model should be free from correlation between independent variables. To detect the presence of multicollinearity symptoms, the tolerance and VIF (Variance Inflation Factor) values obtained through analysis using SPSS can be seen. Tolerance shows how much variability in an independent variable is not explained by other independent variables. Indications of

multicollinearity are characterized by a tolerance value ≤ 0.1 or a VIF value ≥ 10 (Ghozali, 2006: 96). Based on the results of the analysis using SPSS version 26, the tolerance and VIF values for each independent variable are shown in the following table:

Table 7. Multicollinearity Test

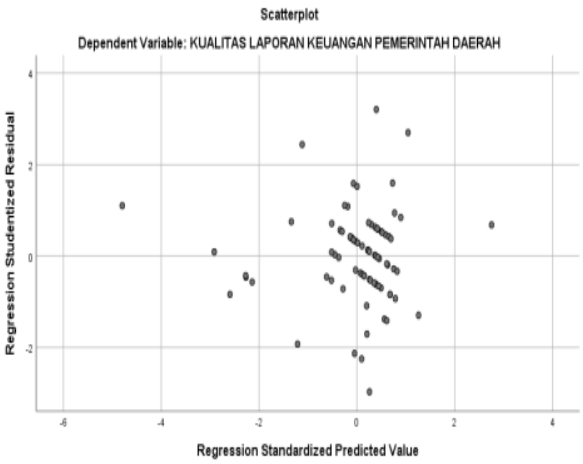
Collinearity Statistic		
Variabel	**Tolerance**	**VIF**
Human Resource Competence	0,765	1,307
Accounting Understanding	0,848	1,116
Application of Government Accounting Standars	0,818	1,223

Referring to table 7, it can be concluded that there is no correlation between the independent variables or there are no symptoms of multicollinearity. This is evidenced by the tolerance value that exceeds 0.1, as well as the Variance Inflation Factor (VIF) value which is below 10, so it can be concluded that the regression model does not experience multicollinearity between the independent variables.

Heteroscedasticity Test

In this study, detection of heteroscedasticity symptoms was carried out through a scatterplot graph. According to Ghozali (2006: 126), if the points on the graph form a certain regular pattern, then it indicates heteroscedasticity. Conversely, if the dots are randomly scattered above and below the number 0 on the Y axis without forming a clear pattern, it can be concluded that there is no heteroscedasticity. The results of this test are shown in the following figure:

Figure 3. Heteroscedasticity Test



Referring to the Figure, it can be seen that the points are scattered randomly and evenly above and below the 0 line on the Y axis. This condition indicates that there are no symptoms of heteroscedasticity in the regression model, so the model can be declared suitable for use.

3.3 Hypothesis Testing

Descriptive Test

Data research was conducted by distributing questionnaires. The results of data collection are grouped into two categories, namely questionnaire descriptions and respondent descriptions.

Questionnaire Description

This research was conducted at the Regional Apparatus Organization (OPD) by distributing questionnaires to respondents. The respondents from the OPD themselves are financial management employees in each OPD.

As for the sample that has been determined, the respondents totaled 82 respondents from 41 OPDs in Palu City. The 82 questionnaires distributed were delivered directly to each OPD of Palu City, as for the table describing the description of the research questionnaire as follows:

Figure 4. Questionnaire

Kuesioner yang disebar	Kuesioner yang tidak kembali		Kuesioner yang kembali		Kuesioner yang tidak dapat diolah		Kuesioner yang dapat diolah	
82	0	0%	82	100%	0	0%	82	100%

Description of Respondents

Respondents in this study were obtained from identity data from the questionnaire sheet. Data grouping consists of gender, latest education, and length of service. The data can be seen from the following table.

