

The Effect of Accounting Understanding, Accounting System Utilization, Internal Audit, and Internal Control System on The Quality of Hospital Financial Statements: A Study at PT XYZ

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ABSTRACT

This study investigates the impact of accounting comprehension, the accounting systems utilization, internal audit, and internal control systems on the quality of financial statements at PT XYZ, a state-owned enterprise managing four hospitals and five clinics in East Java. A quantitative research design with an associative approach was employed, with purposive sampling to select respondents. The final samples comprised 35 respondents consisting of accounting and finance staff directly involved in preparing financial statements. Data were collected using questionnaires and analyzed through multiple linear regression. The findings simultaneously indicate that the four independent variables significantly affect the quality of financial statements, with a coefficient of determination (R^2) of 0.845. Thus, 84.5% of the variation in financial statement quality can be explained by the research model. Partially, accounting comprehension and the accounting systems utilization exert positive but insignificant effects. While internal audit and internal control systems have positive and significant effects, with internal control systems being the most dominant variable. These results underscore that the reliability of hospital financial reporting is more strongly determined by the effectiveness of organizational control and oversight mechanisms than by individual competence alone. This research is perceived to serve as an evaluation material for PT XYZ's management in strengthening internal control systems and internal audit functions to improve the quality of financial statements sustainably.

Keywords : Accounting Understanding; Accounting System Utilization; Internal Audit; Internal Control System; Financial Statement Quality.

INTRODUCTION

Hospitals are a vital pillar of the healthcare service system, functioning not only as medical institutions but also as economic organizations with complex operational activities. Managing healthcare personnel, service facilities, and substantial budgets requires accountable, transparent, and standard-compliant financial governance, making financial statements the primary means of presenting relevant, reliable, and timely information for management, owners, regulators, and other stakeholders (Indrijawati and Syarifuddin, 2021).

Within the Financial Accounting Standards (SAK) framework, the general-purpose presentation of financial statements is governed by PSAK 1, while the specific nature of hospital transactions requires the application of more specialized standards. Revenue from healthcare services, including BPJS Kesehatan claims based on the INA-CBGs scheme, refers to PSAK 72 on Revenue from Contracts with Customers, with added complexity arising from the time lag between service delivery and claim receipt as well as potential adjustments from claim verification. As an asset- and inventory-intensive entity, hospitals are also subject to PSAK 16 on Fixed Assets

and PSAK 14 on Inventories, while the completeness of reporting is supported by PSAK 2 on the Statement of Cash Flows and PSAK 24 on Employee Benefits (Indonesian Institute of Accountants, 2020). Government regulations further reinforce the direction of hospital financial reporting, including Minister of Health Regulation No. 39 of 2019 and the 2024 Decree of the Director General of Health Services on the standardization of SAK-based financial statements at vertical hospitals (Ministry of Health of the Republic of Indonesia, 2019; Directorate General of Health Services, 2024).

Although comprehensive standards and regulations are already in place, various empirical studies show that the quality of hospital financial statements still faces real challenges. Indrijawati and Syarifuddin (2021) found that more than 38% of the hospitals studied experienced timeliness constraints and inconsistent revenue recognition for healthcare services, while Muliani and Usman (2023), studying state-owned hospitals, recorded an average financial statement quality score of only about 54% of the ideal condition, with the most pronounced weaknesses in timeliness and the reliability of information related to revenue, claim receivables, and medical inventories. These findings confirm that the availability of standards does not automatically guarantee the reliability of financial statements unless internal organizational factors are fully supportive.

The quality of financial statements is believed to be influenced by a number of internal organizational factors. Accounting understanding among human resources has been shown to positively affect the quality of financial statements, with regression coefficients ranging from 0.25 to 0.40 (Sari and Nugroho, 2021; Alkaraan et al., 2022), although its contribution has not been able to explain all the variation in reporting quality (R^2 ranging from 0.30 to 0.60). The utilization of accounting systems, particularly those integrated with the Hospital Management Information System (SIMRS), is also considered important based on the Information Systems Success Model of DeLone and McLean (2003), which asserts that system quality and use drive improvements in information quality. In addition, internal audit serves as an independent assurance mechanism that assesses the effectiveness of the reporting process and policy compliance (Sawyer, 2019; Alzeban and Gwilliam, 2019), while the internal control system, referring to the COSO (2013) framework, forms the foundation that ensures reporting reliability through the segregation of duties, authorization, and control over cash receipts and pharmaceutical inventories.

