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Internal Control Systems, Employee Competence, and Financial Accountability: Evidence from BKAD Buton Regency

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Abstract: *Financial accountability is a fundamental element of good governance that ensures transparency and responsible management of public resources. This study examines the influence of internal control systems and employee competence on financial accountability. A quantitative approach was employed using survey data collected from 47 employees. Data were analyzed using multiple linear regression to determine the effect of the independent variables on financial accountability. The findings indicate that internal control systems have a positive and significant effect on financial accountability. In contrast, employee competence does not have a significant individual effect on financial accountability. However, internal control systems and employ ee competence jointly have a significant effect on financial accountabi lity. The coefficient of determination shows that the two variables expla in 40.7% of the variation in financial accountability. The concludes that strengthening internal control systems is essential for improving financi al accountability, while employee competence contributes more effectiv ely when supported by an effective organizational control environment.*

Abstrak: Akuntabilitas keuangan adalah elemen penting dalam mewuju dkan tata kelola pemerintahan yang baik melalui pengelolaan sumber daya publik yang transparan dan bertanggung jawab. Tujuan penelitian adalah untuk menganalisis pengaruh sistem pengendalian internal dan kompetensi pegawai terhadap akuntabilitas keuangan. Penelitian menggunakan pendekatan kuantitatif dengan data survei yang diperoleh dari 47 pegawai. Analisis data dilakukan menggunakan regresi linear berganda untuk menguji pengaruh variabel independen terhadap akuntabilitas keuangan. Hasil penelitian menunjukkan bahwa sistem pengendalian internal berpengaruh positif dan signifikan terhadap akuntabilitas keuangan. Sebaliknya, kompetensi pegawai tidak berpengaruh signifik an secara parsial terhadap akuntabilitas keuangan. Namun, sistem penge ndalian internal dan kompetensi pegawai secara simultan berpengaruh signifikan terhadap akuntabilitas keuangan. Nilai koefisien determinasi menunjukkan bahwa kedua variabel mampu menjelaskan 40,7% variasi akuntabilitas keuangan. Kesimpulannya bahwa penguatan sistem peng endalian internal merupakan faktor penting dalam meningkatkan akun tabilitas keuangan, sedangkan kompetensi pegawai akan memberikan kontribusi yang lebih optimal apabila didukung oleh lingkungan pengendalian organisasi yang efektif

INTRODUCTION

Financial accountability in local government constitutes a fundamental pillar of good governance, particularly within Indonesia's fiscal decentralization system. Despite the implementation of various regulatory frameworks aimed at enhancing transparency and accountability in public financial management, reports issued by the Audit Board of the Republic of Indonesia (BPK) continue to reveal recurring weaknesses in internal control systems and inadequate competencies among public financial management personnel. These challenges remain evident in many local governments, including Buton Regency, as reflected by suboptimal audit opinions and recurring findings of non-compliance with financial regulations. Consequently, examining the determinants of financial accountability in regions characterized by limited institutional capacity, such as Buton Regency, is both academically significant and practically relevant for strengthening public sector governance and improving the quality of financial management at the local government level.

A growing body of literature has examined the determinants of financial accountability in local government institutions. Rahardjo et al. (2019) identified the effectiveness of internal control systems as the most influential predictor of reliable financial reporting within Indonesian local governments. Consistent with this finding, Syarifuddin et al. (2021) argued that well-established internal control mechanisms significantly strengthen public financial accountability. From the perspective of human resource management, Faristina and Waluyo (2018) reported a positive relationship between the competence of financial officers and the accountability of financial reporting. Moreover, Yuliani et al. (2020) found that the integration of competent human resources and effective internal control systems produces a stronger improvement in financial reporting quality than either variable alone. International evidence provided by Awortwi and Osei-Kojo (2020) further suggests that the enhancement of internal control systems, combined with continuous investment in the capacity building of financial management personnel, plays a crucial role in improving fiscal accountability across developing countries.

Nevertheless, these studies leave several important research gaps unaddressed. Most previous investigations have been conducted in local governments located in Java and Bali, regions that possess substantially different levels of infrastructure development and human resource capacity compared to archipelagic regions in Eastern Indonesia. Furthermore, the measurement of financial accountability in prior studies has largely focused on the formal dimension of financial reporting quality, while the substantive dimension of public budget accountability has received limited scholarly attention. In addition, no study has specifically examined the interaction between internal control systems and employee competence within the context of an archipelagic local government such as Buton Regency, where geographical dispersion creates unique challenges in coordination, supervision, and financial management. These gaps highlight the need for a context-sensitive investigation capable of generating more relevant empirical evidence and providing policy recommendations tailored to the specific characteristics and governance challenges of island-based local governments.

