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Leadership Commitment and Internal Control Effectiveness in Financial Reporting: The Mediating Role of the Government Internal Control System in Indonesia's Defense Institutions

Dody Hananto[1*], Andriansyah[2]
[1,2]Universitas Prof. Dr. Moestopo (Beragama), Indonesia

Corresponding e-mail : dodyhananto@gmail.com

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ABSTRACT

Increasing demands for transparency and accountability in public financial management have heightened the importance of effective internal control systems, particularly within defense institutions that operate under complex bureaucratic and military command structures. This study aimed to examine the direct effect of leadership commitment on financial reporting quality, investigate the mediating role of the Government Internal Control System (Sistem Pengendalian Intern Pemerintah—SPIP), and compare its implementation within the Indonesian Ministry of Defense and the Indonesian National Armed Forces. An explanatory sequential mixed-methods design was employed by integrating quantitative and qualitative approaches. Quantitative data were collected from 120 financial management personnel through structured questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. The qualitative phase involved semi-structured interviews with eight key informants to explain the quantitative findings and explore institutional differences in SPIP implementation. The results revealed that leadership commitment had a positive and significant effect on both SPIP implementation ($\beta = 0.645$, $p < .001$) and financial reporting quality ($\beta = 0.412$, $p = .002$). SPIP also had a significant positive effect on financial reporting quality ($\beta = 0.528$, $p < .001$) and partially mediated the relationship between leadership commitment and financial reporting quality. Qualitative findings further demonstrated that the Ministry of Defense primarily adopted a rule-based administrative approach, whereas the Indonesian National Armed Forces emphasized command-based implementation. These findings suggest that strengthening financial accountability in the defense sector requires an adaptive internal control model that integrates administrative compliance with hierarchical command practices.

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INTRODUCTION

Public-sector reform has increasingly placed transparency, accountability, and performance at the center of government administration. In Indonesia, this transformation has been influenced by the principles of New Public Management, which encourage public institutions to move beyond procedural compliance toward measurable performance and responsible resource utilization (Tangkilisan, 2020; Utami, 2021). Unlike private corporations, however, government institutions manage public resources under political, legal, and social obligations that require stronger accountability mechanisms. Financial reporting therefore serves not merely as an administrative requirement but also as an institutional instrument through which governments demonstrate how public funds have been allocated and controlled (Bastian, 2020; Mahmudi, 2020). Recent international evidence also indicates that the quality of public governance is closely associated with the overall quality and credibility of financial reporting (Yamen et al., 2023). Accordingly, reliable financial statements remain essential for reducing information asymmetry, supporting oversight, and maintaining public confidence in government institutions.

The accountability challenge becomes more complex in the defense sector because defense institutions manage substantial public budgets while operating under organizational secrecy, security restrictions, and highly specialized operational structures. The governance of defense expenditure must balance confidentiality and strategic responsiveness with the obligation to comply with public financial regulations (Junaidi, 2021; Silitonga & Siregar, 2022). In Indonesia, the Ministry of Defense and the Indonesian National Armed Forces administer extensive programs involving personnel expenditure, procurement, asset management, logistics, infrastructure, and military capability development. These activities create considerable exposure to accounting errors, weak documentation, asset misstatement, and noncompliance when internal control mechanisms are not implemented consistently (Ernawati, 2023; Irawan, 2023). Studies of Indonesian ministries have similarly shown that internal control weaknesses remain associated with audit findings and material cases of regulatory noncompliance. Thus, the effectiveness of internal control over financial reporting is particularly important in defense institutions, where financial accountability must be maintained without compromising operational confidentiality.

Indonesia formally institutionalized public-sector internal control through Government Regulation Number 60 of 2008 concerning the Government Internal Control System, commonly referred to as SPIP. The regulation requires government institutions to integrate the control environment, risk assessment, control activities, information and communication, and internal control monitoring into organizational operations. In practice, however, the formal adoption of SPIP does not automatically ensure that control procedures function effectively at every organizational level (Darmawan, 2021; Pratama, 2023). Internal control weaknesses may persist when risk identification is treated as a documentary exercise, control responsibilities are fragmented, monitoring is irregular, or corrective actions are not followed through. Evidence from Indonesian public institutions suggests that effective internal control contributes to organizational integrity, accountability, and the prevention of financial irregularities, although the strength of this contribution varies across institutional contexts. This variation indicates that SPIP effectiveness depends not only on regulatory design but also on the organizational conditions through which the system is interpreted and implemented.

