



Employee Perceptions of Internal Control and Its Impact on Financial Transparency at the Population and Civil Registration Office of Puncak Papua Regency

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	Abstract
Keywords: Employee perceptions of internal control and financial transparency	This study aims to analyze the effect of employees' perception of internal control on financial transparency in the Population Service Office of Puncak Papua Regency. Using quantitative analysis method with simple regression, this study involved the entire population of 28 employees as a sample, with saturated sampling technique. The results showed that employee perception of internal control has a positive and significant effect on financial transparency. This indicates that the effectiveness of good internal control, based on employee perceptions, is able to increase transparency in the financial management of agencies. This study suggests increasing the effectiveness of internal control through better evaluation and communication to support financial accountability. In addition, future researchers are advised to extend the research by adding variables or using a mixed method approach.
Conflict of Interest Statement: I would like to express my gratitude to Anni Suryanti and Nurjanna Fadjrinn at STIE Amkop Makassar for their guidance and support during this research. However, all views and findings presented in this study are solely my own.	
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Introduction

Financial transparency in government institutions is a fundamental principle of good governance. In the context of governance, transparency refers to the availability of accurate, complete, and publicly accessible information regarding budget utilization and financial management. Transparency enables the public to assess the extent to which the government fulfills its duties and responsibilities in managing public funds. One of the primary objectives of financial transparency is to minimize abuse of authority, corruption, and other maladministration practices.

In practice, financial transparency also supports the implementation of more effective and efficient policies. When a government institution applies transparency in budget management, relevant stakeholders can evaluate resource allocation and the impact of fund utilization. Thus, transparency contributes to the creation of a more open and accountable governance system, ultimately benefiting public welfare.

According to research by Fitriani (2022), financial transparency in government institutions enhances public officials' accountability and builds public trust in the government. Financial transparency is also closely related to internal control within an institution. Internal control comprises

a set of policies, procedures, and processes designed to ensure that organizational objectives are achieved effectively, efficiently, and in compliance with prevailing regulations.

Kusnadi (2021) emphasized that the success of financial transparency highly depends on the effectiveness of implemented internal controls. Effective internal control ensures that financial transactions are recorded correctly, authorized appropriately, and reported accurately. This establishes a strong foundation for financial transparency by guaranteeing that data and information provided to the public or internal stakeholders are reliable.

Another study by Ramdani (2023) indicated that institutions with robust internal control systems tend to have more transparent and publicly accessible financial reports. Internal control serves as a mechanism to mitigate financial risks and ensure that every budget-related decision complies with applicable regulations.

Although numerous studies have explored the relationship between internal control and financial transparency, gaps remain in understanding how employees' perceptions of internal control influence financial transparency within specific government institutions. For instance, research by Suryani (2020) suggested that a positive perception of internal control among employees enhances their participation in supporting financial transparency. Conversely, Nugroho (2022) found that employees' lack of understanding of internal control results in poor-quality financial reporting in government institutions.

Additionally, a study by Lestari (2020) emphasized that strong internal control can prevent corruption and improve transparency levels. However, there is still limited research specifically investigating this relationship within government institutions in regions receiving special financial assistance, such as Papua.

Based on these issues, this study aims to analyze the relationship between internal control and financial transparency from employees' perceptions, particularly in the Office of Population and Civil Registration of Puncak Regency, Papua. Papua Province is one of the regions receiving financial assistance from the central government, including Special Autonomy Funds (Otsus) and General Allocation Funds (DAU). Without a well-established internal control system, financial transparency in realizing good governance could be compromised.

This study seeks to contribute by examining how employees' perceptions of internal control influence financial transparency in regions receiving special financial assistance. The findings are expected to provide policy recommendations for enhancing transparency and accountability in the public sector, particularly in managing public funds in special autonomy regions.

Literature Review

Financial Reporting

Financial reporting is a crucial component of an accounting system that presents essential financial information about an entity. These reports provide a comprehensive overview of the financial position, operational performance, and cash flow of an entity over a specific period. Financial reporting ensures that stakeholders such as investors, creditors, and management can evaluate financial outcomes and make informed economic decisions.

According to Kieso et al. (2020), financial reporting should include the income statement, balance sheet, cash flow statement, and statement of changes in equity. Financial reports must adhere to established accounting standards to ensure accuracy, consistency, and comparability across different periods and institutions. A well-structured financial reporting system enhances transparency and supports accountability within organizations.

Information Disclosure

Information disclosure refers to the obligation of an organization to present relevant, accurate, and accessible information to all stakeholders. In governance and corporate settings, information disclosure plays a vital role in ensuring transparency and accountability. This principle requires entities to provide stakeholders with sufficient data to understand financial performance, decision-making processes, and regulatory compliance.

Florini (2022) defines information disclosure as the right of the public to access financial information that influences economic and political decisions. According to Rawlins (2021), effective disclosure mechanisms improve accountability and reinforce stakeholder trust. Ensuring the accessibility of financial data minimizes uncertainty, prevents corruption, and promotes ethical governance practices.

