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## Determinants of Financial Reporting Quality: Internal Control Effectiveness, IT Utilization and Tax Compliance with Human Resource Capability as Moderator

Yohanes Mardinata Rusli<sup>1</sup> Andrianto Widjaja<sup>2</sup>

<sup>1</sup>Sekolah Tinggi Manajemen PPM, Jakarta, Indonesia, [yohanrusli17@gmail.com](mailto:yohanrusli17@gmail.com)

<sup>2</sup>Sekolah Tinggi Manajemen PPM, Jakarta, Indonesia, [andwidjaja312@gmail.com](mailto:andwidjaja312@gmail.com)

Corresponding Author: [yohanrusli17@gmail.com](mailto:yohanrusli17@gmail.com)<sup>1</sup>

**Abstract:** Financial Reporting Quality (FRQ) remains a critical issue in healthcare organizations due to complex financial transactions regulatory demands and increasing requirements for transparency and accountability. This study examines the effects of Internal Control Effectiveness (ICE) Information Technology Utilization (ITU) and Tax Compliance (TAC) on FRQ and the moderating role of Human Resource Capability (HRC). A quantitative cross-sectional survey design was used involving accounting finance and internal audit personnel from JCI-accredited private hospitals in Jakarta and Tangerang Indonesia. Of the 220 distributed questionnaires 203 valid responses were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings show that ICE TAC and HRC significantly improve FRQ while ITU has no significant effect. Moreover HRC strengthens the relationships between ICE and FRQ as well as TAC and FRQ but does not moderate ITU's effect on FRQ. These findings indicate that technology adoption alone is insufficient to enhance FRQ without strong governance mechanisms and capable human resources. The study contributes to literature by highlighting complementary roles of internal controls tax compliance and human resource capability in improving reporting quality in healthcare organizations. Practical implications are provided for strengthening organizational accountability, governance effectiveness, and long-term institutional sustainability.

**Keyword:** Financial Reporting Quality, Internal Control Effectiveness, Information Technology Utilization, Tax Compliance, Human Resource Capability.

### INTRODUCTION

Financial Reporting Quality (FRQ) has become an increasingly important issue in healthcare organizations due to the growing complexity of financial transactions, stricter regulatory requirements, and rising stakeholder demands for transparency and accountability. High-quality financial reporting serves as a fundamental mechanism for supporting managerial decision-making, reducing information asymmetry, enhancing public trust, and ensuring organizational sustainability. Within the healthcare sector, particularly among

private hospitals, maintaining high-quality financial reporting is critical because healthcare institutions operate in a highly regulated environment while simultaneously managing substantial financial resources and delivering essential public services. Consequently, improving financial reporting quality has become a strategic priority for healthcare organizations seeking to strengthen governance effectiveness and long-term institutional performance (Greenwood et al., 2017; Pangaribuan et al., 2023).

Among the factors influencing financial reporting quality, Internal Control Effectiveness (ICE) has received considerable attention in accounting and governance literature. Effective internal control systems help organizations prevent fraud, minimize reporting errors, ensure compliance with regulations, and enhance the reliability of financial information. As an essential governance mechanism, internal controls contribute to organizational accountability and improve stakeholder confidence in financial reporting practices. Previous studies generally report a positive relationship between internal control effectiveness and financial reporting quality, suggesting that strong control environments support more transparent and reliable financial disclosures (Alzoubi, 2025; Doyle et al., 2007; Greenwood et al., 2017). Nevertheless, the magnitude and consistency of this relationship may vary across organizational contexts and industries.

In addition to internal controls, Information Technology Utilization (ITU) has transformed financial management and reporting processes. The increasing adoption of digital technologies enables organizations to process financial information more efficiently, improve reporting accuracy, and enhance accessibility to financial data. However, empirical evidence regarding the relationship between information technology utilization and financial reporting quality remains inconclusive. While some studies indicate that technology utilization improves reporting transparency and reliability, other studies suggest that technology adoption alone is insufficient to generate meaningful improvements in financial reporting quality without appropriate governance mechanisms and organizational capabilities (Abernathy et al., 2023; Saleh et al., 2023; Shehadeh & Hussainey, 2025). These inconsistent findings indicate the need for further investigation, particularly in highly regulated sectors such as healthcare.

Tax Compliance (TAC) has also emerged as an important determinant of organizational accountability and financial reporting practices. Organizations that comply with taxation regulations are generally required to maintain accurate financial records, transparent reporting procedures, and reliable documentation. Consequently, tax compliance may contribute positively to financial reporting quality by encouraging greater transparency and reducing opportunities for financial misstatements. Despite its potential importance, tax compliance remains relatively underexplored in financial reporting quality research compared with internal control effectiveness and information technology utilization. Existing studies have primarily focused on corporate and public-sector environments, while evidence from healthcare organizations remains limited (Hanlon *et al.*, 2014; Hanlon & Heitzman, 2010).