This study addresses these gaps by simultaneously examining the effects of internal control systems and employee competence on the financial accountability of the Buton Regency Government. Theoretically, the study is grounded in Agency Theory, which views internal control systems as monitoring mechanisms designed to reduce information asymmetry between the government and the public (Zimmerman, 2015). In addition, the study draws upon Institutional Theory, which emphasizes that normative and regulatory pressures play a significant role in shaping accountability practices within public sector organizations (Susilowati et al., 2023). Specifically, this research aims to: (1) analyze the effect of internal control systems on financial accountability; (2) examine the effect of employee competence on financial accountability; and (3) investigate the simultaneous influence of both variables on financial accountability. The findings are expected to contribute theoretically to the development of a context-specific financial accountability model for archipelagic local governments, while also providing empirical evidence to support policies aimed at strengthening public financial governance in Buton Regency.

METHOD

This study employed a quantitative approach using a survey research design. The research population consisted of all employees of the Regional Financial and Asset Agency (BKAD) of Buton Regency who were directly involved in local government financial management activities. A census sampling technique was applied, whereby all members of the population were included as research respondents, resulting in a total sample of 47 employees. This sample size satisfies the minimum requirements for conducting multiple linear regression analysis as recommended by Hair et al. (2019). The census approach was selected to ensure comprehensive representation of employees responsible for financial management processes and to minimize potential sampling bias.

By including the entire population, the study provides a more accurate assessment of the relationship between internal control systems, employee competence, and financial accountability within the organizational context of BKAD Buton Regency.

Data were collected using a structured questionnaire developed based on measurement indicators that had been validated in previous studies. The internal control system variable was measured using the five components of internal control proposed by the Committee of Sponsoring Organizations (COSO) framework and adapted from Rahardjo et al. (2019). These components include: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. All questionnaire items were measured using a five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). The use of previously validated measurement instruments was intended to ensure the reliability and validity of the constructs examined in this study. Prior to hypothesis testing, the research instrument was subjected to validity and reliability assessments to confirm its suitability for empirical analysis.

Instrument validity was assessed using the Pearson Product-Moment correlation test, with an item considered valid when the calculated correlation coefficient (r-value) exceeded the critical value of the correlation table ($r = 0.288$ for $n = 47$ at a 5% significance level). Instrument reliability was evaluated using Cronbach’s Alpha coefficient, with a minimum threshold of 0.70 indicating acceptable internal consistency (Yuliani et al., 2020). Prior to conducting the regression analysis, a series of classical assumption tests were performed to ensure the suitability of the regression model. These included the normality test using the Kolmogorov–Smirnov method, the multicollinearity test using the Variance Inflation Factor (VIF), and the heteroscedasticity test using the Glejser method. The data were analyzed using multiple linear regression with the following model:

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon}$$

where Y represents financial accountability,

X_1 denotes the internal control system,

X_2 represents employee competence,

α is the constant term,

β_1 and β_2 are the regression coefficients, and ε is the error term.

Hypothesis testing was conducted using both the t-test (partial effect) and the F-test (simultaneous effect) at a 5% significance level. All statistical analyses were performed using IBM SPSS Statistics Version 26.

RESULTS AND DISCUSSION

RESULT

The validity test results indicated that all questionnaire items across the three research variables had calculated correlation coefficients (r-values) exceeding the critical value of the correlation table (0.288). Therefore, all measurement items were considered valid and suitable for further statistical analysis. The reliability test results demonstrated strong internal consistency among the measurement instruments. The Cronbach's Alpha coefficients were 0.847 for the internal control system variable, 0.821 for employee competence, and 0.856 for financial accountability. Since all values exceeded the recommended threshold of 0.70, the instruments were deemed reliable and capable of consistently measuring the intended constructs. The classical assumption tests also produced satisfactory results. The normality test generated an Asymp. Sig. (2-tailed) value of 0.200, which was greater than the significance level of 0.05, indicating that the residuals were normally distributed. The multicollinearity test showed tolerance values of 0.919 for both the internal control system (X_1) and employee competence (X_2) variables, while the Variance Inflation Factor (VIF) values were 1.088 for both variables. These values were well within the acceptable thresholds, confirming that no multicollinearity problem existed in the regression model. Furthermore, the heteroscedast icity test, assessed through scatterplot analysis, revealed a random distribution of residuals with no discernible pattern. This finding indicates the absence of heteroscedasti city in the model. Consequently, all classical regression assumptions were satisfied, confirming that the regression model was appropriate & robust for subsequent hypothesis testing. The results of the multiple linear regression analysis are presented in Table 1.