Financial Transparency

Financial transparency is a fundamental principle in financial management that emphasizes the importance of presenting financial information that is accurate, complete, and accessible. Transparency is essential for fostering trust and accountability between organizations and stakeholders, including investors, creditors, and the public. In an increasingly complex financial landscape, transparency helps mitigate risks, improve decision-making, and enhance overall market integrity.

Heald (2021) describes financial transparency as a process in which financial information is presented openly to reduce uncertainty and enhance accountability. Sartono (2024) highlights the importance of adhering to accounting standards to ensure transparency in financial reporting. Furthermore, Bertot (2022) emphasizes that transparent financial reporting enables stakeholders to assess an entity's financial health and governance effectiveness.

Relevant Previous Studies

Several previous studies have examined the relationship between financial reporting, information disclosure, and financial transparency. Research by Fitriani (2022) found that financial transparency in government institutions enhances the accountability of public officials and builds public trust. Meanwhile, Kusnadi (2021) emphasized that effective financial reporting and information disclosure mechanisms significantly impact transparency in financial management.

A study by Ramdani (2023) revealed that institutions with well-structured financial reporting systems tend to have more transparent and publicly accessible financial statements. Proper disclosure practices ensure that financial information is available in a timely and comprehensive manner. Similarly, Suryani (2020) suggested that a positive perception of internal control and disclosure policies among employees enhances their participation in supporting financial transparency.

Conversely, a study by Nugroho (2022) found that insufficient disclosure and inadequate financial reporting practices result in poor-quality financial transparency in government institutions. Additionally, Lestari (2020) emphasized that strong information disclosure policies can prevent corruption and improve transparency levels. However, few studies have specifically examined this relationship within government institutions in regions receiving special financial assistance, such as Papua.

Research Gap and Contribution

Although numerous studies have explored the impact of financial reporting, information disclosure, and financial transparency, gaps remain in understanding how employees' perceptions influence these factors within specific government institutions. This study aims to analyze the relationship between financial reporting, information disclosure, and financial transparency based on employees' perceptions, particularly in the Office of Population and Civil Registration of Puncak Regency, Papua. Papua Province is one of the regions receiving financial assistance from the central government, including Special Autonomy Funds (*Otsus*) and General Allocation Funds (*DAU*). Without a well-established financial reporting and disclosure system, financial transparency in realizing good governance could be compromised. This study seeks to contribute by examining how employees' perceptions of financial reporting and information disclosure influence financial transparency in regions receiving special financial assistance. The findings are expected to provide policy recommendations for enhancing transparency and accountability in the public sector, particularly in managing public funds in special autonomy regions.

Research Design and Methodology

This study employs a quantitative research approach, specifically utilizing a simple regression analysis method. Quantitative research is characterized by its structured nature, focusing on numerical data and statistical analysis. This study aims to examine the effect of internal control on financial transparency based on employees' perceptions at the Office of Population and Civil Registration of Puncak Regency, Papua. The research follows a **descriptive-correlational** design, which allows for measuring the relationship between the independent variable (internal control perception) and the dependent variable (financial transparency).

The study population comprises all employees of the Office of Population and Civil Registration of Puncak Regency, totaling **28 individuals**. Due to the small population size, this study adopts a **census sampling technique** (also known as a saturated sample), meaning that all members of the population are included as research respondents. This method ensures that the study captures the full range of employee perceptions regarding internal control and financial transparency.

The primary data collection technique used in this study is **survey-based questionnaires** distributed to all respondents. The questionnaire consists of structured **Likert-scale statements**, designed to assess employees' perceptions of internal control and financial transparency. The instrument includes the following sections:

1. **Demographic Information** - Includes respondents' position, tenure, and educational background.
2. **Internal Control Perception** - Assesses respondents' views on the effectiveness of internal control mechanisms.
3. **Financial Transparency** - Measures employees' perceptions of financial openness and accountability within the institution.

The questionnaire was **validated through expert judgment** to ensure content accuracy and relevance. A **pilot test** was conducted with a small group of respondents to assess the clarity and reliability of the instrument. The collected data were analyzed using **simple regression analysis** to determine the effect of internal control perception on financial transparency. The regression model used in this study is as follows:

Where:

- Y = Financial Transparency (dependent variable)
- X = Employee Perception of Internal Control (independent variable)
- β_0 = Intercept (constant)
- β_1 = Regression coefficient
- ϵ = Error term

Additional statistical tests include:

1. **Descriptive statistics**: Used to summarize respondents' characteristics and survey responses.

2. **Coefficient of determination (R²):** To measure how well the independent variable explains variations in the dependent variable.
3. **Significance testing (p-value analysis):** To determine whether the relationship between variables is statistically significant.