Prior studies reveal empirical gaps that are relevant for further investigation. Most research has examined the effect of accounting understanding, accounting information systems, internal audit, or internal control systems partially, so a comprehensive picture of each variable's contribution when tested simultaneously remains lacking (Sari and Nugroho, 2021; Astuti, 2022; Putri and Rahman, 2022). Findings are also inconsistent, particularly regarding the effect of accounting system utilization and internal audit, with coefficients of determination varying between 0.30 and 0.65 (Al-Dmour et al., 2021; Alzeban and Gwilliam, 2019; Al-Hiyari et al., 2023). Research on state-owned hospitals, which have distinctive characteristics such as the

complexity of INA-CBGs-based BPJS claims and stricter governance demands, also remains relatively limited compared with other public sectors (Muliani and Usman, 2023). PT XYZ, manages four hospitals and five clinics in East Java. Increasing business complexity, the management of BPJS receivables, and the demand for consistent application of accounting standards make the XYZ context relevant for empirically examining the effect of accounting understanding, accounting system utilization, internal audit, and internal control system on the quality of hospital financial statements. This study aims to examine the effect of (1) accounting understanding, (2) accounting system utilization, (3) internal audit, and (4) internal control system on the quality of financial statements of hospitals within PT XYZ. The findings are expected to enrich the literature on the determinants of financial statement quality in the healthcare sector, while also providing practical recommendations for XYZ management, educational institutions, and regulators in strengthening the governance of hospital financial reporting.

SUPPORTING THEORIES

Conceptual Framework for Financial Reporting and Financial Statement Quality

Financial statement quality refers to the extent to which financial information is able to meet users' needs in economic decision-making. The Conceptual Framework for Financial Reporting (IASB, 2018) asserts that financial statement quality is determined by fundamental qualitative characteristics, namely relevance and faithful representation (complete, neutral, and free from material error), as well as enhancing qualitative characteristics, namely comparability, verifiability, timeliness, and understandability. Without meeting these characteristics, financial statements risk misleading users and undermining confidence in the information produced. In the hospital context, this framework serves as the basis for assessing whether accounting understanding, accounting system utilization, internal audit, and internal control system have sufficiently supported the achievement of relevant and reliable financial statements.

Accounting Understanding

Accounting understanding is an individual's ability to correctly apply accounting principles, standards, and procedures to every transaction, encompassing the identification of transactions, determination of accounting treatment, and presentation of complete and fair information (Mulyadi, 2016). In hospitals, this understanding is crucial because the transactions involved are complex and service-based, such as revenue recognition under PSAK 72, management of medical assets under PSAK 16, and valuation of drug and medical consumable inventories under PSAK 14. Misunderstanding in these areas risks causing misstatements that reduce the reliability and credibility of financial statements (Indonesian Institute of Accountants, 2020; Syarifuddin, 2021). Based on the above, the first hypothesis is formulated as follows.

H1: Accounting understanding has a positive effect on the quality of hospital financial statements.

Accounting System Utilization

Accounting system utilization refers to the extent to which computer-based systems are optimally used in the process of recording, processing, and reporting financial transactions. The Information Systems Success Model of DeLone and McLean (2003) explains that system quality and information quality drive system use, which in turn produces organizational benefits (net benefits), including improved quality of financial information. In hospitals, the utilization of accounting systems integrated with the Hospital Management Information System (SIMRS) enables more accurate, consistent, and timely processing of transaction data (Romney and Steinbart, 2021; Saleh et al., 2022). Based on the above, the second hypothesis is formulated as follows.

H2: Accounting system utilization has a positive effect on the quality of hospital financial statements.

Internal Audit

Internal audit functions as an independent assurance mechanism that assesses the effectiveness of the reporting process, policy compliance, and organizational risk management. An independent and competent internal audit function is able to identify procedural weaknesses, detect the risk of misstatement, and encourage continuous corrective follow-up, thereby strengthening the discipline and governance of financial reporting (Sawyer, 2019; Alzeban and Gwilliam, 2019; Ebaid, 2021). In hospitals, the scope of internal audit generally covers compliance evaluation, operational audits, and assessment of internal control effectiveness through a Risk-Based Internal Audit (RBIA) approach. Based on the above, the third hypothesis is formulated as follows.