Table 8. Respondent Characteristics

No	Description	Frequency	Percentage
1.	**Gender:**		
	Male	27	33%
	Female	55	67%
	Total	**82**	**100%**
2.	**Last Education:**		
	Senior high school	8	10%
	Diploma	6	7%
	Bachelor's degree	51	62%
	Master's degree	17	21%
	Total	**82**	**100%**
3.	**Length of service:**		
	< 5 Years	8	10%
	6 – 10 Years	16	20%
	> 10 Years	58	71%
	Total	**82**	**100%**

Multiple Linear Regression Test

Multiple linear regression tests were conducted to determine the extent of the influence of Human Resource Competencies, Accounting Understanding and Implementation of Government Accounting Standards. The results of the multiple linear analysis are presented in the following table based on the output of SPSS version 26. The results of the multiple linear regression test can be seen in table 9 below:

$$Y = 15{,}821 + 0{,}231X1 + 0{,}021X2 + 0{,}159X3 + e$$

Table 9. Multiple Linear Regression Test

No	Independen Variabel	Regression Coefficient	t_{count}	Sig.
1	X_1	0,231	2,153	0,034
2	X_2	0,021	0,192	0,848
3	X_3	0,159	4,874	0,000
	Constanta = 15,821 Multiple-R = 0,614	F_{count} = 15,697 R. Square = 0,376 Adj. R. Square = 0,652		Sig. F =0,000 α = 0,05

The equation above represents the extent to which the independent variable affects the dependent variable. The independent variable in this study has a positive coefficient indicating a unidirectional relationship between the independent variable and the dependent variable. the explanation of the equation is as follows:

1. The constant value (α) of 15.821 indicates that if all independent variables (X1, X2 and X3) are in a fixed condition or do not change (worth zero), then the value of the quality of government financial reports produced is 15.821. The estimation explanation is as follows:
   Y = 15,821+0,231 (0)+0,021(0)+0,159(0)

= 15,821

2. The regression coefficient for variable X1 (Human resource competence) is 0.231 with a positive sign. This shows that every one unit increase in the Human Resource Competency variable, assuming other variables remain constant, will improve the quality of government financial reports. The estimation explanation is as follows:

Y = 15,821+0,0231(1)+0,021(0)+0,159(0)
= 16,052

3. The regression coefficient for variable X2 (Accounting Understanding) is 0.021 with a positive sign. This shows that every one unit increase in the Accounting Understanding variable, assuming other variables remain constant, will improve the quality of government financial reports. The estimation explanation is as follows:

Y = 15,821+0,231+0,021(1)+0,159(0)
= 15,842

4. The regression coefficient for variable X3 (Application of Government Accounting Standards) is 0.0118 with a positive sign. This shows that every one unit increase in the Government Accounting Standards Implementation variable, assuming other variables remain constant, will improve the quality of government financial reports. The estimation description is as follows

Y = 15,821+0,231+0,021(0)+0,159(1)
= 15,980

The level of influence of the independent variables as a whole is indicated by the Adjusted R Square value of 0.652 or equivalent to 65.2%. This means that the three independent variables in this study contributed 65.2% to changes in the quality of local government financial reports, while the remaining 34.8% was influenced by other factors not included in this research model.

F Test (Simultaneous)

H1: Human Resources Competence, Accounting Understanding and Application of Government Accounting Standards have a Positive and significant effect simultaneously on the quality of local government financial reports

The F test is conducted to determine whether the independent variables simultaneously or together have an effect on the dependent variable. Based on the results of the ANOVA test (F-test), the calculated F value is 15.697 which is greater than the F table of 2.86, with a significance level smaller than 0.05 (ie 0.000). These results indicate that the independent variables together have a significant influence on the dependent variable. Therefore, the first hypothesis (H1), which states that human resource competence, accounting understanding and the application of government accounting standards simultaneously have a positive and significant effect on the quality of local government financial reports, can be **accepted**.