Among those organizational conditions, leadership commitment is critical because senior leaders determine whether internal control is treated as a substantive management responsibility or merely as a formal compliance requirement. The concept of *tone at the top* emphasizes that leaders shape organizational control through ethical example, policy communication, resource allocation, supervision, and the consistent application of rewards and sanctions (Oktaviani, 2022; Daryanto, 2022). Leaders who actively communicate the importance of accountability can strengthen employees' awareness of risk and encourage compliance with financial procedures. Conversely, inconsistent direction from senior management may weaken control implementation even when regulations and standard operating procedures are formally available (Cahyono & Haryanto, 2023). Recent studies have also emphasized that leadership commitment, accountability, and enforceable sanctions are central to strengthening the control environment within public institutions. Leadership commitment may therefore influence financial reporting both directly, through managerial decisions and resource support, and indirectly, by improving the implementation of SPIP throughout the organization.

Previous studies have generally reported that internal control, organizational commitment, human-resource competence, information systems, and managerial support are positively associated with government financial reporting quality (Anggraini, 2023; Lestari, 2023; Rahayu, 2022; Yusuf, 2022; Zaelani, 2024). Research on Indonesian government institutions has also found that leadership style and *tone at the top* can improve the implementation of internal control by strengthening discipline, communication, and employee compliance (Cahyono & Haryanto, 2023; Oktaviani, 2022).

At the international level, accountability has been shown to play an important role in connecting financial reporting quality with public organizational performance (Tran et al., 2021). Other studies demonstrate that internal control implementation contributes positively to organizational quality and can strengthen the effect of broader quality-assurance mechanisms (Kewo & Afiah, 2023). Financial reporting research further indicates that reporting quality has consequences beyond technical accounting compliance because it influences organizational decisions, resource allocation, and stakeholder assessments (Biehl et al., 2024). Taken together, these findings support the expectation that leadership commitment, internal control, and financial reporting quality are closely interconnected.

Nevertheless, the existing literature has several important limitations. First, most Indonesian studies on SPIP and financial reporting have focused on local governments, civilian ministries, universities, or other public organizations with relatively conventional bureaucratic structures (Darmawan, 2021; Pratama, 2023; Rahayu, 2022). Second, previous studies have predominantly tested direct statistical relationships and have given limited attention to SPIP as an institutional mechanism through which leadership commitment is translated into financial reporting effectiveness (Hananto & Andriansyah, 2024). Third, limited empirical research has examined how the same internal control policy operates across organizational units characterized by different authority structures and administrative cultures. This limitation is particularly relevant to the Indonesian defense sector, where the Ministry of Defense emphasizes formal administrative procedures and regulatory documentation, while the Indonesian National Armed Forces relies more strongly on hierarchical command, vertical instruction, and operational discipline (Kusuma & Putra, 2022; Qomaruddin, 2020). Consequently, it remains unclear whether leadership commitment produces comparable control outcomes in rule-based civilian-military bureaucracy and command-based military organizations. This study addresses that gap by examining both the mediating role of SPIP and the institutional differences that shape its implementation.

Accordingly, this study aims to examine the direct effect of leadership commitment on the effectiveness of internal control over financial reporting, assess the effect of leadership commitment on SPIP implementation, and determine whether SPIP mediates the relationship between leadership commitment and financial reporting control effectiveness. It also compares how internal control is implemented within the Ministry of Defense and the Indonesian National Armed Forces, particularly in relation to their different bureaucratic and command structures. Theoretically, the study extends public-sector governance and agency perspectives by positioning SPIP as an institutional mechanism that converts leadership commitment into observable financial accountability outcomes. Methodologically, it combines quantitative relationship testing with qualitative explanation to reveal why similar formal control policies may operate differently across defense organizations. Practically, the findings are expected to support the development of an adaptive internal control model that integrates the procedural strengths of civilian administration with the discipline and implementation speed of military command. Such integration is essential for improving sustainable financial accountability in Indonesia’s defense sector.

METHOD

This study employed a mixed-methods approach using an explanatory sequential design, in which quantitative findings were generated first and subsequently elaborated through qualitative inquiry. This design was selected because the study sought not only to examine the statistical relationships among leadership commitment, the implementation of the Government Internal Control System (*Sistem Pengendalian Intern Pemerintah*—SPIP), and the effectiveness of internal control over financial reporting, but also to explain how organizational characteristics influenced these relationships within Indonesia's defense institutions. The quantitative phase focused on testing the proposed structural model using Partial Least Squares Structural Equation Modeling (PLS-SEM), whereas the qualitative phase explored organizational practices and leadership dynamics that could not be adequately captured through survey data alone. Integrating these two approaches enabled a more comprehensive understanding of financial governance in institutions characterized by different administrative and command structures. The study was conducted in the financial management units of the Ministry of Defense of the Republic of Indonesia and the Headquarters of the Indonesian National Armed Forces (TNI Headquarters) between January and April 2025, covering questionnaire distribution, interviews, document review, and data verification.