From a theoretical perspective, this study draws upon Agency Theory, Resource-Based View (RBV), and Compliance Theory. Agency Theory suggests that effective monitoring mechanisms, such as internal controls and regulatory compliance, can reduce information asymmetry and improve the reliability of financial reporting (Jensen & Meckling, 1976). RBV argues that organizational resources, particularly human resource capability, represent strategic assets that enhance organizational performance and reporting outcomes (Barney, 1991; Wright et al., 1994). Meanwhile, Compliance Theory emphasizes the importance of adherence to regulatory requirements in promoting transparency, accountability, and reporting integrity. Collectively, these theoretical perspectives provide a comprehensive framework for understanding how governance, technology, compliance, and human resource factors influence financial reporting quality.

Human Resource Capability (HRC) represents another critical organizational resource that may influence financial reporting quality both directly and indirectly. Competent employees possess the knowledge, technical expertise, and professional skills necessary to implement internal controls effectively, utilize information technology efficiently, and ensure compliance with taxation regulations. Accordingly, HRC may not only contribute directly to financial reporting quality but may also strengthen the relationships between governance-related mechanisms and reporting outcomes. Prior studies indicate that human resource capability plays a crucial role in enhancing organizational accountability and financial reporting effectiveness, although empirical findings regarding its moderating role remain mixed (Mediaty *et al.*, 2025; Helmy & Silviana, 2024; Suryani *et al.*, 2025).

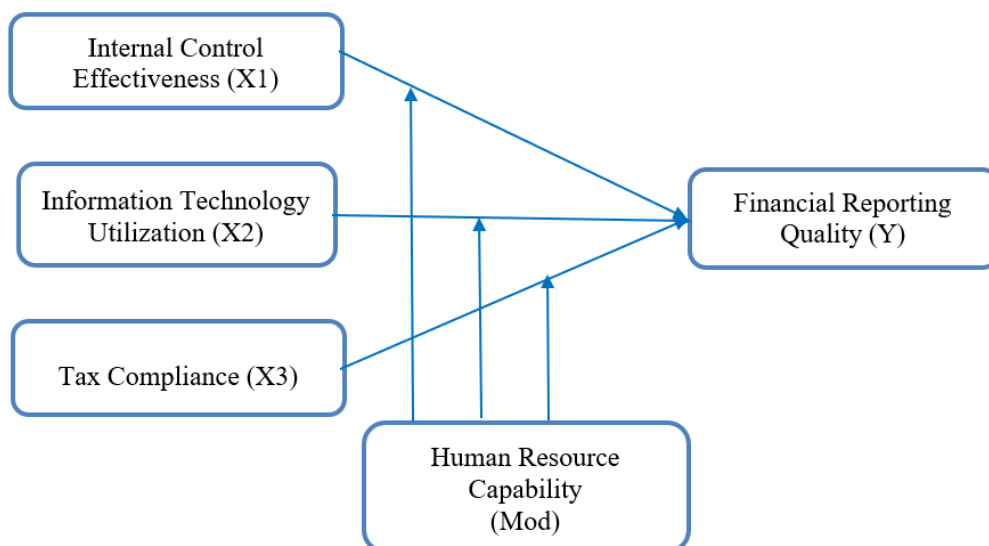
Agency Theory explains the relationship between principals and agents in organizational settings. According to Jensen and Meckling (1976), conflicts of interest may arise because managers possess more information about organizational activities than owners and stakeholders. This information asymmetry creates opportunities for opportunistic behavior, including financial misstatements and earnings manipulation. Therefore, effective governance mechanisms are required to reduce agency conflicts and improve transparency.

Within the context of financial reporting, internal control effectiveness and tax compliance serve as important monitoring mechanisms that reduce information asymmetry and enhance the credibility of financial information. Strong internal controls help ensure the accuracy and reliability of financial reports, while tax compliance promotes accountability and adherence to regulatory requirements. Consequently, Agency Theory provides a relevant foundation for explaining the relationships between Internal Control Effectiveness (ICE), Tax Compliance (TAC), and Financial Reporting Quality (FRQ).

Despite the growing body of literature on financial reporting quality, several research gaps remain. First, previous studies have reported inconsistent findings regarding the effects of internal control effectiveness and information technology utilization on financial reporting quality. Second, empirical evidence concerning tax compliance as a determinant of financial reporting quality remains limited, particularly within healthcare organizations. Third, relatively few studies have examined human resource capability as a moderating variable capable of strengthening the relationships between governance-related factors and financial reporting quality. Furthermore, limited research has focused on internationally accredited healthcare institutions operating in emerging economies such as Indonesia.