H3: Internal audit has a positive effect on the quality of hospital financial statements.

Internal Control System

The internal control system constitutes the foundation that provides reasonable assurance regarding the reliability of financial reporting. The COSO (2013) framework outlines five components of internal control, namely the control environment, risk assessment, control activities, information and communication, and monitoring activities. In hospitals, effective internal control includes segregation of duties, transaction authorization, control over cash receipts, reconciliation of claim receivables, and control over pharmaceutical inventories. Weaknesses in control increase the risk of misstatement and fraud, thereby reducing the quality of reporting even when standards and systems are already in place (Astuti, 2022). Based on the above, the fourth hypothesis is formulated as follows.

H4: The internal control system has a positive effect on the quality of hospital financial statements.

RESEARCH METHOD

Research Design

This study employs a quantitative approach with a causal-associative design and an explanatory research level to examine the causal relationships between accounting understanding, accounting system utilization, internal audit, and internal control system on the quality of financial statements (Sugiyono, 2019; Sekaran and Bougie, 2020). Primary data were collected directly from respondents through a questionnaire.

Population, Sample, and Research Object

The population of this study comprises all employees of PT XYZ directly involved in recording, processing, preparing, examining, and overseeing financial statements, namely finance staff, accounting staff, and internal auditors. The sample was determined using a purposive sampling technique with the following criteria: (a) working in the finance, accounting, or internal audit function and directly involved in financial statement management; (b) having at least one year of work experience; and (c) willing to participate as a respondent and complete the questionnaire in full. Based on these criteria, 35 respondents were obtained, spread across hospitals within the PT XYZ network, namely IHC Lavalette Hospital Malang, IHC Wonolangan Hospital Probolinggo, IHC Elizabeth Hospital Situbondo, and IHC Djatiroto Hospital Lumajang.

Data Collection, Variables, and Measurement

Primary data were collected through a closed-ended questionnaire using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The study involves five constructs, each measured with five indicators: Accounting Understanding (X1) covers understanding of the accounting cycle, accounting standards, transaction classification, revenue recognition for healthcare services, and preparation of statements in accordance with procedures; Accounting System Utilization (X2) covers routine system use, ease of use, accuracy of generated information, integration across units, and timeliness of reporting; Internal Audit (X3) covers independence, auditor competence, regularity of audit implementation, management follow-up on findings, and the role of audit in minimizing errors; Internal Control System (X4) is measured based on the five COSO components, namely the control environment, risk assessment, control activities, information and communication, and monitoring; and Financial Statement Quality (Y) covers relevance, fair presentation free from material error, timeliness, comparability across periods, and consistency with actual financial conditions.

Data Analysis Technique

Data analysis begins with descriptive statistics to describe respondent characteristics and response tendencies for each indicator. Instrument testing was conducted through construct validity testing using Pearson Product Moment correlation (an item is declared valid if $r\text{-count} > r\text{-table}$ at a 5% significance level,

with an r-table value of 0.333 for $n = 35$) and reliability testing using Cronbach's Alpha coefficient (declared reliable if the value is ≥ 0.70). Prior to hypothesis testing, classical assumption tests were conducted, including normality testing (Normal P-P Plot graphical analysis and the Kolmogorov-Smirnov test), multicollinearity testing (Tolerance value ≥ 0.10 and $VIF \leq 10$), and heteroscedasticity testing (scatterplot pattern and Spearman correlation between the absolute residual value and the independent variables). Hypothesis testing employed multiple linear regression analysis with the equation $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$, followed by partial statistical testing (t-test) and simultaneous statistical testing (F-test) at a 5% significance level, as well as evaluation of the coefficient of determination (R^2) to measure the model's ability to explain the variation in financial statement quality.