The target population consisted of financial management personnel responsible for budget administration and financial reporting within the Ministry of Defense and TNI Headquarters. Participants were selected using purposive sampling because only individuals directly involved in government financial management possessed the experience necessary to evaluate leadership commitment and SPIP implementation. To be included in the study, respondents had to (1) serve as Commitment Making Officers (*Pejabat Pembuat Komitmen*), Payment Order Signing Officers (*Pejabat Penandatangan Surat Perintah Membayar*), government treasurers, or Defense Financial Control (*Dalkuhan*) personnel; (2) have at least three years of professional experience in public financial management; and (3) have participated directly in the preparation of the Ministry/Agency Financial Statements (*Laporan Keuangan Kementerian/Lembaga*). Following the minimum sample size recommendation for variance-based SEM proposed by Hair et al. (2014), a total of 120 valid respondents were included in the quantitative analysis. To complement the survey findings, qualitative data were collected through semi-structured interviews with eight key informants, comprising senior military officers and echelon III–IV government officials from both institutions. These participants were selected because of their strategic responsibilities in financial supervision, organizational governance, and SPIP implementation.

The primary quantitative instrument was a structured questionnaire employing a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Leadership commitment was measured through four dimensions adapted from the *tone at the top* perspective, including role modelling, resource allocation, policy communication, and disciplinary enforcement (Oktaviani, 2022). SPIP implementation was operationalized according to Government Regulation No. 60 of 2008, encompassing the five COSO-based components of the control environment, risk assessment, control activities, information and communication, and monitoring. Financial reporting internal control effectiveness was assessed based on the qualitative characteristics of government financial reporting stipulated in Government Regulation No. 71 of 2010, namely relevance, faithful representation, comparability, and understandability. Prior to data collection, the questionnaire was reviewed by experts in public financial management and public administration to ensure content validity and contextual relevance. Construct validity and reliability were subsequently evaluated through PLS-SEM using indicator loadings, Average Variance Extracted (AVE), Composite Reliability (CR), and Cronbach's alpha, following the recommended thresholds of loading factors above 0.70, AVE above 0.50, and reliability coefficients exceeding 0.70 (Hair et al., 2014). Qualitative data were collected using an interview guide focusing on leadership practices, internal control implementation, organizational culture, and financial reporting procedures, while relevant institutional documents and standard operating procedures were examined to strengthen data triangulation.

The overall research procedure is illustrated in Figure 1. The study began with instrument preparation and expert validation, followed by quantitative data collection through questionnaire administration. After the survey responses had been analyzed using PLS-SEM, the quantitative findings were used to identify themes requiring deeper investigation during the qualitative phase. Semi-structured interviews and document reviews were subsequently conducted to explain similarities and differences in SPIP implementation between the Ministry of Defense and the Indonesian National Armed Forces. Finally, quantitative and qualitative findings were integrated during the interpretation stage to generate comprehensive conclusions regarding the mediating role of SPIP in strengthening internal control over financial reporting.

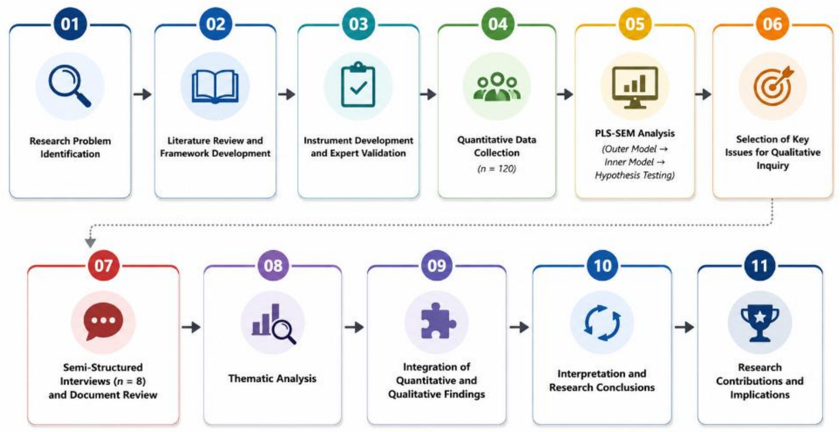

Figure 1. Research Procedure Flowchart

As shown in Figure 1, the explanatory sequential design ensured that qualitative inquiry was directly informed by quantitative findings rather than conducted independently. This integration strengthened the interpretation of statistical relationships by incorporating contextual explanations related to organizational culture, leadership practices, and institutional governance within Indonesia's defense sector.