This study contributes to the financial reporting literature in several important ways. First, it integrates Internal Control Effectiveness (ICE), Information Technology Utilization (ITU), and Tax Compliance (TAC) within a single research framework to explain Financial Reporting Quality (FRQ). Second, it extends prior research by examining Human Resource Capability (HRC) as a moderating variable that may strengthen the influence of governance and compliance mechanisms on financial reporting quality. Third, the study focuses on internationally accredited (JCI) private hospitals in Indonesia, a research setting that has received relatively limited attention in previous financial reporting studies. Therefore, this study aims to examine the effects of Internal Control Effectiveness, Information Technology Utilization, and Tax Compliance on Financial Reporting Quality, as well as the moderating role of Human Resource Capability among internationally accredited private hospitals in Jakarta and Tangerang, Indonesia.

The conceptual framework of this study can be seen in more detail in the following figure:



Source: Research Results (2026)

**Figure 1. Research**

## METHOD

This study employed a quantitative research approach using a cross-sectional survey design to examine the determinants of Financial Reporting Quality (FRQ) among internationally accredited private hospitals in Indonesia. A quantitative approach was considered appropriate because the study aimed to empirically test the relationships between Internal Control Effectiveness (ICE), Information Technology Utilization (ITU), Tax Compliance (TAC), Human Resource Capability (HRC), and Financial Reporting Quality (FRQ) using statistical analysis. The cross-sectional design enabled data collection at a single point in time from respondents directly involved in financial reporting activities within healthcare organizations.

The study was conducted in ten internationally accredited private hospitals located in Jakarta and Tangerang, Indonesia. These hospitals were selected because Joint Commission International (JCI) accreditation reflects a high level of organizational governance, accountability, and operational complexity, including financial management and reporting processes. As healthcare institutions operate in a highly regulated environment, financial reporting quality becomes a critical component of organizational transparency and sustainability.

The target population consisted of employees working in accounting, finance, taxation, and internal audit departments within the selected hospitals. These functions were chosen because they are directly responsible for financial reporting preparation, internal control implementation, taxation compliance, and financial governance activities. Employees from medical, nursing, and other operational departments were excluded because they are not directly involved in financial reporting processes.

A total enumeration (census) sampling technique was employed. This approach was selected because the population size was relatively manageable and the researchers intended to capture the perspectives of all eligible employees within the selected hospitals. The sampling frame consisted of 220 employees who met the inclusion criteria. Questionnaires were distributed to all 220 eligible respondents. After the data screening process, 203 questionnaires were deemed complete and suitable for analysis, resulting in a response rate of 92.27 percent. The remaining seventeen questionnaires were excluded due to incomplete responses and failure to meet the established inclusion criteria.

This study complied with ethical research principles. Participation was entirely voluntary, and respondents were informed about the purpose of the study before completing

the questionnaire. No personally identifiable information was collected, and all responses were treated confidentially and used solely for academic research purposes. Ethical approval was not required because the study did not involve patients, medical interventions, clinical procedures, or sensitive personal data. Data were collected using a structured questionnaire developed from previously validated instruments and adapted to the healthcare industry context. All measurement items were assessed using a six-point Likert scale ranging from 1 = Strongly Disagree to 6 = Strongly Agree. The use of an even-numbered scale was intended to reduce central tendency bias and encourage respondents to provide a more definitive assessment of each statement.

Information Technology Utilization (ITU) was measured using seven indicators adapted from prior information systems and accounting literature. The construct consists of three dimensions: system integration, accounting information systems, and data security and IT support. Higher scores indicate greater utilization of information technology in supporting financial reporting processes. Internal Control Effectiveness (ICE) was measured using seven indicators reflecting three dimensions: control environment and supervision, risk assessment and evaluation, and control activities including segregation of duties. Higher scores indicate more effective internal control systems capable of supporting reliable financial reporting practices.

Tax Compliance (TAC) was measured using seven indicators representing administrative tax compliance, timeliness of tax reporting and payment, and compliance with taxation regulations. Higher scores indicate stronger organizational commitment to fulfilling tax obligations accurately and consistently. Human Resource Capability (HRC) was measured using eight indicators comprising technical and non-technical competencies, work experience, and employee motivation and dedication. The construct reflects the organization's capability to utilize knowledge, skills, and expertise in supporting governance and reporting processes.