RESULTS AND DISCUSSION

Overview of the Research Object and Respondent Characteristics

PT XYZ is part of the Indonesian Healthcare Corporation (IHC) which manages four hospitals and five clinics in East Java with integrated accounting policies, Financial Accounting Standards, SIMRS, and internal control mechanisms across all units. The preparation of financial statements is carried out through a monthly closing mechanism covering transaction recording, balance verification and reconciliation, preparation of the trial balance, and consolidation of financial statements by the head office accounting team. The characteristics of the 35 respondents show that respondents are predominantly female (60.0%), hold a bachelor's degree (68.6%), have more than five years of work experience (62.9%), and come from the Accounting unit (48.6%), followed by Finance (37.1%) and Internal Audit (14.3%). This composition aligns with the sample criteria of the study and reflects respondents' direct involvement in the process of recording, preparing, and overseeing financial statements.

Table 1. Respondent Characteristics

Characteristic	Category	Number	Percentage
Gender	Male	14	40.0%
	Female	21	60.0%
Last Education	Diploma (D3)	9	25.7%
	Bachelor's Degree (S1)	24	68.6%
	Other	2	5.7%
Length of Service	1–3 years	5	14.3%
	3–5 years	8	22.9%
	> 5 years	22	62.9%
Work Unit	Finance	13	37.1%

Characteristic	Category	Number	Percentage
	Accounting	17	48.6%
	Internal Audit	5	14.3%

Source: Primary data processed, 2026.

Validity and Reliability Test

The validity test results using Pearson Product Moment correlation show that all items across the five constructs have r-count values above the r-table value (0.333), and are therefore declared valid. The reliability test results show that all variables have Cronbach's Alpha values above 0.70, so the research instrument is declared reliable and suitable for use as the basis for multiple linear regression analysis.

Table 2. Summary of Validity and Reliability Test Results

Variable	r-count Range	r-table	Validity	Cronbach's Alpha	Reliability
Accounting Understanding (X1)	0.861–0.968	0.333	Valid	0.969	Reliable
Accounting System Utilization (X2)	0.876–0.967	0.333	Valid	0.968	Reliable
Internal Audit (X3)	0.827–0.954	0.333	Valid	0.959	Reliable
Internal Control System (X4)	0.851–0.926	0.333	Valid	0.960	Reliable
Financial Statement Quality (Y)	0.885–0.976	0.333	Valid	0.963	Reliable

Source: Primary data processed with SPSS 22, 2026.

Classical Assumption Test

The normality test using Normal P-P Plot graphical analysis shows that the residual points are scattered following the direction of the diagonal line, indicating that the regression model's residuals approximate a normal distribution. The multicollinearity test shows that all independent variables have Tolerance values above 0.10 and VIF values below 10, so the regression model does not exhibit multicollinearity, although the correlations among independent variables are moderate to strong (for example, internal audit and internal control system, $r_s = 0.816$). The heteroscedasticity test through the scatterplot pattern and Spearman correlation between the residuals and each independent variable shows significance values above 0.05 for all variables, so the regression model is declared free from heteroscedasticity.

Table 3. Multicollinearity Test Results

Variable	Tolerance	VIF	Remarks
Accounting Understanding (X1)	0.247	4.048	No multicollinearity
Accounting System Utilization (X2)	0.201	4.968	No multicollinearity
Internal Audit (X3)	0.167	5.984	No multicollinearity
Internal Control System (X4)	0.149	6.705	No multicollinearity

Source: Primary data processed with SPSS 22, 2026.

Multiple Linear Regression Analysis and Hypothesis Testing

The multiple linear regression analysis produces the equation $Y = 0.290X_1 + 0.204X_2 + 0.395X_3 + 0.499X_4 + \varepsilon$, with a constant value close to zero. This equation indicates that a one-unit increase in each independent variable, holding the other variables constant, will increase the financial statement quality score according to its coefficient, with the internal control system providing the largest contribution.

Table 4. t-Test Results and Hypothesis Testing

Variable	Coefficient (B)	t-count	t-table	Sig.	Remarks
Accounting Understanding (X1) → Y	0.290	2.005	2.042	0.054	Positive, not significant (H1 rejected)
Accounting System Utilization (X2) → Y	0.204	1.270	2.042	0.214	Positive, not significant (H2 rejected)
Internal Audit (X3) → Y	0.395	2.245	2.042	0.032	Positive, significant (H3 accepted)
Internal Control System (X4) → Y	0.499	2.676	2.042	0.012	Positive, significant (H4 accepted)

Source: Primary data processed with SPSS 22, 2026.