Quantitative data were analyzed using SmartPLS 4.0 following the variance-based Structural Equation Modeling procedure. The analysis consisted of two consecutive stages. The measurement model (*outer model*) was first evaluated by examining convergent validity, discriminant validity, internal consistency reliability, and multicollinearity. The structural model (*inner model*) was then assessed using the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and bootstrapping with 5,000 resamples to estimate path coefficients, *t*-statistics, and *p*-values. A significance level of 0.05 was adopted as the criterion for hypothesis acceptance. Qualitative interview transcripts were analyzed through thematic analysis, involving data familiarization, open coding, category development, theme generation, and interpretation. The credibility of qualitative findings was enhanced through source triangulation between interview data and institutional documents. Finally, quantitative and qualitative results were integrated during the interpretation stage to explain how leadership commitment and SPIP implementation interacted within different organizational contexts. The study adhered to accepted research ethics by obtaining voluntary informed consent from all participants before data collection, guaranteeing respondent anonymity and confidentiality, and ensuring that all information was used exclusively for academic purposes. Institutional identities were reported only at the organizational level, and no personally identifiable information was disclosed throughout the research process.

RESULTS AND DISCUSSION

Results

This subsection presents the demographic characteristics of the respondents and the descriptive statistics of the main research constructs. The respondent profile is reported to provide a clear overview of the educational background, length of service, and institutional representation of the 120 participants involved in the study. Descriptive statistics are then used to summarize the distribution of responses related to leadership commitment, SPIP implementation, and financial reporting quality. The results are presented through figures and tables to facilitate a systematic interpretation of the sample composition and the general tendency of each construct before proceeding to the measurement and structural model assessments.

Respondent Characteristics and Descriptive Statistics

A total of 120 valid questionnaires were included in the quantitative analysis. The respondents represented financial management personnel from the Ministry of Defense and the Indonesian National Armed Forces, with 30% originating from the Ministry of Defense and 70% from TNI Headquarters and the Army, Navy, and Air Force commands. In terms of educational attainment, most respondents held a bachelor's or applied bachelor's degree, accounting for 65.0% of the sample. Respondents with a master's degree represented 25.0%, while those with diploma and doctoral qualifications accounted for 8.3% and 1.7%, respectively. The distribution of respondents by organizational unit and other demographic characteristics is presented in Figure 2.

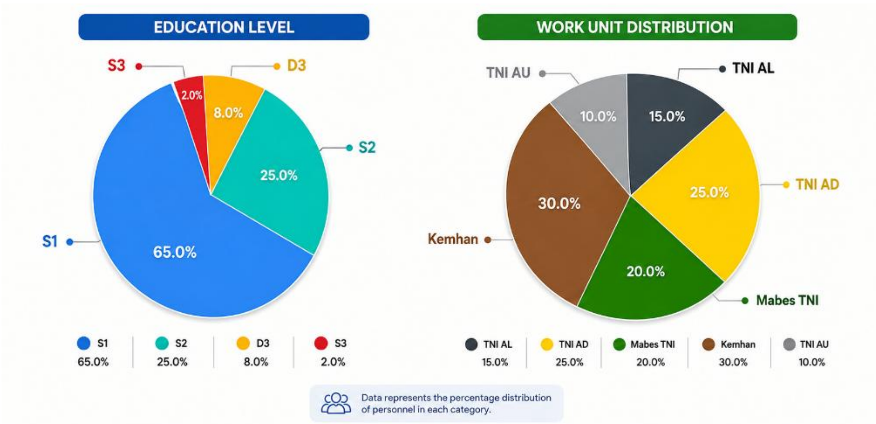

Figure 2. Distribution of Respondent Demographic Characteristics

Then, table 1 provides a detailed summary of the respondents' educational backgrounds and lengths of service. Most respondents had worked in financial management for six to ten years, representing 45.8% of the sample. A further 37.5% had between three and five years of experience, whereas 16.7% had more than ten years of service. These data indicate that all respondents met the minimum experience requirement established for participation in the study.

Table 1. Demographic Profile of Respondents

Characteristic	Category	Frequency	Percentage
Educational attainment	Diploma	10	8.3%
	Bachelor's/Applied bachelor's degree	78	65.0%
	Master's degree	30	25.0%
	Doctoral degree	2	1.7%
Length of service	3–5 years	45	37.5%
	6–10 years	55	45.8%
	More than 10 years	20	16.7%

The descriptive statistics for the three research constructs are presented in Table 2. Leadership commitment obtained a mean score of 4.12 with a standard deviation of 0.68, placing it in the high category. SPIP implementation recorded a mean score of 3.95 and a standard deviation of 0.72, indicating a good level of implementation. Financial reporting quality produced the highest mean score of 4.25, accompanied by the lowest standard deviation of 0.55. The relatively smaller dispersion for financial reporting quality indicates that respondents provided more consistent assessments of this construct than of leadership commitment and SPIP implementation.