Financial Reporting Quality (FRQ) was measured using seven indicators covering reliability, compliance with accounting standards and regulations, and timeliness and objectivity of financial reporting. Higher scores indicate greater quality, transparency, and credibility of financial statements. Prior to full-scale data collection, the questionnaire was reviewed by accounting and healthcare management experts to ensure content validity and clarity of measurement items. A pilot test involving 30 respondents was conducted prior to the main survey. The results indicated that all questionnaire items were clearly understood and demonstrated acceptable reliability levels, supporting their suitability for the main study.

To minimize common method bias, respondents were assured that their responses would remain anonymous and confidential. Questionnaire items were arranged systematically to reduce evaluation apprehension and response consistency bias. In addition, statistical assessment of common method bias was conducted using full collinearity testing, where all variance inflation factor (VIF) values were below the recommended, indicating that common method bias was not a significant concern.

Data analysis was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. PLS-SEM was selected because it is suitable for analyzing complex research models involving multiple latent variables and moderating effects while accommodating non-normal data distributions and medium-sized samples. Following Hair *et al.* (2022), the analysis was conducted in two stages: measurement model assessment and structural model assessment. To assess non-response bias, an independent samples t-test was conducted by comparing early and late respondents. Following Armstrong and Overton (1977), late respondents were used as a proxy for non-respondents. The results indicated no significant differences in the mean scores of the study variables ( $p > 0.05$ ), suggesting that non-response bias was not a serious concern in this study.

The measurement model assessment evaluated indicator reliability, internal consistency reliability, convergent validity, and discriminant validity using outer loadings, Cronbach’s Alpha, Composite Reliability (CR), Average Variance Extracted (AVE), Fornell-Larcker Criterion, and Heterotrait-Monotrait Ratio (HTMT). The structural model assessment evaluated path coefficients, coefficient of determination ( $R^2$ ), predictive relevance ( $Q^2$ ), effect size ( $f^2$ ), and moderating effects. This study develops two research models to test the effects of ICE and ITU on FRQ, as well as the moderating role of HRC in these relationships. The two models are presented as follows:

**Model 1 (Direct Effects Model)**

This model tests the direct effects of the independent variables on the dependent variable. The structural equation is formulated as follows:

$$FRQ = \beta_0 + \beta_1 ICE + \beta_2 ITU + \beta_3 TAC + \epsilon$$

**Model 2 (Moderation Model)**

This model incorporates human resource capability (HRC) as a moderating variable in the relationships between the independent variables and financial reporting quality. The structural equation is formulated as follows:

$$FRQ = \beta_0 + \beta_1 ICE + \beta_2 ITU + \beta_3 TAC + \beta_4 HRC + \beta_5 ICE \times HRC + \beta_6 ITU \times HRC + \beta_7 TAC \times HRC + \epsilon$$

Where:

- FRQ = Financial Reporting Quality
- ICE = Internal Control Effectiveness
- ITU = Information Technology Utilization
- TAC = Tax Compliance
- HRC = Human Resource Capability
- $\beta_0$  = Constant
- $\beta_1$ – $\beta_4$  = Direct effect coefficients
- $\beta_5$ – $\beta_7$  = Interaction (moderating) effect coefficients
- $\epsilon$  = Error term

**RESULT AND DISCUSSION**

Table 1 presents the demographic profile of the 203 respondents included in this study. The majority of respondents were aged between 31 and 40 years (53.69%), followed by those aged 21–30 years (35.96%), indicating that most participants were in their productive working years and possessed sufficient professional experience relevant to financial reporting activities. Female respondents represented 59.61% of the sample, while male respondents accounted for 40.39%. In terms of organizational function, respondents were primarily drawn from the finance division (40.89%), followed by accounting (33.99%) and internal audit (25.12%). Regarding position level, staff members constituted the largest group (44.83%), followed by supervisors (33.00%) and managers (22.17%).

Overall, the respondent profile suggests that the sample was dominated by employees directly involved in financial management, internal control implementation, taxation compliance, and financial reporting processes. Therefore, the respondents were considered appropriate informants for evaluating the relationships among Internal Control Effectiveness (ICE), Information Technology Utilization (ITU), Tax Compliance (TAC), Human Resource Capability (HRC), and Financial Reporting Quality (FRQ) within internationally accredited private hospitals.