Simultaneous testing (F-test) produces an F-count of 40.739, greater than the F-table value of 2.69, with a significance of 0.000 (< 0.05), meaning that accounting understanding, accounting system utilization, internal audit, and internal control system jointly have a significant effect on financial statement quality. The coefficient of determination (R^2) of 0.845 indicates that the four independent variables are able to explain 84.5% of the variation in financial statement quality, with an Adjusted R^2 of 0.824, while the remaining 15.5% is explained by other factors outside the research model.

The Effect of Accounting Understanding on Financial Statement Quality

The test results show that accounting understanding has a positive but not significant effect on financial statement quality (t-count 2.005 $<$ t-table 2.042; sig. 0.054), so H1 is rejected. This value is very close to the critical point of the test, so the

non-significant result should be interpreted as a borderline condition rather than evidence that accounting understanding plays no role at all. Descriptively, all indicators of accounting understanding received high and relatively uniform agree/strongly agree percentages (82.9%–91.4%), indicating that respondents' level of understanding is already fairly good with small variation among respondents, so this variable is less able to statistically explain differences in financial statement quality.

This condition is consistent with the characteristics of PT XYZ, where the process of preparing financial statements is already supported by standardized accounting policies, a standard monthly closing procedure, and an integrated SIMRS across all service units. Individual accounting understanding also correlates strongly with accounting system utilization ($r_s = 0.703$) and moderately with internal audit and internal control system, so part of its contribution to financial statement quality is absorbed by the other variables when tested together in the multiple regression model. This result is consistent with the views of Mulyadi (2016) and the Indonesian Institute of Accountants (2020) that financial statement quality is determined not only by individual competence but also by the application of standards, organizational procedures, and control mechanisms that support the reporting process, and reinforces the argument of Alkaraan et al. (2022) that HR competence will be more optimal when supported by effective governance and internal control. This finding differs from Yuliani, Nadirsyah, and Bakar (2010), who found a significant effect in the context of local government, a difference presumably attributable to the different levels of system and control maturity across the respective research objects.

The Effect of Accounting System Utilization on Financial Statement Quality

The test results show that accounting system utilization has a positive but not significant effect on financial statement quality ($t\text{-count } 1.270 < t\text{-table } 2.042$; sig. 0.214), so H2 is rejected. Descriptively, all indicators of accounting system utilization received high positive ratings (77.1%–91.4%), consistent with the mandatory and uniform top-down implementation of SIMRS across all units, so the variation in the level of utilization among respondents is relatively small and less able to statistically explain differences in financial statement quality.

The non-significant partial effect can also be explained through the Information Systems Success Model of DeLone and McLean (2003), which asserts that system use alone does not automatically generate organizational benefits unless supported by mechanisms to verify and control system output. In other words, accounting system utilization functions more as an enabling factor that provides a structured database and recording process, while the ultimate reliability of financial statements is determined more by mechanisms that directly verify and oversee system output, namely internal audit and the internal control system (Romney and Steinbart, 2021). The strong correlation between accounting system utilization and accounting understanding ($r_s = 0.703$) and the internal control system ($r_s = 0.709$) further indicates overlapping contributions among the independent variables when

tested jointly, so its unique/partial contribution becomes weaker even though it still contributes meaningfully to the simultaneous test.

The Effect of Internal Audit on Financial Statement Quality

The test results show that internal audit has a positive and significant effect on financial statement quality ($t\text{-count } 2.245 > t\text{-table } 2.042$; sig. 0.032), so H3 is accepted. Descriptively, all indicators of internal audit received consistently high ratings (80.0%–91.4%), reinforcing the finding that the internal audit function is perceived to operate effectively by employees involved in the financial reporting process.

The internal audit function at PT XYZ is carried out independently through a Risk-Based Internal Audit (RBIA) approach that covers compliance audits, operational audits, and evaluation of internal control effectiveness, with a focus on high-risk areas such as the management of healthcare service revenue, INA-CBGs-based BPJS claims, pharmaceutical inventories, fixed assets, and cash and banking. Every audit finding is accompanied by corrective recommendations that are monitored through a follow-up mechanism until resolved, thereby encouraging procedural compliance and continuously strengthening internal control. This finding is consistent with Sawyer (2019) and Alzeban and Gwilliam (2019), who assert that an independent and competent internal audit function is able to detect procedural weaknesses and reduce the risk of misstatement, and supports the view of Ebaid (2021) regarding the importance of internal audit characteristics in improving the reliability of financial reporting.