Table 2. Descriptive Statistics of the Research Constructs

Construct	Number of Indicators	Minimum	Maximum	Mean	Standard Deviation	Category
Leadership Commitment (X)	5	2.00	5.00	4.12	0.68	High
SPIP Implementation (Z)	10	2.20	5.00	3.95	0.72	Good
Financial Reporting Quality (Y)	6	2.40	5.00	4.25	0.55	Very good

Measurement Model Assessment

The measurement model was evaluated to determine the convergent validity and internal consistency reliability of the constructs. Convergent validity was assessed using indicator loadings and Average Variance Extracted values. As presented in Table 3, all reported indicator loadings exceeded 0.70, ranging from 0.748 to 0.885. Leadership commitment produced an AVE value of 0.685, SPIP implementation recorded an AVE of 0.612, and financial reporting quality achieved an AVE of 0.715. These values demonstrate that each construct explained more than 50% of the variance in its indicators and therefore satisfied the established convergent validity criteria.

Table 3. Convergent Validity Results

Construct	Indicator	Loading Factor	AVE	Result
Leadership Commitment (LC)	LC_1	0.852	0.685	Valid
	LC_2	0.814		Valid
	LC_3	0.818		Valid
SPIP Implementation (SP)	SP_1	0.795	0.612	Valid
	SP_2	0.802		Valid
	SP_3	0.748		Valid
Financial Reporting Quality (FRQ)	FRQ_1	0.885	0.715	Valid
	FRQ_2	0.825		Valid
	FRQ_3	0.828		Valid

Internal consistency reliability was assessed using Cronbach's alpha and composite reliability. As shown in Table 4, the Cronbach's alpha values ranged from 0.845 to 0.902, while the composite reliability values ranged from 0.885 to 0.925. All coefficients exceeded the minimum threshold of 0.70. Financial reporting quality exhibited the highest internal consistency, followed by leadership commitment and SPIP implementation. Overall, the results confirm that the three constructs were measured reliably.

Table 4. Internal Consistency Reliability Results

Construct	Cronbach's Alpha	Composite Reliability	Threshold	Result
Leadership Commitment (LC)	0.884	0.912	> 0.70	Reliable
SPIP Implementation (SP)	0.845	0.885	> 0.70	Reliable
Financial Reporting Quality (FRQ)	0.902	0.925	> 0.70	Reliable

Structural Model and Hypothesis Testing

The structural model was evaluated by examining the path coefficients, *t*-statistics, and *p*-values generated through bootstrapping with 5,000 subsamples. A relationship was considered statistically significant when the *t*-statistic exceeded 1.96 and the *p*-value was below 0.05. The estimated structural relationships are illustrated in Figure 3, while the complete hypothesis-testing results are summarized in Table 5.

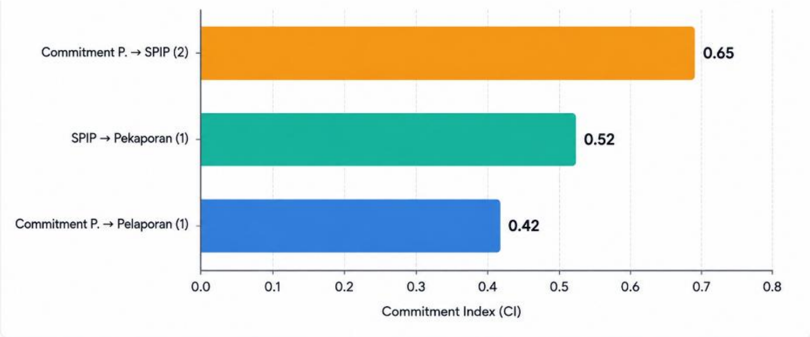

Figure 3. Estimated Path Coefficients of the Structural Model

Leadership commitment had a positive and statistically significant effect on SPIP implementation, with a path coefficient of 0.645, a *t*-statistic of 6.821, and a *p*-value below 0.001. Therefore, H1 was supported. Leadership commitment also had a significant direct effect on financial reporting quality, as indicated by a coefficient of 0.412, a *t*-statistic of 4.310, and a *p*-value of 0.002, supporting H2. SPIP implementation positively affected financial reporting quality, with a coefficient of 0.528, a *t*-statistic of 5.124, and a *p*-value below 0.001; consequently, H3 was supported.

The indirect effect of leadership commitment on financial reporting quality through SPIP implementation was also statistically significant. The mediated path produced a coefficient of 0.340, a *t*-statistic of 3.850, and a *p*-value of 0.004. Because both the direct and indirect relationships remained significant, SPIP implementation functioned as a partial mediator. Accordingly, H4 was supported.