**Table 1. Demographic Profile**

Demographic Parameters	Frequency	Percentage
<b>Age (Years)</b>		
21–30	73	35,96%
31–40	109	53,69%
41–50	21	10,34%
Total	203	100%
<b>Gender</b>		
Man	82	40,39%
Woman	121	59,61%
Total	203	100%
<b>Division</b>		
Finance	83	40,89%
Accounting	69	33,99%
Internal Audit	51	25,12%
Total	203	100%
<b>Position</b>		
Staff	91	44,83%
Supervisor	67	33,00%
Manager	45	22,17%
Total	203	100%

Table 2 presents the descriptive statistics of the study variables. The results indicate that all constructs exhibit relatively high mean scores, suggesting that respondents generally perceive favorable conditions regarding internal control effectiveness, information technology utilization, tax compliance, human resource capability, and financial reporting quality within their organizations. Standard deviation values range from 3.99 to 5.26, indicating a moderate level of variation in respondents’ perceptions. Among the variables, Internal Control Effectiveness (ICE) recorded the highest mean score (M = 39.92; SD = 5.26), suggesting that respondents perceive the internal control systems implemented within their hospitals as relatively strong. This finding is consistent with the governance characteristics typically associated with internationally accredited healthcare institutions, where effective monitoring, risk management, and control activities are emphasized.

Financial Reporting Quality (FRQ) also demonstrated a relatively high mean score (M=32.59; SD=4.56), indicating that respondents generally perceive financial reporting practices to be reliable, timely, and compliant with applicable standards and regulations. Similarly, Information Technology Utilization (ITU) showed a favorable mean value (M = 32.05; SD = 4.69), reflecting the increasing adoption of digital technologies to support financial management and reporting processes. Tax Compliance (TAC) reported a mean score of 29.54 (SD = 4.18), suggesting that the sampled organizations generally maintain compliance with taxation requirements. Human Resource Capability (HRC) recorded a mean score of 27.98 (SD = 4.00), indicating that employees possess adequate competencies and professional capabilities to support organizational governance and reporting activities.

Although all variables exhibit relatively favorable perceptions, the descriptive statistics alone do not indicate whether these factors significantly influence financial reporting quality. Therefore, further analysis using PLS-SEM is required to examine the structural relationships among the variables and to determine whether the observed organizational strengths translate into improved financial reporting quality.

**Table 2. Statistics Descriptive**

	N	Minimum	Maximum	Mean	Std. Deviation
INT COE	203	24,00	48,00	39,9212	5,25806
ITC UTL	203	19,00	42,00	32,0542	4,69063
TAX COM	203	18,00	36,00	29,5419	4,18057
HUC CPL	203	18,00	36,00	27,9754	3,99683
FRA QUA	203	21,00	42,00	32,5862	4,55834
Valid N (listwise)	203				

Table 3 presents the outer loading values of all indicators used to measure the latent constructs in the study. The results show that all indicator loadings exceed the recommended threshold of 0.70, with values ranging from 0.763 to 0.863. According to Hair et al. (2022), outer loading values above 0.70 indicate satisfactory indicator reliability and confirm that the indicators adequately represent their respective latent constructs.

For the Internal Control Effectiveness (ICE) construct, the loading values range from 0.780 to 0.851, indicating that all seven indicators reliably measure the effectiveness of internal control systems. The Information Technology Utilization (ITU) construct demonstrates loading values between 0.781 and 0.851, suggesting that the indicators appropriately capture the extent of technology utilization in supporting financial reporting processes. Similarly, the Tax Compliance (TAC) construct records loading values ranging from 0.769 to 0.863, confirming that all indicators adequately reflect organizational compliance with taxation regulations and reporting obligations.

Furthermore, the Human Resource Capability (HRC) construct exhibits loading values between 0.763 and 0.853, indicating acceptable reliability in measuring employee competencies, knowledge, experience, and professional capabilities. The Financial Reporting Quality (FRQ) construct also demonstrates strong indicator reliability, with loading values ranging from 0.781 to 0.861, suggesting that the indicators effectively represent the quality, reliability, and transparency of financial reporting practices.

Overall, all indicators satisfy the recommended outer loading criterion of 0.70, indicating adequate indicator reliability and convergent validity. Therefore, no indicators were removed from the measurement model, and all constructs were considered appropriate for subsequent reliability, validity, and structural model analyses.