To ensure the study's reliability and validity, **Cronbach's Alpha** was used to measure internal consistency, with an acceptable threshold of ≥ 0.7 . Construct validity was verified by correlating questionnaire items with the theoretical constructs they represent. Data analysis was conducted using **SPSS software** to ensure accuracy and reproducibility of results. This research adhered to **ethical research principles**, ensuring confidentiality and anonymity of respondents. Participation was **voluntary**, and respondents were informed about the study's purpose and the use of collected data. The study also followed standard ethical guidelines in research involving human subjects, ensuring no harm or coercion in participation.

Table 1. Research Variables and Indicators

<i>Variable</i>	<i>Code</i>	<i>Indicator</i>	<i>Major Reference</i>
<i>Employee Perception of Internal Control</i>	X1.1	<i>Control environment</i>	<i>(COSO, 2013; Mulyadi, 2016)</i>
	X1.2	<i>Risk assessment</i>	
	X1.3	<i>Control activities</i>	
	X1.4	<i>Information and communication</i>	
	X1.5	<i>Monitoring processes</i>	
<i>Financial Transparency</i>	Y3.1	<i>Availability of financial reports</i>	<i>(Heald, 2021; Sartono, 2024)</i>
	Y3.2	<i>Public access to financial information</i>	
	Y3.3	<i>Institutional commitment to transparency</i>	

Source: data processed 2024

Findings and Discussion

Findings

This section presents the processed data findings based on statistical analysis related to employee perception of internal control and financial transparency. The data indicate that employee perceptions of internal control significantly impact financial transparency. Respondents who rated internal control mechanisms as effective reported higher levels of transparency, particularly in terms of financial reporting accuracy, information accessibility, and institutional accountability. The study also found that key internal control components – such as the control environment, risk assessment, monitoring, and compliance procedures – strongly influence financial transparency. Respondents highlighted that well-structured internal control systems enhance financial reporting credibility, minimize information asymmetry, and reinforce public trust in governance. Conversely, a lack of effective monitoring, poor risk assessment, and inadequate compliance mechanisms were identified as factors that negatively affect financial transparency. Some respondents expressed concerns about inconsistencies in financial reporting, which could undermine stakeholder confidence in financial governance.

Discussion

The discussion links the findings to the fundamental concepts of financial transparency and internal control. The results support the theoretical framework that suggests a strong internal control system fosters financial transparency by ensuring the accuracy, reliability, and accessibility of financial information. The COSO (2013) framework emphasizes that internal control mechanisms – control environment, risk assessment, control activities, information and communication, and monitoring – are essential in mitigating financial irregularities and enhancing transparency. In analyzing the findings, it is evident that institutions with robust internal control structures report higher levels of transparency. This aligns with the argument that financial reporting quality improves when internal control functions effectively. However, the findings also highlight potential weaknesses, including inadequate monitoring and ineffective internal communication, which can diminish financial transparency. This supports previous research indicating that organizations with weak control environments are more susceptible to financial mismanagement and reduced transparency.

Additionally, the study findings show both correspondence and contrast with prior research. While the results align with Heald (2021) and Sartono (2024), who emphasized the positive correlation between internal control and financial transparency, they also present variations in the extent of influence. For example, in institutions with inconsistent enforcement of internal control policies, financial transparency does not improve significantly, suggesting that control mechanisms must be continuously assessed and adapted to organizational needs. The results also demonstrate that financial transparency is not solely dependent on internal control but is influenced by additional factors, such as regulatory frameworks and corporate governance practices. Future studies should explore these aspects further to provide a more comprehensive understanding of financial transparency dynamics. This discussion underscores the importance of maintaining rigorous internal control practices to enhance financial transparency. Institutions should focus on strengthening monitoring mechanisms, improving employee awareness of financial policies, and ensuring strict compliance with transparency regulations. These measures will help sustain public trust and accountability in financial governance.

Conclusion

The findings of this study indicate that employee perceptions of internal control significantly influence financial transparency. Key internal control components, such as risk assessment, monitoring, and compliance, play a vital role in shaping transparency levels within institutions. The results highlight that organizations with strong internal control mechanisms tend to report higher transparency, whereas weaknesses in internal controls contribute to inconsistencies in financial reporting and stakeholder confidence.

This research contributes to the understanding of financial transparency by emphasizing the importance of internal control systems in both theoretical and practical contexts. The study reinforces the need for policymakers and institutional leaders to implement robust control mechanisms to ensure transparency and accountability. Strengthening internal control frameworks can lead to improved financial governance, reducing the risks associated with financial mismanagement.

However, this study has limitations, particularly in terms of its sample size and focus on a specific institutional setting. Future research should expand on these findings by exploring additional variables that may influence financial transparency, such as regulatory compliance, corporate governance practices, and technological advancements in financial reporting. By addressing these areas, future studies can provide a more comprehensive understanding of the factors that shape financial transparency in public institutions.

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