

Internal Control System Effectiveness: the Impact of Human Resource Competence and Budget Target Clarity

Amaliah Kesuma, Rita Martini, Yuliana Sari

Politeknik Negeri Sriwijaya, Indonesia

Email: amaliahkesuma09@gmail.com, ritamartini@polsri.ac.id, yuliana_sari@polsri.ac.id

ABSTRACT

This study examines the impact of human resource (HR) competency and budget target clarity on internal control system efficacy. The research background stems from ICS deficiencies in the Audit Result Report of Palembang City by the Supreme Audit Institution of Indonesia (BPK). Employing a quantitative approach with primary data, it uses Statistical Product and Service Solutions (SPSS) version 29 for hypothesis testing via multiple linear regression and purposive sampling. Results reveal that HR competence and budget target clarity significantly and positively affect ICS effectiveness. This contributes empirical evidence on human capital development and financial planning transparency in strengthening internal controls in Indonesian local governments. Unlike prior studies examining factors in isolation, it highlights their combined effect on persistent audit-identified weaknesses. Findings align with agency and institutional theories, showing these elements as governance mechanisms for regulatory compliance and performance. The study offers implications for local governments to bolster ICS structures, procedures, and monitoring to detect and prevent deviations.

KEYWORDS

Internal Control System Effectiveness, Human Resource Competence, Budget Target Clarity, Public Sector Governance



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International

INTRODUCTION

Derived from the Government Regulation No. 60 of 2008 concerning the Government Internal Control System (GICS), internal control system (ICS) is a procedure that is integrated into activities and actions accomplished ceaselessly by the leadership and all workers to supply decent credence and the organizational goals' achievement by effective and efficient activities, state assets' safeguarding, financial reporting's reliability, and acquiescence with regulations and laws. The GICS implementation within government agencies is anticipated to stimulate the creation of bureaucratic reform and better governance. The reason is the GICS has four goals to be achieved, namely: (1) efficient and effective activities, (2) reliable financial reports, (3) state assets' security, and (4) compliance with regulations and laws.

Effectiveness is a fundamental concept in financial reporting because it reflects the extent to which the planned goals can be achieved by utilizing the resources or costs available to a government entity (Usmar, 2021; Martini et al., 2022). The efficiency of the internal control framework plays a vital role in ensuring the longevity and success of an organization, including governmental bodies (Martini et al., 2019). An effective ICS acts as a strong foundation, ensuring that activities run effectively, assets are protected from misuse or loss, and the information presented is accurate and reliable. Through strong ICS, public institutions can boost financial transparency and obligation, which helps to diminish risks related to corruption and irregular practices, and ensure that development programs and public services achieve the set goals. Thus, it able to be said that the success of internal control takes a very significant part for an organization, including local governments. Local governments are required to conduct

effective internal control for the sake to have a high level of confidence in achieving their targets (Boufounou et al., 2024; Cheruiyot et al., 2018; Kewo, 2017).

The BPK Audit Report on the Palembang City Government stated that since 2019-2023 there have been findings of insufficiencies in the ICS in the city of Palembang, where these findings are certainly a serious concern and require comprehensive improvement measures. The ICS findings' number has increased, but it has decreased. In 2019 there were 4 findings of the internal control system, one of which was findings related to asset management. Furthermore, in 2020 discoveries correlated to the ICS soared to 23 findings. Then, in 2021 there was a decrease, namely there were only 5 findings. Next, in 2022 it increased again, namely 6 findings. Finally, in 2023 it declined again, namely there are 4 findings that show incapacities in the city of Palembang ICS. Derived from the Audit Report showed by BPK in the 2019 Financial Statements, there are incapacities in the ICS, where there are findings in the form of administration and cash management in the Palembang city government, especially in the Regional Secretariat, that are not orderly and adequate. In addition, the management and administration of fixed assets of the Palembang city government also shows shortcomings. Furthermore, there were inaccuracies in the budgeting and realization of capital expenditure at the Housing and Land Office which reached Rp16,042,514,540.00.

Referring to the 2020 Audit Report conducted by BPK on the financial statements, known as the weaknesses of the ICS include 23 findings, some of which are that the Palembang City Government does not have an accounting policy regarding expenses paid in advance and income received in advance, tax problems that have not been orderly, the management and receipt of levies has not been optimal, the share of profit on capital participation in PDAM Tirta Musi is less received by Rp31,405,653,944.60, overpayment of food and beverages and service spending, lack of volume of work packages for goods and services expenditure in 3 Regional Apparatus, irregular management of School Operational Assistance funds, management of supplies in 3 Regional Apparatus has not been orderly, capital participation in PDAM Tirta Musi has not been determined, management and administration of fixed assets of the Palembang City government has not been orderly, capital expenditure work in 3 Regional Apparatus lacks volume of Rp2,721,592,258.42, capital expenditure work in 2 Regional Apparatus is late and has not been subject to late fines of Rp339,290,239.65, and many more.