**Table 3. Outer Loadings**

	ICE	ITU	TAC	HRC	FRQ
ICE1	0.833				
ICE2	0.816				
ICE3	0.791				
ICE4	0.780				
ICE5	0.821				
ICE6	0.851				
ICE7	0.792				
ITU1		0.809			
ITU2		0.851			
ITU3		0.819			
ITU4		0.791			
ITU5		0.839			
ITU6		0.823			
ITU7		0.781			
TAC1			0.837		
TAC2			0.863		
TAC3			0.828		
TAC4			0.771		
TAC5			0.831		

	ICE	ITU	TAC	HRC	FRQ
TAC6			0.801		
TAC7			0.769		
HRC1				0.853	
HRC2				0.831	
HRC3				0.790	
HRC4				0.811	
HRC5				0.851	
HRC6				0.769	
HRC7				0.821	
HRC8				0.763	
FRQ1					0.793
FRQ2					0.853
FRQ3					0.819
FRQ4					0.783
FRQ5					0.861
FRQ6					0.809
FRQ7					0.781

Table 4 presents the results of the measurement model assessment, including convergent validity and discriminant validity. Convergent validity was evaluated using Average Variance Extracted (AVE), while discriminant validity was assessed using the Fornell–Larcker Criterion. The results indicate that all AVE values exceeded the recommended threshold of 0.50, ranging from 0.525 to 0.601. These findings confirm that each construct explains more than 50 percent of the variance of its respective indicators, thereby demonstrating satisfactory convergent validity.

Discriminant validity was assessed using the Fornell–Larcker Criterion. The results show that the square root of AVE for each construct is greater than its correlations with other constructs. Specifically, the square root of AVE values ranged from 0.665 to 0.778, exceeding the corresponding inter-construct correlations. These findings indicate that each construct captures a distinct phenomenon and is empirically different from the other constructs included in the model. Overall, the results support the adequacy of the measurement model and confirm that the constructs possess acceptable validity for subsequent structural model evaluation.

**Table 4. Validity Test**

Variables	FSQ	HRC	ICS	ITI	TAC
<b>Fornel Larcker Criterion</b>					
FRQ	0.725				
HRC	0.320	0.665			
ICE	0.544	0.659	0.736		
ITU	0.356	0.530	0.547	0.665	
TAC	0.517	0.611	0.719	0.733	0.778
<b>Average Variance Extracted</b>					
FRQ	0.525				
HRC		0.573			
ICE			0.548		
ITU				0.601	
TAC					0,591

Table 5 presents the results of the Heterotrait–Monotrait Ratio (HTMT) analysis used to assess discriminant validity among the constructs included in the research model. According to Hair et al. (2022), HTMT values below 0.90 indicate acceptable discriminant validity and confirm that the constructs are empirically distinct from one another.

The results show that all HTMT values range from 0.708 to 0.879, which are below the recommended threshold of 0.90. The highest HTMT value was observed between Financial Reporting Quality (FRQ) and Human Resource Capability (HRC) at 0.879, while the lowest value was identified between Human Resource Capability (HRC) and Information Technology Utilization (ITU) at 0.708. Since all values remain below the critical threshold, no discriminant validity issues were detected among the constructs.

These findings provide additional evidence that Financial Reporting Quality (FRQ), Human Resource Capability (HRC), Internal Control Effectiveness (ICE), Information Technology Utilization (ITU), and Tax Compliance (TAC) represent conceptually distinct constructs and do not exhibit excessive overlap. Therefore, the measurement model demonstrates satisfactory discriminant validity and is appropriate for subsequent structural model evaluation and hypothesis testing.

**Table 5. Heterotrait-Monotrait Ratio (HTMT)**

	FRQ	HRC	ICE	ITU	TAC
FRQ	–				
HRC	0.919	–			
ICE	0.871	0.831	–		
ITU	0.733	0.708	0.718	–	
TAC	0.807	0.831	0.801	0.819	–

Table 6 presents the results of the construct reliability and convergent validity assessment. The findings indicate that all constructs demonstrate satisfactory internal consistency reliability. Cronbach’s Alpha values range from 0.809 to 0.869, exceeding the recommended threshold of 0.70. Similarly, Composite Reliability (CR) values range from 0.858 to 0.903, which are above the recommended threshold of 0.70, indicating strong internal consistency among the measurement items.

In terms of convergent validity, all Average Variance Extracted (AVE) values exceed the minimum criterion of 0.50, ranging from 0.525 to 0.601. These findings indicate that each construct explains more than 50 percent of the variance of its indicators. Overall, the results confirm that the measurement model possesses satisfactory reliability and convergent validity, supporting the suitability of the constructs for subsequent structural model analysis.

**Table 6. Reliability Test**

Variables	Cronbach's Alpha	Composite Reliability
Financial Reporting Quality	0.818	0.877
HR Capability	0.869	0.903
Internal Control Effectiveness	0.834	0.883
Information Technology IT Utilization	0.809	0.858
Tax Compliance	0.838	0.881

Table 7 presents the coefficient of determination (R<sup>2</sup>) for the endogenous construct, namely Financial Reporting Quality (FRQ). The results indicate an R<sup>2</sup> value of 0.368 and an adjusted R<sup>2</sup> value of 0.333. This finding suggests that Internal Control Effectiveness (ICE), Information Technology Utilization (ITU), Tax Compliance (TAC), Human Resource Capability (HRC), and the interaction effects collectively explain 36.8% of the variance in Financial Reporting Quality.