Table 5. Structural Model and Hypothesis-Testing Results

Hypothesis	Structural Relationship	Path Coefficient (β)	t-Statistic	p-Value	Decision
H1	Leadership Commitment → SPIP Implementation	0.645	6.821	< 0.001	Supported
H2	Leadership Commitment → Financial Reporting Quality	0.412	4.310	0.002	Supported
H3	SPIP Implementation → Financial Reporting Quality	0.528	5.124	< 0.001	Supported
H4	Leadership Commitment → SPIP Implementation → Financial Reporting Quality	0.340*	3.850	0.004	Partial mediation

Note. The indirect effect was calculated by multiplying the coefficients of the two component paths: 0.645 × 0.528 = 0.340.

The explanatory power of the structural model was assessed using the coefficient of determination. Figure 4 shows that leadership commitment and SPIP implementation jointly explained 71.2% of the variance in financial reporting quality, corresponding to an R^2 value of 0.712. The remaining 28.8% of the variance was attributable to factors not included in the proposed model.

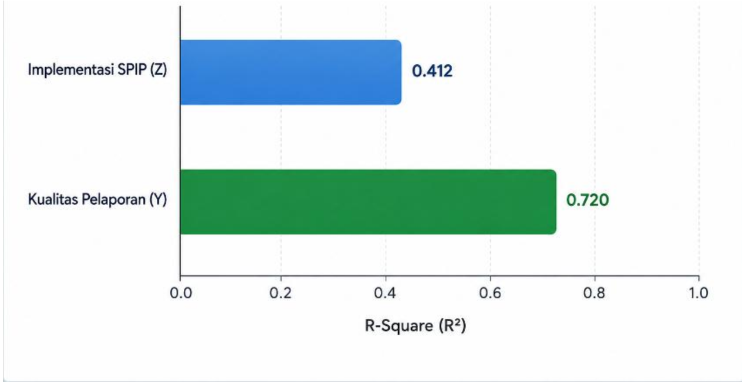

Figure 4. R-Square Value of the Endogenous Construct

Qualitative Findings on Institutional Differences

The qualitative phase identified distinct patterns in the implementation of SPIP across the Ministry of Defense and the Indonesian National Armed Forces. Within the Ministry of Defense, SPIP implementation was primarily organized through formal administrative procedures, layered document reviews, and institutional feedback mechanisms under the Defense Financial Control system. Compliance was generally demonstrated through adherence to regulations, circular letters, written instructions, and established standard operating procedures. This pattern reflected a predominantly rule-based approach to internal control.

In contrast, SPIP implementation within the Indonesian National Armed Forces was more strongly influenced by hierarchical command structures. Instructions issued by commanders or chiefs of staff were transmitted vertically and required immediate compliance across subordinate units. When senior commanders established the achievement of an unqualified audit opinion as an organizational priority, the instruction became a major driver of SPIP implementation throughout the chain of command. Internal control within this setting therefore operated through a command-based compliance pattern, in which the speed of execution and organizational loyalty played central roles.

Table 6 summarizes the principal differences identified between the two institutional contexts. The Ministry of Defense relied more heavily on administrative compliance, layered financial review, and formal documentation. Its principal challenge was the potential delay associated with lengthy procedures and document-related bureaucracy. By contrast, the Indonesian National Armed Forces emphasized direct instructions, briefings, rapid implementation, and loyalty to the command hierarchy. Its main challenge concerned uneven levels of technical accounting literacy among personnel at lower organizational levels.

Table 6. Comparison of SPIP Implementation Characteristics

Aspect	**Ministry of Defense**	**Indonesian National Armed Forces**
Primary approach	Administrative compliance and rule-based implementation	Hierarchical instruction and command-based implementation
SPIP mechanism	Layered document review through Defense Financial Control	Emphasis on rapid execution and organizational loyalty
Expression of leadership commitment	Regulations, circular letters, and formal standard operating procedures	Direct orders and command briefings
Main challenge	Procedural delays and document-related bureaucracy	Limited technical accounting literacy at lower organizational levels

The institutional contrast was also reflected in respondents' perceptions of leadership commitment. As presented in Figure 5, Ministry of Defense respondents reported a mean score of 4.2, with a relatively narrower distribution. Respondents from the Indonesian National Armed Forces recorded a mean score of 3.8 and a comparatively wider distribution. These results show that perceptions of leadership commitment were higher and more homogeneous within the Ministry of Defense, whereas perceptions among TNI respondents were more varied.