The Effect of the Internal Control System on Financial Statement Quality

The test results show that the internal control system has a positive and significant effect on financial statement quality ($t\text{-count } 2.676 > t\text{-table } 2.042$; sig. 0.012), so H4 is accepted. This variable has the largest standardized coefficient (Beta) among all independent variables, at 0.499, making it relatively the most dominant determinant in the research model. Descriptively, the indicators of cross-unit financial information communication and periodic evaluation received the highest ratings (91.4%), indicating that the strength of internal control at PT XYZ lies not only in procedural aspects but also in monitoring mechanisms and cross-unit coordination that operate continuously, consistent with the information and communication and monitoring components of the COSO (2013) framework.

The application of internal control across all business process stages, through segregation of duties, transaction authorization, periodic reconciliation, tiered supervision, and a consistent monthly closing procedure, is further supported by the integration of SIMRS with the accounting system, which provides audit trails, user access controls, and tiered approval mechanisms. Although the internal control system has a relatively high correlation with internal audit ($r_s = 0.816$) and the highest VIF value (6.705), this value remains well below the threshold of 10 and therefore does not raise multicollinearity concerns that would compromise the

interpretation of the results. This finding is consistent with the COSO (2013) framework and the study of Astuti (2022), which assert that adequate internal control reduces the risk of misstatement and fraud, thereby improving the reliability of financial reporting. Overall, the pattern of results across the four hypotheses depicts a coherent narrative: accounting understanding and accounting system utilization function more as enabling factors that serve as prerequisites, whereas internal audit and the internal control system act as verification and control mechanisms that are empirically shown to be the most decisive determinants of hospital financial statement quality at PT XYZ, with the internal control system as the most dominant factor.

CONCLUSION

Based on the data analysis and discussion, this study draws five conclusions. First, accounting understanding has a positive but not significant effect on financial statement quality, because the process of preparing financial statements is already supported by standardized accounting policies, standard procedures, an integrated SIMRS, and consistent supervision and control. Second, accounting system utilization has a positive but not significant effect, given that all service units already use a relatively uniform system, resulting in small variation in utilization among respondents, while financial statement quality is determined more by the effectiveness of internal audit and the internal control system. Third, internal audit has a positive and significant effect on financial statement quality; the more effective the implementation of internal audit, the higher the quality of the resulting statements. Fourth, the internal control system has a positive and significant effect, with the largest coefficient among the variables tested, making it the most dominant determinant. Fifth, simultaneously, the four variables have a significant effect on financial statement quality, with the model able to explain 84.5% of its variation ($R^2 = 0.845$), while the remaining 15.5% is influenced by other factors outside the model. These findings confirm that the reliability of financial reporting at state-owned hospitals is determined more by the effectiveness of organizational control and oversight mechanisms than by individual competence alone, making the strengthening of internal audit and the internal control system a strategic priority for the management of PT XYZ in continuously safeguarding the reliability of financial reporting.

LIMITATIONS

This study has several limitations that should be considered when interpreting its results. First, the study was conducted only at PT XYZ, so the results cannot yet be generalized to all hospitals or other healthcare organizations in Indonesia. Second, the number of respondents is relatively limited (35 people), which reduces the statistical power to detect small-to-moderate effects, as reflected in the t-count value for accounting understanding, which sits right at the significance threshold. Third, the independent variables used are limited to accounting

understanding, accounting system utilization, internal audit, and internal control system, while other factors such as organizational commitment, organizational culture, good corporate governance, SIMRS quality, and information technology support have not yet been tested. Fourth, data collection through questionnaires allows for subjective respondent perceptions that may not fully reflect actual conditions. Fifth, the quantitative approach used has not been able to explore in depth the reasons why a variable does or does not affect financial statement quality. Therefore, future research is recommended to expand the research object to public and private hospitals, increase the number and scope of respondents, add other relevant variables, and consider a mixed-methods approach or a more comprehensive analytical method such as Partial Least Squares Structural Equation Modeling (PLS-SEM) to gain a deeper understanding of the determinants of hospital financial statement quality.

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