Referring to the 2021 Audit Report conducted by BPK in the financial statements, there are weaknesses in the control system, where there are findings in the inadequate management's form of accounts belonging to the Palembang City government, inadequate determination, collection, and payment of PBB and BPHTB at the Regional Tax Management Agency, payment of goods and services expenditure at 17 Regional Apparatus amounting to Rp1,792,831,596, 40 not in accordance with the provisions, excess calculation in the payment of consulting service personnel fees in 5 Regional Apparatus, and lack of volume for the implementation of 35 physical work packages in 2 Regional Apparatus amounting to Rp4,422,670,765.58.

Based on the 2022 Audit Report conducted by BPK in the financial statements, namely finding weaknesses in the ICS including 6 findings, including the classification of budgeting for goods and services, and capital expenditure in 28 Regional Apparatus is incorrect, the procurement of elementary and junior high school furniture at the Education Office is not in accordance with the provisions, the lack of volume of 49 work packages in 8 Regional

Apparatus amounting to Rp8,068,427,677.13, the lack of cash in the expenditure treasurer resulted in the cash balance in the expenditure treasurer in the 4 Regional Apparatus being presented unreasonably, the determination of the increase in the amount of transportation and housing allowances for DPRD members was not in accordance with the provisions resulting in an overpayment of transportation allowances of Rp1,570,736,250.00, and the capital expenditure work package and one grant expenditure work package in the 3 Regional Apparatus were late and have not been subject to late fines.

Based on the 2023 Audit Report conducted by BPK on the financial statements, it was also discovered that the ICS's weaknesses included several findings, namely budgeting and realization of expenditure of ASN employees not in accordance with the provisions, work specifications not in accordance with the contract, lack of volume, and the high cost of capital expenditure in 11 Regional Apparatus, the implementation of the procurement of construction goods/services has not fully complied with the provisions, the classification of expenditure budgeting in 24 Regional Apparatus is incorrect which results in over expenditure on goods and services amounting to Rp5,704,189,452.00, cash administration at the expenditure treasurer in 3 Regional Apparatus is not in accordance with the provisions and there is a shortage of cash which results in insufficient cash discharge in the expenditure treasurer in 3 Regional Apparatus amounting to Rp394,106,595.67.

One of the factors of the internal control system's effectiveness is the human resources' competence. Human resource (HR) competence is the ability of individuals in an entity to conduct responsibilities to achieve the entity's goals effectively and efficiently (Alminanda & Marfuah, 2018). Kansah et al. (2023) highlighted that the foundation for shaping HR competencies consists of three core elements: knowledge, skills, and attitudes. However, based on the findings of Rusnindita et al. (2017), HR competence does not influence the effectiveness of the internal control system. This able to happen because the job description of employees in the regional apparatus is not in accordance with their background or educational qualifications, so that employees are less competent which will cause inefficiency in carrying out their duties or work. This is in contrast to Putri C et al. (2017) eavealed that human resource competency significantly and favorably influences the success of the internal control system. The quality of the ICS improves as HR competency advances. Recent studies by Juliana et al. (2025) and Khairunnisa & Nurhasanah (2024) have further reinforced the critical role of HR competence in Indonesian local government contexts, demonstrating that competent personnel are better equipped to identify control weaknesses and implement corrective measures effectively.

In addition to HR competence, the factor that affects the ICS's effectiveness is the clarity of budget targets. Measurable budget goals allow organizations to evaluate actual performance compared to pre-set targets (Putri V et al., 2021). Thus, the ICS's effectiveness capable to be assessed based on its ability to ensure the clarity of budget targets. If budget goals are unclear, it can be difficult to measure whether the ICS has been effective in supporting the achievement of organizational goals. The previous study's (Putri N et al., 2023), show that there is a significant direct effect of the budget targets' clarity on the internal control system's effectiveness. The Jambi Provincial GICS effectiveness is greatly influenced by the budget target's clarity with the ability to explain 9.18%. The better the budget targets' clarity, the higher the Jambi Provincial GICS effectiveness. This research's outcomes are in line with previous study by Usman (2021) on research in the DKI Jakarta local government, stating that

the budget targets' clarity has a significant and positive influence on the effectiveness of the ICS. Budget targets with program clarity will facilitate the achievement of targets and are related to the internal control's effectiveness, especially organizational performance (Fitrawati et al., 2017; Putri V et al., 2021). Furthermore, Sari et al. (2023) emphasized that clear budget targets serve as critical benchmarks for monitoring and evaluation processes, enabling more effective preventive and detective controls in government financial management.