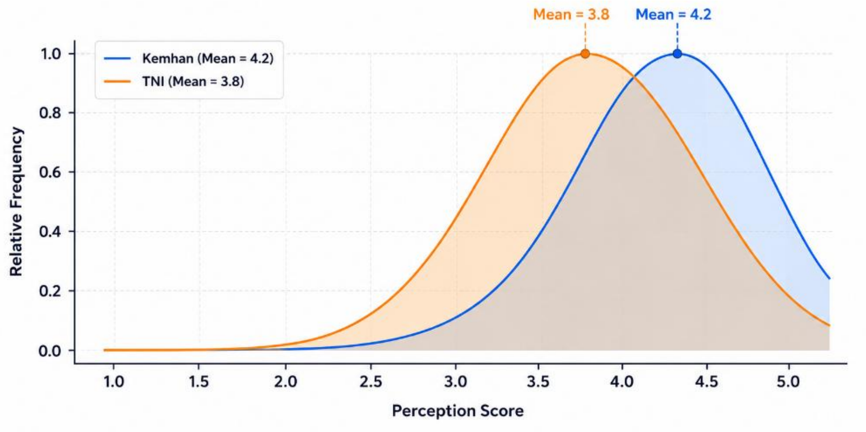

Figure 5. Distribution of Leadership Commitment Perceptions in the Ministry of Defense and the Indonesian National Armed Forces

Discussion

The finding that leadership commitment exerted a strong positive effect on SPIP implementation confirms that internal control in defense institutions is shaped not only by formal regulation but also by the behavioral signals transmitted by senior leaders. In this context, leadership commitment operates through visible role modelling, resource allocation, policy communication, and the enforcement of discipline, all of which determine whether SPIP is treated as an operational priority or merely as an administrative obligation. This interpretation is consistent with the *tone at the top* perspective, which places senior management at the center of the control environment because employees tend to align their conduct with the priorities demonstrated by organizational leaders. The result supports the findings of Oktaviani (2022), Cahyono and Haryanto (2023), and Darmawan (2021), who similarly identified leadership support as a major determinant of internal control effectiveness in public institutions. It also aligns with Daryanto (2022), who argued that transformational leadership can reduce organizational resistance by translating institutional goals into collective commitment. Within the defense sector, however, the effect appears stronger because authority is embedded in both formal bureaucracy and military hierarchy, making leadership direction especially influential in accelerating compliance across organizational levels. Therefore, this study extends the conventional *tone at the top* argument by showing that leadership commitment in defense institutions functions simultaneously as an ethical signal, an administrative directive, and a command mechanism.

The positive direct effect of leadership commitment on financial reporting quality indicates that senior leaders can influence reporting outcomes even before their commitment is fully institutionalized through SPIP. Leaders may improve reporting quality by ensuring the availability of qualified personnel, allocating sufficient resources, enforcing reporting deadlines, and prioritizing the resolution of audit findings. Such actions reduce operational uncertainty and strengthen coordination among financial units, thereby improving the relevance, reliability, comparability, and understandability of financial information. This result is consistent with Zaelani (2024), Lestari (2023), and Irawan (2023), who emphasized that managerial commitment and human-resource competence are central to the quality of government financial reporting. It also supports Utami's

(2021) view that financial governance reform depends on the capacity of organizational leaders to move institutions from formal compliance toward performance-oriented accountability. At the same time, the direct relationship suggests that leadership authority may compensate temporarily for procedural weaknesses by mobilizing staff and accelerating reporting processes. Nevertheless, such a mechanism remains vulnerable if reporting quality depends too heavily on individual leaders rather than on durable institutional arrangements.

SPIP implementation also had a significant positive effect on financial reporting quality, demonstrating that internal control is not merely a procedural layer but a substantive mechanism for improving the integrity of financial information. Through risk assessment, control activities, information exchange, monitoring, and corrective follow-up, SPIP reduces the likelihood of material misstatement, incomplete documentation, and inconsistencies between accounting units. This finding supports Rahayu (2022), Yusuf (2022), and Anggraini (2023), who reported that internal control and information systems strengthen the reliability of government financial reports. It is also consistent with Kewo and Afiah (2023), who found that internal control implementation contributes positively to institutional quality by strengthening organizational consistency and accountability. From an agency-theory perspective, SPIP reduces information asymmetry between government institutions and external stakeholders by establishing verifiable procedures for documenting, reviewing, and communicating the use of public resources. The result also resonates with Tran et al. (2021), who showed that accountability mechanisms strengthen the relationship between reporting quality and organizational performance. Accordingly, SPIP should be understood as a governance infrastructure that converts dispersed administrative activities into a coherent system of financial accountability.

The partial mediating role of SPIP is one of the most important findings because it reveals that leadership commitment influences financial reporting quality through two complementary pathways. The first pathway is direct, whereby leaders use formal authority to allocate resources, impose deadlines, and demand reporting accuracy. The second pathway is institutional, whereby leadership commitment is embedded in SPIP procedures that continue to operate beyond individual instructions or leadership transitions. This pattern supports Hananto and Andriansyah (2024), who emphasized the mediating role of internal control in government governance, and it extends their argument by demonstrating that the mediation is partial rather than complete. The finding implies that leadership commitment remains independently important, but its effect becomes more systematic and sustainable when translated into control routines, documentation standards, monitoring processes, and corrective mechanisms. In theoretical terms, the result modifies a simple leadership-outcome model by positioning SPIP as the organizational process through which managerial intention is converted into institutional performance. The practical implication is that defense institutions should avoid relying solely on charismatic or directive leadership and instead ensure that leadership priorities are codified into stable control arrangements.