Figure 4. F-Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	126.672	3	42.224	15.697	.000[b]
	Residual	209.816	78	2.690		
	Total	336.488	81			

a. Dependent Variable: KUALITAS LAPORAN KEUANGAN PEMERINTAH DAERAH

b. Predictors: (Constant), PENERAPAN STANDAR AKUNTANSI PEMERINTAHAN, PEMAHAMAN AKUNTANSI , KOMPETENSI SUMBER DAYA MANUSIA

T Test (Partial)

The T test is used to determine the effect of each variable partially, namely Human Resource Competencies, Accounting Understanding and Implementation of Government Accounting Standards.

H2 : Human Resource Competencies have a partially significant positive effect on the quality of local government financial reports.

From the T test results, the calculated T value for Human Resource Competencies is 2.153, greater than the T table, namely 1.69, with a significance value of 0.034 which is smaller than 0.05. This means that partially, Human Resources Competence (X1) has a positive and significant effect on the Quality of Local Government Financial Statements (Y). Therefore, the second hypothesis (H2) is **accepted**.

H3 : Accounting Understanding has a positive and significant effect partially on the quality of local government financial reports

From the T test results, it shows that the calculated T value for Accounting Understanding is 0.192 smaller than the T table, namely 1.69, and the significance level is 0.848 which is greater than 0.05. This means that partially, Accounting Understanding (X1) has a positive and significant effect on the quality of local government financial reports (Y). This means that partially, Accounting Understanding (X2) has no significant effect on the Quality of Local Government Financial Statements (Y). Therefore, the third hypothesis (H3) in this study is **rejected**.

H4 : The application of Government Accounting Standards has a positive and significant effect partially on the quality of local government financial reports

From the results of the T test, the calculated T value for the Government Accounting Standards Implementation variable is 4.874, greater than the t table 1.69, with a significance level of 0.000 which is smaller than 0.05. This shows that partially, the Application of Government Accounting Standards (X3) has a positive and significant effect on the Quality of Local Government Financial Statements (Y). This shows that partially, the Application of Government Accounting Standards (X3) has a positive and significant effect on the Quality of Local Government Financial Statements (Y). Therefore, the fourth hypothesis (H4) in this study can be **accepted**

Figure 5. T-Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.821	5.508		2.873	.005
	KOMPETENSI SUMBER DAYA MANUSIA	.231	.107	.220	2.153	.034
	PEMAHAMAN AKUNTANSI	.021	.110	.018	.192	.848
	PENERAPAN STANDAR AKUNTANSI PEMERINTAHAN	.159	.033	.482	4.874	.000

a. Dependent Variable: KUALITAS LAPORAN KEUANGAN PEMERINTAH DAERAH

3.4 Discussion

The Influence of Human Resource Competence, Accounting Understanding, and the Application of Government Accounting Standards on the Quality of Local Government Financial Reports

The results of this study indicate that human resource competence, accounting understanding, and the application of government accounting standards have a positive and significant simultaneous effect on the quality of local government financial reports in the Palu City OPD. This means that human resource competence, accounting understanding, and the application of government accounting standards have an influence on improving the quality of local government financial reports. In this case, the role of financial management competence, accounting understanding, and the application of government accounting standards can influence the improvement of the quality of local government financial reports. That is, there is a correlation between them that can build the quality of financial reports.

Research conducted by Irafah et al. (2020) shows that human resource competence has a partial effect on the quality of financial reports. The information generated from financial reports is clearly structured, making it easy for users to understand. This indicates that the financial reports prepared by the government meet good quality standards because they are compiled by competent human resources.

Accounting understanding is the identification of financial data, processing and analyzing relevant data to be converted into information that can be used to make decisions. The application of Government Accounting Standards (SAP) is an accounting principle established in compiling and presenting local and central government financial reports.