Table 1. Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.706	5.946		2.641	0.011
	Sistem Pengendalian Intern	0.695	0.128	0.656	5.416	0
	Kompetensi Pegawai	-0.062	0.098	-0.077	-632	0.531

a. *Dependent Variable*: Akuntabilitas Keuangan

Sumber: Data Diolah SPSS, 2026

The estimated regression equation is as follows:

$$\mathbf{Y = 15.706 + 0.695X_1 - 0.062X_2 + e}$$

where Y represents financial accountability, X_1 denotes the internal control system, X_2 represents employee competence, and ε is the error term. The regression coefficient for the internal control system variable (X_1) is positive, indicating that improvements in the effectiveness of internal control systems tend to increase financial accountability. In contrast, the employee competence variable (X_2) has a negative coefficient, suggesting that, within the regression model, employee competence does not contribute positively to financial accountability when examined independently. The results of the coefficient determination are presented in Table 2.

Tabel 2. Hasil Uji Koefisien Determinasi R2

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638[a]	0.407	0.38	2.518

a. *Predictors: (Constant),* Kompetensi Pegawai, Sistem Pengendalian Intern
b. *Dependent Variable*: Akuntabilitas Keuangan

The coefficient of determination (R^2) was 0.407, indicating that the internal control system and employee competence jointly explained 40.7% of the variation in financial accountability. The remaining 59.3% was attributable to other factors not included in the present research model. These findings suggest that, although the independent variables make a substantial contribution to explaining financial accountability, additional organizational, managerial, and institutional factors may also play important roles in shaping financial accountability outcomes within local government institutions. The results of the t-Test (partial test) are presented in Table 3.

Tabel 3 Hasil Uji t (Parsial)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.706	5.946		2.845	.011
	Sistem Pengendalian Intern	.695	.656	.656	5.416	.000
	Kompetensi Pegawai	-.062	.098	-.077	-632	.531

a. Dependent Variable: Akuntabilitas Keuangan
Sumber: Data diolah SPSS 22

The results of the t-test indicate that the internal control system variable (X_1) has a calculated t-value of 5.416 with a significance level of 0.000, which is below the 0.05 threshold. Therefore, H_1 is accepted, indicating that the internal control system has a positive and statistically significant effect on financial accountability. This finding suggests that stronger internal control mechanisms contribute to improved accountability in local government financial management.

In contrast, the employee competence variable (X_2) has a calculated t-value of -0.632 with a significance level of 0.531, which exceeds the 0.05 significance threshold. Consequently, H_2 is rejected, indicating that employee competence does not have a positive and statistically significant effect on financial accountability. This result implies that individual competencies alone may not be sufficient to enhance financial accountability unless they are supported by effective organizational systems and control mechanisms. The results of the F-Test (simultaneous test) are presented in Table 4

Tabel 4. Hasil uji f (Simultan)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	191.623	2	95.811	15,114	.000[b]
	Residual	278.931	44	6.339		
	Total	470.553	46			

a. *Dependent Variable*: Akuntabilitas Keuangan
b. *Predictors: (Constant),* Kompetensi Pegawai, Sistem Pengendalian Intern
Sumber : Data diolah SPSS, 2026

The results of the F-test reveal a calculated F-value of 15.114 with a significance level of 0.000, which is below the 0.05 threshold. Therefore, H_3 is accepted, indicating that the internal control system and employee competence jointly have a statistically significant effect on financial accountability.

Discussion

This finding suggests that financial accountability within the Regional Financial and Asset Agency (BKAD) of Buton Regency is influenced by the combined contribution of organizational control mechanisms and human resource capabilities. Although employee competence was not found to have a significant partial effect, its interaction with an effective internal control system contributes significantly to enhancing financial accountability. These results underscore the importance of adopting an integrated approach that combines robust internal control practices with continuous human resource development to strengthen public sector financial governance.

The finding that the internal control system has a positive and significant effect on financial accountability is consistent with the studies of Rahardjo et al. (2019) and Syarifuddin et al. (2021). From a theoretical perspective, this result can be explained through the lens of Agency Theory, which posits that internal control systems serve as monitoring mechanisms that reduce information asymmetry between local governments as agents and citizens as principals (Zimmerman, 2015). When control mechanisms operate effectively, the likelihood of financial irregularities, fraud, and budget inefficiencies is reduced, thereby enhancing financial accountability. This finding is also in line with the study of Awortwi and Osei-Kojo (2020), which reported a positive relationship between strengthened internal control systems and fiscal accountability in developing countries characterized by limited institutional capacity.