Stemming from the problem background, this research aims to: (1) examine the relationship between human resource competence and the effectiveness of the internal control mechanism in the Regional Apparatus of Palembang city; (2) analyze how the precision of budget objectives affects the ICS's functionality; and (3) evaluate the combined influence of HR competence and budget target clarity on the internal control system's effectiveness. This research has a focused scope, with limitations on the discussion of HR competence and the budget targets' clarity in all regional apparatus in the Palembang city government. The expected contribution of this study encompasses both theoretical and practical dimensions. Theoretically, this research enriches the literature on internal control effectiveness by integrating agency theory and institutional theory perspectives, demonstrating how competent human resources and transparent budget planning serve as governance mechanisms that reduce information asymmetry and enhance organizational accountability in public sector settings.

Practically, the findings provide actionable insights for policymakers and government managers in designing human resource development programs and budget formulation processes that strengthen internal control systems. The study also offers a framework for audit institutions to prioritize capacity-building initiatives and budget clarity improvements when recommending corrective actions for control weaknesses in local governments. In addition, this study is anticipated to give significant benefits, such as giving a better conception of the effect of HR competencies and the budget targets' clarity on the internal control system's effectiveness, as well as being a reference for the development of policies and practices within the regional apparatus in Palembang City.

METHOD

This study applied a quantitative approach. This method aimed to examine phenomena in a specific sample or population through data collection using research instruments. The acquired data were analyzed quantitatively to test the formulated hypotheses. This approach was limited to observable symptoms and excluded emotional phenomena.

The population comprised all Regional Apparatus in Palembang City, serving as the subjects to be measured and the units of analysis. Samples were selected using purposive sampling, where determination followed specific criteria. The total sample consisted of 128 respondents, including head-level officials and financial sections/subdivisions in each Regional Apparatus.

The data collection technique was a questionnaire, in which respondents selected options indicating agreement or disagreement. The employed scale was a five-level Likert scale, considered efficient for gathering data from large numbers of respondents.

Data analysis was conducted using multiple linear regression, with collected data processed via IBM SPSS Statistics 29. Descriptive statistics summarized the studied objects without generalization. To ensure data quality, validity and reliability tests were performed:

validity confirmed that instruments measured the intended concepts, while reliability assessed measurement consistency. Prior to hypothesis testing, classical assumption tests—including multicollinearity, normality, and heteroscedasticity—were conducted to verify that the data met required criteria. Hypothesis testing involved multiple linear regression analysis to evaluate the influence of independent variables on the dependent variable, partial significance tests (t-tests) for individual effects, and simultaneous significance tests (F-tests) for combined effects.

RESULT AND DISCUSSION

Data Quality Test Results

A valid instrument not only contains relevant questions, but is also capable of stimulating answers that reflect the variables being thoroughly studied and do not distort. Measuring validity was done using a bivariate relationship between each indicator score and the total score. The bivariate relationship analysis' outcomes able to be found by looking at Cronbach's alpha output. This test compares the r-calculated value with the r-table value at a significance level of 5% ($\alpha = 0.05$) and the degree of validity (dk) = $n - 2$, if the r-calculation $>$ the r-table value then the instrument is stated valid. Conversely, if the value of r-count is $<$ the r-table, then the instrument is contemplated invalid and needs to be revised or omitted so as not to interfere with the accuracy of the measurement. The results of all items' r-count values were obtained above the r-table of 0.192. Therefore, it is deduced that all statement items are valid to apply.

Reliability tests are performed on items that were declared valid in the previous validity test. The instrument or question is stated less reliable if the Cronbach Alpha coefficient's value < 0.6 , while the Cronbach Alpha coefficient's value of 0.7 is considered acceptable, and the Cronbach Alpha coefficient's value > 0.8 is considered good. The Cronbach Alpha value results of all variables were > 0.6 . For that reason, it is deduced that all variables are reliable to apply.