The Influence of Human Resource Competence on the Quality of Local Government Financial Reports

The research results indicate that human

resource competence has a positive and significant partial influence on the quality of local government financial reports. This study aligns with previous research conducted by Emilianus Eo Kutu Goo (2022) and Ermita Veliani (2023), which showed that human resource competencies significantly influence the quality of local government financial reports, indicating that the higher the human resource competencies, the better the quality of local government financial reports. The human resources referred to are the employees of the local government agencies (OPD) in Palu City responsible for preparing financial reports, as evidenced by the effective and efficient preparation of financial reports, ensuring that the reports are completed and presented on time.

The Influence of Accounting Understanding on the Quality of Local Government Financial Reports

The results of this study indicate that accounting understanding does not have a positive and significant partial effect on the quality of local government financial reports. These findings align with research conducted by Rana & Lilis (2020) and Apriadi (2022), who stated that accounting understanding does not significantly affect the quality of local government financial reports. This indicates that the accounting understanding of OPD employees in Palu City does not guarantee success in preparing financial reports, resulting in high-quality financial reports because not all employees have an accounting education background or have undergone training in accounting.

The Effect of the Implementation of Government Accounting Standards on the Quality of Local Government Financial Statements

The results of this study indicate that the implementation of government accounting standards has a positive and significant partial effect on the quality of local government financial statements. These findings align with those of Rizkiyah et al. (2023) and Sarlota Faturey et al. (2023), who state that the implementation of good government accounting standards enables local governments to provide high-quality information, as local government financial statements must comply with government accounting standards. The quality of financial statements is the extent to which the financial statements presented show accurate and honest information.

4. Conclusion

4.1 Summary of Findings

The results of this study confirm that human resource competence, accounting understanding, and the application of government accounting standards simultaneously have a significant effect on the quality of local government financial reports in Palu City. Partially, human resource competence and the application of government accounting standards have a significant positive influence, while accounting understanding does not show a significant effect. These findings indicate that competent financial managers who understand and implement government accounting standards can produce reliable, relevant, and transparent financial reports that support good governance within the regional government of Palu City.

4.2 Theoretical Implications

This research contributes to the theoretical understanding of the determinants of financial reporting quality in the public sector. It reinforces the resource-based theory, which posits that competent human resources are key organizational assets that drive reporting quality and accountability. Furthermore, it supports the institutional theory, suggesting that adherence to government accounting standards strengthens institutional legitimacy and public trust in local government financial performance.

4.3 Practical Implications

Practically, the study provides empirical evidence for policymakers and

regional governments that improving human resource competence and ensuring strict implementation of Government Regulation No. 71 of 2010 (Government Accounting Standards) are essential for producing high-quality financial statements. Continuous professional training, workshops on accounting systems, and digital-based financial reporting tools are recommended to enhance accuracy and timeliness in financial reporting. Moreover, regular evaluation of accounting standard application can strengthen the accountability and transparency of local financial management.

4.4 Limitations and Recommendations for Future Research

This study is limited to the OPDs in Palu City, thus its generalizability to other local governments may be constrained. Future research could expand the sample to include several cities or provinces for broader comparative analysis. Additionally, qualitative methods such as interviews or focus groups could be employed to gain deeper insights into the behavioral and organizational factors affecting the quality of financial reporting. Future studies may also consider moderating variables such as internal control systems or the use of financial technology (fintech) in government accounting.

4.5 Conclusion and Policy Recommendations

In conclusion, the quality of local government financial reports depends significantly on the competence of human resources and the consistent application of government accounting standards. While accounting understanding alone does not significantly influence reporting quality, it remains an important supporting factor when integrated with proper training and supervision.

Therefore, it is recommended that local governments:

1. Strengthen the capacity of financial staff through continuous education and certification programs.
2. Ensure the consistent and full implementation of Government Accounting Standards (SAP).
3. Improve oversight and internal control mechanisms to ensure compliance and minimize reporting errors.
4. Leverage digital financial systems to enhance accuracy, efficiency, and transparency in reporting.

By addressing these aspects, local governments can improve the quality of their financial reports and promote greater accountability and trust in public sector financial management.

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