According to Hair *et al.* (2022), R<sup>2</sup> values of 0.25, 0.50, and 0.75 can be interpreted as weak, moderate, and substantial explanatory power, respectively. Therefore, the R<sup>2</sup> value obtained in this study indicates a moderate level of explanatory power. This result implies that the proposed model captures a meaningful proportion of the factors influencing financial reporting quality within internationally accredited private hospitals.

Nevertheless, approximately 63.2% of the variance in Financial Reporting Quality remains unexplained by the variables included in the model. This suggests that additional organizational and environmental factors may also contribute to financial reporting quality, such as corporate governance mechanisms, leadership effectiveness, organizational culture, external audit quality, regulatory pressure, and digital maturity. Consequently, future studies are encouraged to incorporate these factors to enhance the predictive capability of financial reporting quality models.

Overall, the findings indicate that governance-related factors, compliance practices, technological utilization, and human resource capability play an important role in explaining financial reporting quality, although they do not fully account for all determinants affecting reporting outcomes in healthcare organizations.

**Table 7. R-Square Test**

R-square	R-square adjusted
0.368	0.333

Table 8 presents the results of the multicollinearity assessment using the Variance Inflation Factor (VIF). According to Hair et al. (2022), VIF values below 5 indicate that multicollinearity is not a critical issue within the structural model. The results show that all predictor variables and interaction terms exhibit VIF values ranging from 1.790 to 4.076, which are well below the recommended threshold. Internal Control Effectiveness (ICE) recorded a VIF value of 3.391, Information Technology Utilization (ITU) 1.790, Tax Compliance (TAC) 2.893, and Human Resource Capability (HRC) 2.948. Similarly, the interaction terms ICE × HRC, ITU × HRC, and TAC × HRC reported VIF values of 4.076, 1.859, and 2.859, respectively.

These findings indicate that multicollinearity is not a concern in the research model. Therefore, the predictor variables and interaction constructs provide distinct explanatory information and can be included simultaneously in the structural model analysis without compromising the stability of the parameter estimates.

**Table 8. Multicollinearity Test**

Variables	VIF
Internal Control Effectiveness (ICE)	3.391
Information Technology Utilization (ITU)	1.790
Tax Compliance (TAC)	2.893
Human Resource Capability (HRC)	2.948
ICE X HRC	4.076
ITU X HRC	1.859
TAC X HRC	2.859

Table 9 presents the results of hypothesis testing for the direct and moderating effects of Internal Control Effectiveness (ICE), Information Technology Utilization (ITU), Tax Compliance (TAC), and Human Resource Capability (HRC) on Financial Reporting Quality (FRQ). The findings indicate that Internal Control Effectiveness (ICE) has a significant positive effect on FRQ ( $\beta = 0.467$ ,  $t = 3.537$ ,  $p < 0.001$ ). This result suggests that effective internal control systems contribute substantially to improving the reliability, accuracy, and transparency of financial reporting. Consistent with Agency Theory, effective internal controls reduce information asymmetry, strengthen monitoring mechanisms, and minimize the risk of financial misstatements, thereby enhancing the quality of financial reports.

Human Resource Capability (HRC) also demonstrates a significant positive effect on FRQ ( $\beta = 0.173$ ,  $t = 2.637$ ,  $p = 0.008$ ). This finding supports the Resource-Based View (RBV), which emphasizes that competent human resources represent a strategic

organizational asset capable of improving organizational performance and reporting outcomes. Employees possessing adequate accounting knowledge, taxation expertise, and professional skills are more likely to produce reliable and high-quality financial reports. Similarly, Tax Compliance (TAC) significantly influences FRQ ( $\beta = 0.099$ ,  $t = 2.893$ ,  $p = 0.003$ ). This result suggests that organizations with stronger compliance toward taxation regulations tend to maintain more accurate, transparent, and accountable financial records. From the perspective of Compliance Theory, adherence to regulatory requirements encourages organizations to implement disciplined reporting practices and maintain high-quality financial information.

In contrast, Information Technology Utilization (ITU) does not have a significant effect on FRQ ( $\beta = 0.062$ ,  $t = 0.396$ ,  $p = 0.692$ ). This finding challenges the common assumption that technology adoption automatically improves financial reporting quality. The result indicates that technology alone may not generate meaningful improvements in reporting outcomes without complementary organizational resources and governance mechanisms. Although healthcare organizations increasingly invest in digital systems and accounting technologies, such investments may fail to enhance reporting quality when users lack sufficient competencies, organizational processes remain weak, or technology is not effectively integrated into financial reporting activities. Therefore, technology should be viewed as an enabling resource rather than a standalone determinant of financial reporting quality.