Classical Assumption Test Results

The regression model, the normality test is employed to assess whether the residual values resulting from regression are normally or abnormally distributed (Ghozali, 2021). The one which has a normally distributed residual value classified as a good regression model. If the residual is not distributed normally, then the p-value results from the hypothesis test can be inaccurate and misleading. The normality test is not only aimed at meeting technical procedures, but also has a fundamental part in making sure the validity of statistical inferences. The normality test is very necessary so that the regression coefficient's outcomes estimation able to be validly tested through statistical tests such as t-tests and F-tests. The normality test was conducted applying the One Kolmogorov-Smirnov (K-S) Test statistics with a significant level of 5%. If the significance value is $> 5\%$ then the data is distributed normally. If the sig value is $< 5\%$, then the data is not distributed normally. It able to be known that the curve does not tilt to the right or to the left, or in other words, the curve above is bell-shaped. Therefore, it able to be stated that the data employed in the study is distributed normally. It presents that the residual data moves along the normality distribution line, therefore it is stated that the residual data is

distributed normally. In addition, the researcher also presented the outcomes of the Kolmogorov-Smirnov test which are contained in the following table 1.

Table 1 Results of the Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
	N	104
Normal Parameters^{a,b}	Mean	0
	Hours of deviation	3,94621337
Most Extreme Differences	Absolute	0,107
	Positive	0,061
	Negative	-0,107
Test Statistic		0,107
Asymp. Sig. (2-tailed)^c		0,052
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Processed Data (2025)

Derived from table 1, a significance value of 0.052 was obtained $> \alpha$ (0.05), for that reason, the conclusion to accept H_0 was acquired with the deduction that the residual data is distributed normally.

Multicollinearity arise when 2 or more independent variables have a very high relationship, causing difficulties in separating the effect of each variable on the dependent variable (bound variable). There is no relationship between the independent variables that would categorize the regression model as a good one. To detect the presence or absence of multicollinearity in the regression model, it can be identified by the tolerance value and its counterpart, the Variance Inflation Factor (VIF). These two measures indicate which variable is explained by another independent variable. A low tolerance value corresponds to a high VIF value (since $VIF = 1/tolerance$). The threshold commonly used to define multicollinearity is a tolerance value < 0.10 or a VIF value > 10 . Since all independent variables had tolerance values > 0.10 and VIFs < 10 , it was concluded that no multicollinearity existed among the independent variables.

The heteroscedasticity examination, as explained by Ghazali (2021), aims to determine if there is a disparity in the variance of residuals from one data point to another within the regression framework. When these variances are stable, the condition is referred to as homoscedasticity, whereas differing variances indicate heteroscedasticity. In a good regression model, one of the classic assumptions that must be met is the existence of homoskedasticity, which is a condition in which the variance of error (residual) is constant or equal for all independent variable values. If this assumption is violated and the residual variance varies (not constant), then this condition is called heteroscedasticity. If the test results show heteroscedasticity, then the researcher needs to handle it. One common way is to use variable transformations to stabilize variance.

The researcher tested heteroscedasticity if the dots randomly spread, the data were scattered both below and above the number 0 on the Y axis, then heteroscedasticity did not occur. It presents that residual data is dispersed randomly and does not structure a specific pattern. It able to be said that there are no heteroscedasticity's symptoms or in other words the

regression model is compatible for utilize in determining the factors of the X variable that able to influence the internal control system's effectiveness.

Hypothesis Test Results

Multiple linear regression is a statistical analysis method employed to measure and analyze the correlation between one dependent variable (the affected variable) and two or more independent variables (the influencing variable). This analysis technique is a development of simple linear regression, in which there is just 1 independent variable. Researchers in multiple linear regression can see the simultaneous influence of multiple factors on an outcome, which is very useful in social, economic, management, and another field research. Independent variables in this research that include HR competence and the budget targets' clarity on dependent variables, namely the internal control system's effectiveness of the Palembang city regional apparatus, have been examined applying multiple linear regression tests, with the analysis' outcomes presented in detail in table 2.

Table 2 Multiple Linear Regression Test Results

Type	Coefficients		
	B	Std. Error	Beta
1 (Constant)	11,749	3,438	
Human Resource Competencies	0,839	0,111	0,613
Clarity of Budget Targets	0,306	0,091	0,273

a. Dependent Variable: Effectiveness of the Internal Control System

Source: Processed Data (2025)

The multiple linear regression equation model is acquired as follows:

$$\text{ESPI} = 11.749 + 0.839 \text{ KSDM} + 0.306 \text{ KSA} + e$$

According to the regression equation model formed, the results able to be said as follows:

- 1) The constant value (α) of 11.749 explains that if the HR competence and the clarity of budget targets are considered constant or have not changed (the value is zero), then the internal control system's effectiveness value has a positive value of 11.749.
- 2) The regression coefficient value of the HR competency variable of 0.839 explains that the HR competency variable has a positive influence on the ICS's effectiveness, so it able to be concluded that if the HR competency variable develops by 1%, the variable of the internal control system's effectiveness will develop by 8.39%.
- 3) The regression coefficient value of the budget target clarity variable of 0.306 explains that the budget target's clarity has a positive influence on the effectiveness of the ICS, so it able to be concluded that if the budget target's clarity develops by 1%, then the variable of the ICS's effectiveness will develop by 3.06%.