In contrast, the non-significant partial effect of employee competence on financial accountability represents an interesting finding that warrants further consideration. This result differs from the findings of Faristina and Waluyo (2018), who reported a significant positive relationship between employee competence and financial accountability. The discrepancy may be explained through the perspective of Institutional Theory. In archipelagic local government settings with infrastructure and resource constraints, such as Buton Regency, individual employee competence alone may not be sufficient to produce optimal financial accountability outcomes unless it is supported by effective control systems and a conducive organizational environment (Susilowati et al., 2023). In other words, employee competence requires an enabling environment, particularly in the form of a robust internal control system, to translate individual capabilities into organizational accountability outcomes.

This interpretation is supported by Harun et al. (2022), who argued that improvements in the technical competence of public financial management personnel generate meaningful impacts only when accompanied by adequate institutional control infrastructure. Therefore, the effectiveness of employee competence should not be viewed in isolation but rather as part of a broader governance framework that includes organizational procedures, monitoring mechanisms, and institutional support systems.

The significant simultaneous effect identified through the F-test further reinforces this interpretation. The findings suggest that internal control systems and employee competence complement one another and should be strengthened concurrently to achieve higher levels of financial accountability. While internal control systems provide the structural and procedural framework necessary for accountability, employee competence ensures that such systems are implemented effectively and consistently. Consequently, local governments seeking to improve financial accountability should adopt an integrated governance strategy that combines institutional strengthening with continuous human resource development.The simultaneous finding is consistent with Budiharjo et al. (2025), who found that good governance, internal control, and competence are relevant to local government financial performance. Dewi et al. (2025) demonstrated that competence, financial information systems, and supervision are important for accountability in public financial management. Rizky and Noviyana (2022) found that internal control systems jointly contribute to government performance accountability. Karnila et al. (2024) also demonstrate the importance of internal control within a broader accountability framework. Mediaty et al. (2025) further show that human resource competence can strengthen the effect of internal control on financial reporting quality.

The 40.7% explanatory power indicates that 59.3% of the variation in financial accountability remains attributable to factors not examined in this study. Future studies could therefore examine leadership commitment, organizational culture, information technology utilization, quality of financial information, internal audit effectiveness, and regulatory compliance as additional explanatory variables. For BKAD Buton Regency, human resource development should be implemented together with improvements in internal control, supervision, and standardized financial procedures

CONCLUSION

This study generated three key findings regarding the financial accountability of the Buton Regency Government. First, the internal control system was found to have a positive and significant effect on financial accountability, confirming that the effectiveness of internal monitoring mechanisms is a fundamental prerequisite for achieving sound financial accountability within local government institutions. Second, employee competence did not exhibit a significant partial effect on financial accountability, suggesting that individual competencies require the support of an effective control system in order to contribute optimally to accountability outcomes. Third, the internal control system and employee competence jointly exerted a significant influence on financial accountability, explaining 40.7% of the variation in financial accountability. These findings underscore the importance of integrating robust internal control mechanisms with competent human resources to strengthen financial governance and enhance accountability in local government administration. The theoretical implication of this study lies in reinforcing the argument that an integrative framework combining Agency Theory and Institutional Theory provides a more comprehensive explanation of financial accountability dynamics in archipelagic local governments than a single-theory approach. While Agency Theory emphasizes the role of internal control systems as monitoring mechanisms to reduce information asymmetry between government officials and the public, Institutional Theory highlights the influence of regulatory and normative pressures in shaping accountability practices within public sector organizations. The findings suggest that both perspectives are necessary to understand how accountability is established and maintained in geographically dispersed local government settings. From a practical perspective, the Government of Buton Regency should prioritize strengthening its internal control system through enhanced supervisory mechanisms, standardized financial management procedures, and more intensive internal auditing practices. At the same time, employee competency development programs should be implemented within a supportive control environment to ensure that investments in human resource capacity translate into improved financial accountability outcomes. This integrated approach is essential for fostering effective financial governance and sustainable accountability practices. Future research is encouraged to explore potential moderating variables, such as leadership commitment and organizational culture, which may strengthen the relationship between employee competence and financial accountability. Incorporating these variables could provide a more nuanced understanding of accountability mechanisms in local government institutions and contribute to the development of more comprehensive models of public sector financial accountability.

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