Regarding the moderating effects, Human Resource Capability significantly strengthens the relationship between Internal Control Effectiveness and Financial Reporting Quality ( $\beta = 0.126$ ,  $t = 2.382$ ,  $p = 0.017$ ). This finding indicates that competent employees are better able to implement, monitor, and maintain effective internal control procedures, thereby increasing the positive impact of internal controls on reporting quality. Likewise, HRC significantly strengthens the relationship between Tax Compliance and FRQ ( $\beta = 0.139$ ,  $t = 3.571$ ,  $p = 0.010$ ), suggesting that organizations with capable employees are more effective in interpreting taxation regulations, maintaining accurate documentation, and ensuring compliance with reporting requirements.

However, the interaction between ITU and HRC is not statistically significant ( $\beta = 0.111$ ,  $t = 1.373$ ,  $p = 0.191$ ). This finding suggests that human resource capability alone may not be sufficient to convert technology utilization into improved financial reporting quality. Additional organizational factors, such as digital maturity, management support, technology governance, and system integration, may be required to fully realize the benefits of information technology for financial reporting purposes. Overall, the results highlight the critical importance of governance-related factors and organizational capabilities in improving financial reporting quality. The findings further suggest that investments in technology should be accompanied by effective governance mechanisms and organizational readiness to generate meaningful improvements in financial reporting outcomes.

**Table 9. Hypotheses Test**

Variables	Original sample (O)	T statistics	P values
ICE	0.467	3.537	0.000
ITU	0.062	0.396	0.692
TAC	0.099	2.893	0.003
HRC	0.173	2.637	0.008
ICE X HRC	0.126	2.382	0.017
ITU X HRC	0.111	1.373	0.191
TAC X HRC	0.139	3.571	0.010

## CONCLUSION

This study provides empirical evidence regarding the determinants of Financial Reporting Quality (FRQ) within internationally accredited private hospitals in Indonesia. The findings reveal that Internal Control Effectiveness (ICE), Tax Compliance (TAC), and Human Resource Capability (HRC) significantly improve Financial Reporting Quality. These results indicate that effective governance mechanisms, regulatory compliance, and competent human resources are essential elements in producing reliable, transparent, and accountable financial reports within healthcare organizations. Conversely, Information Technology Utilization (ITU) was found to have no significant direct effect on FRQ, suggesting that technology adoption alone does not automatically lead to improvements in reporting quality.

The moderating analysis further demonstrates that Human Resource Capability strengthens the positive effects of Internal Control Effectiveness and Tax Compliance on Financial Reporting Quality. This finding highlights the strategic role of competent employees in maximizing the effectiveness of governance and compliance mechanisms. However, Human Resource Capability does not strengthen the relationship between Information Technology Utilization and Financial Reporting Quality. This result suggests that technological investments may fail to generate reporting improvements when they are not supported by organizational readiness, effective governance structures, system integration, and digital maturity.

From a theoretical perspective, this study extends the understanding of Agency Theory, Resource-Based View, and Compliance Theory within the context of healthcare organizations. The findings suggest that financial reporting quality is not solely determined by technological resources but is more strongly influenced by governance effectiveness, regulatory compliance, and organizational capabilities. More importantly, the insignificant effect of ITU challenges the common assumption that digitalization automatically improves reporting outcomes. This study therefore contributes to the growing literature on digital governance by demonstrating that technology alone is insufficient to enhance financial reporting quality unless supported by strong internal controls, tax compliance practices, and capable human resources.

From a practical perspective, the findings imply that hospital management should not focus exclusively on technology investment as a strategy for improving financial reporting quality. Instead, organizations should simultaneously strengthen internal control systems, enhance taxation compliance processes, develop employee competencies, and improve governance practices to ensure that technological resources are utilized effectively. Investments in digital systems must be accompanied by organizational readiness, continuous training, and effective oversight mechanisms to generate meaningful improvements in reporting quality.

Despite its contributions, this study is subject to several limitations. The research was limited to internationally accredited private hospitals in Jakarta and Tangerang and relied on self-reported survey data collected at a single point in time. Future studies are encouraged to expand the research setting to other healthcare institutions and industries, incorporate longitudinal designs, and examine additional variables such as organizational culture, digital maturity, corporate governance, leadership effectiveness, and regulatory pressure. Such investigations may provide a more comprehensive understanding of the factors influencing Financial Reporting Quality in increasingly digital and regulated organizational environments.

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