Coefficient determination is an analysis technique that is very useful in evaluating the performance of regression models. The R^2 test is employed to see the extent to which HR competence and the budget targets' clarity influence the ICS's effectiveness of the Palembang

city regional apparatus. The results of the determination coefficient test in this study comprehensively summarize the data and allow the researcher to identify which variables have the greatest impact as well as which variables may require further attention for improving the internal control system's effectiveness in the future.

Table 3 Determination Coefficient Test Results (R²)

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.834 ^a	0,696	0,69	3,98509
a. Predictors: (Constant), Clarity of Budget Targets, Human Resource Competence				
b. Dependent Variable: Effectiveness of the Internal Control System				

Source: Processed Data (2025)

R Square value of 0.696 was obtained, indicating that HR competence and budget targets' clarity have an effect on the ICS's effectiveness by 69.6%, while the remaining 30.4% of the ICS's effectiveness is affected by other variables outside this research.

Ghozali (2021) stated that the t-test is basically applied to show the extent of the affect of each partially independent variable on the dependent variable in a regression model. Partial testing is useful in quantitative research because it is capable to give a clear portrait of the part of each independent variable in describing the variations that occur in bound variables. This allows researchers to identify which variables have a real contribution to the built model, and can be used as a basis for data-driven strategic and policy decision-making. Decision making is with a significance value of 0.05 and comparing t calculations with t in the table persevered as follows:

- 1) If the significance level < 0.05 and t calculate > t table, then H₀ is declined and H_a is accepted, which concludes that the independent variable influences partially the dependent variable.
- 2) If the significance level > 0.05 and t calculates < t of the table, then H₀ is accepted and H_a is declined, which concludes that the independent variable has no influence partially on the dependent variable.

The outcomes of the t-test are showed in table 4.

Table 4. Partial Test Results (t-Test)

Model	Coefficients			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
1 (Constant)	11,749	3,438		3,418	<.001
Human Resource Competencies	0,839	0,111		7,532	<.001
Clarity of Budget Targets	0,306	0,091		0,273	.001
a. Dependent Variable: Effectiveness of the Internal Control System					

Source: Processed Data (2025)

Several things able to be concluded as follows:

T-Table Acquisition : N – K = 104 - 3 = 101

T-Table Values : 1,661

- 1) HR competence has a T-Count value of $7.532 > T\text{-Table } 1.661$ and a significance value (sig) of $0.001 < 0.05$. Therefore, a hypothetical decision was accepted with the conclusion that HR competencies have a significant influence on the ICS's effectiveness. Thus, H1 in this study was accepted.
- 2) The budget target's clarity has a T-Calculation value of $3.352 > T\text{-Table } 1.661$ and a significance value (sig) of $0.001 < 0.05$. Therefore, a hypothetical decision was accepted with the conclusion that the budget target's clarity has a significant effect on the ICS's effectiveness. Thus, H2 in this study was accepted.

Simultaneous tests (F-Test) are carried out to discover whether independent variables equally have an influence on dependent variables. For the F Test, the decision-making basis is that if the F-Calculated value exceeds the F-Table value ($F\text{-Calculation} > F\text{-Table}$), it indicates that variable X has an impact on variable Y. Similarly, if the Sig value is less than 0.05, it shows that variable X affects variable Y. The F-test is significant in research because it offers an initial evaluation of the regression model's adequacy. If the F-test results show that the model is not significant, researchers should reassess the variables involved or possibly adjust the research model. Therefore, the simultaneous test (F-test) is a crucial basis because it shows whether the relationships built between variables can be scientifically accounted for and are worthy of further interpretation. The F test results between independent variables which include HR competence and the budget targets' clarity to the dependent variable, namely the ICS's effectiveness of the Palembang city regional apparatus are interpreted in table 5.