The qualitative findings further demonstrate that SPIP implementation is shaped by institutional context, particularly the distinction between administrative bureaucracy in the Ministry of Defense and hierarchical command within the Indonesian National Armed Forces. In the Ministry of Defense, internal control was primarily enacted through formal regulations, layered document reviews, written instructions, and established Defense Financial Control procedures. This rule-based pattern is consistent with Junaidi (2021), Silitonga and Siregar (2022), and Pratama (2023), who described public-sector control as heavily dependent on regulatory compliance and standardized administrative procedures. By contrast, implementation within the Armed Forces relied more strongly on direct commands, vertical authority, operational discipline, and rapid execution. This pattern is in line with Kusuma and Putra (2022) and Qomaruddin (2020), who highlighted the institutional consequences of hierarchical command structures and structural dualism. The difference does not indicate that one model is inherently superior; rather, it shows that identical control policies may generate different implementation dynamics depending on how authority is organized. Consequently, SPIP effectiveness in the defense sector must be interpreted as context-dependent rather than institutionally uniform.

The comparison between the two institutions also reveals a trade-off between procedural consistency and implementation speed. The Ministry of Defense displayed higher and more homogeneous perceptions of leadership commitment, which may reflect the regularity of written policies, formal documentation, and standardized administrative communication. However, the same bureaucratic structure may create procedural delays, document congestion, and excessive dependence on sequential review. The Armed Forces, by contrast, can mobilize compliance rapidly through command authority, but the wider variation in perceptions suggests that technical understanding may not be equally distributed across lower organizational levels. This interpretation is compatible with Ernawati (2023), who emphasized the complexity of performance-based defense budgeting, and Vidyasari (2023), who identified information asymmetry as a continuing risk in military financial management. It also complements Abdul (2022) and Nugroho (2021), who argued that public governance outcomes depend on the interaction between institutional design, administrative capacity, and implementation behavior. The critical implication is that command-based compliance may produce rapid action without guaranteeing technical depth, while rule-based compliance may ensure documentation without guaranteeing agility.

Taken together, the findings position this study within the broader literature on public governance, financial reporting, and organizational control by demonstrating that financial accountability in defense institutions emerges from the interaction between leadership, formal systems, and institutional culture. Previous research has largely examined these elements separately, often within civilian ministries, local governments, or conventional public organizations (Darmawan, 2021; Pratama, 2023; Rahayu, 2022). This study fills that gap by showing that SPIP is not only a mediating variable in a statistical model but also an institutional translation mechanism whose operation differs across bureaucratic and command-based settings. The findings also reinforce the argument of Yamen et al. (2023) that the quality of governance shapes the credibility of financial reporting, while extending it to a sector characterized by secrecy, hierarchical authority, and dual administrative structures. In addition, the results support Biehl et al. (2024), who emphasized that financial reporting produces real organizational consequences beyond technical accounting compliance. The conceptual contribution of this study therefore lies in proposing that effective financial accountability in the defense sector requires an adaptive hybrid model that combines the procedural reliability of civilian administration with the speed and discipline of military command. Such a model offers a more context-sensitive explanation of internal control effectiveness than approaches that treat public institutions as structurally homogeneous.

CONCLUSIONS

This study concludes that leadership commitment significantly improves financial reporting quality in Indonesia's defense sector, both directly and indirectly through the implementation of the Government Internal Control System. SPIP functions as a partial mediator by translating leadership direction, resource support, and managerial discipline into structured control procedures that strengthen financial accountability. The findings also reveal distinct implementation patterns across institutions: the Ministry of Defense relies more heavily on procedural compliance, formal documentation, and layered financial control, whereas the Indonesian National Armed Forces depend more strongly on hierarchical command and rapid execution. These differences indicate that effective defense financial governance requires an adaptive model that combines administrative consistency with command responsiveness. In practical terms, the Ministry of Defense and TNI should strengthen thematic SPIP training, improve technical accounting literacy, and expand performance-based internal audits, while future studies may examine additional factors such as accounting information systems and organizational culture.

AUTHOR CONTRIBUTION STATEMENT

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AI DISCLOSURE STATEMENT

The authors used an artificial intelligence–assisted language-support tool during the preparation of this manuscript for language refinement, grammatical improvement, and editorial enhancement. All intellectual content, research design, data collection, analysis, interpretation of findings, and final conclusions were developed and verified by the authors. The authors carefully reviewed, revised, and approved the final manuscript and accept full responsibility for the accuracy, originality, and integrity of the published work.

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