Table 5 Results of Simultaneous Test (F-Test)

ANOVA						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1 Regression	3671,013	2	1835,506	115,579	<.001b	
Residual	1603,978	101	15,881			
Total	5274,99	103				

a. Dependent Variable: Effectiveness of the Internal Control System
b. Predictors: (Constant), Clarity of Budget Targets, Human Resource Competence

Source: Processed Data (2025)

Derived from the F test, the F-Count outcome was acquired as 115.579 by comparing the F-Table and the real level of 0.05. Hence, the F-Table is acquired as follows:

$$Df\ 1 \quad : K - 1 = 3 - 1 = 2$$

$$Df\ 2 \quad : N - K = 104 - 3 = 101$$

$$F\text{-Table} : 3.09$$

F-Calculation is larger than F-Table ($115.579 > 3.09$) by comparing the magnitude of the sig level of research with a significant level of 0.05, then $0.001 < 0.05$, it able to be interpreted if there is a significant effect between the HR competence and the budget targets' clarity simultaneously having a significant influence on the ICS's effectiveness.

Discussion

1. How HR Competence Impacts the Effectiveness of ICS

The outcomes of the analysis conducted in this study showed that the HR competence has a significant influence on the ICS's effectiveness. This is evidenced by a T-Count value of

$7.532 > T\text{-Table}$ of 1.661 and a significance value (sig) of $0.001 < 0.05$. The influence obtained has a positive value, which defines that improving the good human resources' competence will have an effect to increase the effectiveness of a good ICS as well. This study results are in line with (Putri C et al., 2017) were acquired that in the statistical test t acquired a T-Count value of $5.761 > T\text{-Table}$ of 1.99167 and had a significance value of 1.99167 and had a sig value of 1.99167 in the statistical test t-count of 5.761 $T\text{-Table}$ 0.000 < 0.05 . This defines that the HR competence has a significant and positive influence on the ICS's effectiveness.

In modern organizations, especially in the business and government sectors, the ICS's effectiveness is the main key in ensuring the achievement of operational objectives, compliance with regulations and laws, and reliable financial reporting (Bay & Tunti, 2019; Wahyudi et al., 2024). One of the main factors that greatly influences the internal control system's successful implementation is the HR competence. Without competent human resources, no matter how sophisticated the system is implemented, it will still not run effectively. HR competence plays an fundamental part in the success of internal control, as every element of this system is highly dependent on humans as the main actors. Human resources who have high competence tend to have greater awareness of the importance of ethics, accountability, and compliance. This creates a work culture that supports the effectiveness of control. The ability to identify and assess risks is highly dependent on the expertise and experience of the individual responsible. Competent employees are able to recognize potential risks that may arise, assess their impacts, and propose appropriate mitigation measures. On the contrary, a lack of competence can lead to negligence in identifying crucial risks.

Hertati et al. (2021) suggest that controlling activities such as authorization, verification, reconciliation, and separation of tasks requires certain technical skills and knowledge. Competent human resources will carry out these controls effectively, in a timely manner, and in accordance with established procedures. Competence is also important in handling technology-based information systems, including understanding accounting systems and control software. The ability to convey and receive relevant information in a timely and accurate manner is essential in an internal control system. Competent human resources are able to document activities well, establish communication across departments, and submit relevant reports to management. Good communication competence also makes it easier to deliver early warnings if violations or inconsistencies are found. The monitoring process involves a continuous evaluation of the effectiveness of internal controls. Human resources who have high competence can carry out supervision carefully and objectively. They also have the analytical ability to assess whether the controls are running according to the purpose or need to be refined. Individuals with high expertise and integrity are able to carry out supervisory functions in an objective and professional manner.

2. How Budget Target Clarity Impacts the Effectiveness of ICS

The outcomes of the analysis conducted in this research concluded that the budget targets' clarity has a significant influence on the ICS's effectiveness. This is evidenced by a T-Count value of $3.352 > T\text{-Table}$ of 1.661 and a significance value (sig) of $0.001 < 0.05$. The influence obtained is positive which means that increasing the clarity of good budget goals will have an effect on increasing the effectiveness of a good ICS as well. This research's outcomes

are in line with (Usmar, 2021; Sari et al., 2022) were obtained that the budget targets' clarity has a significant and positive influence on the effectiveness of the internal control system of the DKI Jakarta local government which stipulates that the better the budget targets clarity able to be improve the ICS's effectiveness.

Internal control systems are essential elements of organizational management, relevant to both public and private organizations. These systems are designed to secure the accomplishment of organizational goals, with a focus on the accuracy of financial statements, adherence to laws and regulations, and enhancing operational performance. The success of implementing the ICS is closely linked to the quality of budget planning, particularly the clarity of the budget targets. When budget targets are prepared clearly and measurably, control over budget implementation becomes more directed, effective, and efficient. The internal control's effectiveness is characterized by the system's ability to discover, prevent, and correct errors, frauds, or irregularities that occur in the organization's operational processes. Clear budget goals will make it easier for each work unit to understand their respective roles and responsibilities. This creates a more assertive line of control and reduces the possibility of overlap or waste. Accountability also increases because any deviations can be traced back to the goals that have been set. Clarity of budget goals makes it easier for organizations to develop key performance indicators, which is especially important in internal control systems, as accurate performance measurement will help in identifying risk-prone points as well as assessing whether activities are going as planned.

Internal control is highly dependent on the existence of a clear baseline of what is to be achieved (Rakhma & Sulistyowati, 2021). Through clear budget targets, control activities such as budget review, internal audit, and realization monitoring can be carried out more objectively and systematically. Clarity of objectives helps minimize the space for free interpretation in the use of the budget. This reduces the possibility of fraud because every expense and activity must be in line with the predetermined goals. Through clear budget targets, the process of delivering information between units becomes more transparent and efficient. All parties have the same understanding of budget priorities, so that communication in implementation and reporting becomes more effective, supporting communication and information elements in the internal control system. Thus, explicitly defined budget objectives are an important foundation for the creation of accountable and measurable financial governance.

3. How HR Competence and Budget Target Clarity Affect ICS Effectiveness

Derived from the data analysis results, it able to be said that the HR competence and the budget targets' clarity have a significant effect on the ICS's effectiveness. This is revealed by the value of F-Calculation $>$ the F-Table ($115.579 > 3.09$) by comparing the magnitude of the sig level of research with the sig level of $0.001 < 0.05$. Thus, H_0 is declared declined and H_a is accepted. These results show that the two independent variables simultaneously contribute or have a positive influence on increasing the ICS's effectiveness in an organizational entity or in this case the regional apparatus. This indicates that the development of adequate quality of HR and the formulation of structured and clear budget targets are two important factors that cannot be ignored in creating an effective ICS.

The implications of the outcomes of this research show that organizations or entities that want to increase the ICS's effectiveness need to pay serious attention to two main things.

First, improving the HR competence, which able to be done through training, continuous education, and placement of employees in accordance with their expertise and field of duty. HR competencies will be better able to understand risks and implement control policies well. Second, the formulation of clear budget objectives, which includes clarity of objectives, measurable performance and targets. Clarity of budget goals reflects how well the organization is formulating financial-related goals, setting resource allocations, and realistically planning for achievements. When the budget objectives are not clear, the entire control process will lose direction and purpose, and open a gap for inefficiency and disorder in the implementation related to the budget.

CONCLUSION

The study concludes that human resource (HR) competency exerts a significant positive influence on internal control system (ICS) effectiveness, as does budget target clarity. Together, these factors jointly contribute significantly to enhancing ICS performance, underscoring their strategic importance for strengthening internal controls in Palembang City's Regional Apparatus. These results align with prior research emphasizing competent personnel and precise budgeting as key governance mechanisms (e.g., Putri C et al., 2017; Usmar, 2021). For future research, scholars could explore moderating variables like organizational culture or technology adoption in ICS efficacy, or extend the analysis longitudinally across multiple Indonesian provinces to assess sustained impacts amid policy changes.

REFERENCES

Alminanda, P., & Marfuah, M. (2018). The role of organizational commitment in moderating the influence of human resource competence, internship control systems, and information technology utilization on the quality of regional government financial reports. *Journal of Business Economics Analysis*, 16(2), 117–132. <https://doi.org/10.31603/bisnisekonomi.v16i2.2620>

Bay, P. G., & Tunti, M. E. D. (2019). The influence of the government internal control system on the effectiveness of regional financial management (Case study of the Kupang City Regional Finance Agency). *Journal of Accounting: Transparency and Accountability*, 7(2), 138–147.

Boufounou, P., Eriotis, N., Kounadeas, T., Argyropoulos, P., & Poulopoulos, J. (2024). Enhancing internal control mechanisms in local government organizations: A crucial step towards mitigating corruption and ensuring economic development. *Economies*, 12(4), 78.

Cheruiyot, M. P., Namusonge, G. S., & Sakwa, M. (2018). Influence of internal control practices on performance of county governments in Kenya. *International Journal of Social Sciences and Information Technology*, 4(8), 224–234.

Fitrawati, Kahar, A., & A, M. I. (2017). Internal control for performance accountability of government agencies (Survey of regional work units (SKPD) in Parigi Moutong Regency). *E-Journal Katalogis*, 5, 177–184.

Ghozali, I. (2021). *Multivariate analysis application with IBM SPSS 26 program*

(10th ed.). Diponegoro University Publishing Agency.

Hertati, L., Gantino, R., Puspitawati, L., Ilyas, M., & Safkaur, O. (2021). The influence of human resource competence on improving hospital patient internal control systems in the Covid-19 era. *Economics and Digital Business Review*, 2(2), 178–195. <https://doi.org/10.37531/ecotal.v2i2.29>

Juliana, M., Satriawan, I., & Periansya. (2025). Factors influencing the effectiveness of internal control systems (A study of regional government organizations of the South Sumatra Province). *JEMSI (Journal of Economics, Management, and Accounting)*, 11(1), 366–376.

Kansah, D. D., Utaminingsyah, T. H., & Fauzi, A. (2023). The influence of human resource competence and internal control systems on the quality of local government financial reports with the use of information technology as a moderating variable. *Journal of Revenue: Accounting Journal*, 4(1), 405–419.

Kewo, C. L. (2017). The influence of internal control implementation and managerial performance on financial accountability local government in Indonesia. *International Journal of Economics and Financial Issues*, 7(1), 293–297.

Khairunnisa, S. R., & Nurhasanah. (2024). The influence of organizational commitment and the role of internal audit on the effectiveness of the internal control system at the Palembang City Inspectorate. *As-Syirkah: Islamic Economics & Financial Journal*, 3, 2012–2019. <https://doi.org/10.56672/assyirkah.v3i4.385>

Martini, R., Karlina, A., & Dwitayanti, Y. (2022). Implementation of government internal control system and organizational commitment's impact on fraud. In *Proceedings of the International Conference on Applied Science and Technology on Social Science 2022 (iCAST-SS 2022)* (pp. 468–471). Atlantis Press.

Martini, R., Lianto, N., Hartati, S., Zulkifli, Z., & Widyastuti, E. (2019). Sistem pengendalian intern pemerintah atas akuntabilitas pengelolaan keuangan dana desa di Kecamatan Sembawa. *Jurnal Akademi Akuntansi*, 2(1).

Putri, C. D., Yuniarta, G. A., & Prayudi, M. A. (2017). The influence of regulatory knowledge, human resource competence, monitoring, and evaluation on the effectiveness of village government internal control systems (A study of villages in Karangasem Regency). *E-Journal of Undergraduate Programs, Ganeshha University of Education*, 8(2), 1–11. <https://ejournal.undiksha.ac.id/index.php/S1ak/article/view/13249/8334>

Putri, N., Afrizal, & Wahyudi, I. (2023). The influence of budget target clarity, human resource capacity, and information technology utilization on regional financial management with internal control systems as an intervening variable. *Journal of Accounting and Finance, University of Jambi*, 8(3), 224–240. <https://online-journal.unja.ac.id/jaku/article/view/36369>

Putri, V. N., Pisey, K. K., & Martini, R. (2021). Determinants of regional budget absorption in the regional apparatus organization of Palembang City. In *Proceedings of the 4th Forum in Research, Science, and Technology (FIRST-T3-20)* (pp. 162–166). Atlantis Press.

Rakhma, S. Y., & Sulistyowati, E. (2021). Budgeting determinants, internal control systems, clarity of budget targets, and utilization of information technology for performance accountability. *Journal of Accounting Science and Research (JIRA)*, 10(8).

Rusnindita, K., Rosidi, & Baridwan, Z. (2017). Determinants of the quality of government internal control systems. *Journal of Research and Applications: Accounting and Management*, 2(2), 141. <https://doi.org/10.18382/jraam.v2i2.105>

Sari, K. R., Putri, D. K. O., Martini, R., Yanto, D., & Wasiran, Y. (2023). Role of preventive and functional control in budget control effectiveness. In *Proceedings of the 6th FIRST T3 2022 International Conference (FIRST-SS 2022)* (pp. 163–168). Atlantis Press.

Usmar. (2021). Analysis of the effectiveness of government internal control systems (Survey of the DKI Jakarta Regional Government). *Indonesian Journal of Accounting and Business*, 2(1), 50.

Wahyudi, R., Martini, R., Ramadhana, R. N., Sari, K. R., & Amri, D. (2024). Internal controls, investigative audits, and forensic accounting can help prevent fraud. In *Proceedings of the 7th FIRST 2023 International Conference on Global Innovations* (pp. 48–52).