



## **The Influence of Accounting Knowledge, Work Experience, and Organizational Structure on Internal Control and Its Impact on Company Performance**

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**Abstract.** *This study aims to examine the effect of accounting knowledge, work experience, and organizational structure on internal control and its impact on company performance. The research applies a quantitative approach using survey data collected from employees in various organizations. Data analysis was conducted using Structural Equation Modeling (SEM) to test the proposed hypotheses and evaluate the relationships among variables. The findings reveal that accounting knowledge has a positive and significant effect on internal control effectiveness. Work experience also significantly contributes to the improvement of internal control implementation. In addition, organizational structure was found to positively support the effectiveness of internal control systems within organizations. Furthermore, effective internal control has a positive and significant impact on company performance. These findings indicate that competent human resources and a well-structured organizational system are important factors in strengthening internal control and improving organizational performance.*

**Abstrak.** Penelitian ini bertujuan untuk menguji pengaruh pengetahuan akuntansi, pengalaman kerja, dan struktur organisasi terhadap pengendalian internal serta dampaknya terhadap kinerja perusahaan. Penelitian ini menggunakan pendekatan kuantitatif dengan data survei yang dikumpulkan dari karyawan pada berbagai organisasi. Analisis data dilakukan menggunakan Structural Equation Modeling (SEM) untuk menguji hipotesis yang diajukan dan mengevaluasi hubungan antarvariabel. Hasil penelitian menunjukkan bahwa pengetahuan akuntansi memiliki pengaruh positif dan signifikan terhadap efektivitas pengendalian internal. Pengalaman kerja juga memberikan kontribusi signifikan dalam meningkatkan penerapan pengendalian internal. Selain itu, struktur organisasi terbukti memberikan dukungan positif terhadap efektivitas sistem pengendalian internal dalam

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organisasi. Selanjutnya, pengendalian internal yang efektif memiliki pengaruh positif dan signifikan terhadap kinerja perusahaan. Temuan ini menunjukkan bahwa sumber daya manusia yang kompeten dan sistem organisasi yang terstruktur dengan baik merupakan faktor penting dalam memperkuat pengendalian internal dan meningkatkan kinerja organisasi.

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## Introduction

Internal Control Systems (ICS) play a crucial role in maintaining organizational integrity, accountability, and operational efficiency. Internal control refers to a system, structure, or process implemented by the board of commissioners, management, and employees to provide reasonable assurance regarding the achievement of organizational objectives, including the reliability of financial reporting, compliance with laws and regulations, and the effectiveness and efficiency of operations (COSO Framework). The concept and practice of internal control comprehensively integrate risk management into every aspect of organizational activities, making ICS an essential mechanism in addressing increasingly complex and dynamic business environments (Fitriani et al., 2024).

In Indonesia, the importance of internal control is explicitly regulated under Minister of Home Affairs Regulation No. 77 of 2020, which emphasizes that a strong internal control system enhances financial transparency, accountability, operational efficiency, and fraud prevention. Effective internal control serves as the primary line of defense against errors, fraud, and irregularities in both public and private sector organizations. The objectives of internal control include safeguarding organizational assets, ensuring accurate and reliable financial information, supporting compliance with managerial policies and applicable regulations, and facilitating the preparation of financial statements based on established criteria (Biandari & Harahap, 2021).

Despite its strategic importance, numerous empirical cases indicate persistent weaknesses in internal control implementation. The Supreme Audit Institution of Indonesia (BPK) has repeatedly identified deficiencies in internal control and regulatory non-compliance, such as unaccounted government assistance expenditures within the Ministry of Religious Affairs' 2023 financial statements (Putri et al., 2025). Similar weaknesses have been observed in state-owned and regional financial institutions, including fraud cases at PT Indofarma involving misuse of funds, manipulation of internal controls, and irregular business transactions.

In the banking sector, inadequate internal control has resulted in significant financial losses and declining organizational performance. Cases of fictitious credit, misuse of public funds, and prolonged supervisory failures have been reported at several regional development banks, including Bank Sumatera Utara, Bank DKI, Bank Sumatera Selatan Bangka Belitung, and Bank Jatim, with losses ranging from tens of billions to trillions of rupiah (Ratmono & Frendy, 2022). These incidents reflect systemic failures in risk assessment, segregation of duties, monitoring mechanisms, and adherence to prudential banking principles, underscoring the critical role of internal control in safeguarding financial institutions.

The issue is particularly relevant in the Cirebon Region III, where several banking institutions have been implicated in corruption, money laundering, and problematic credit distribution, including the high-profile case of PT Sri Rejeki Isman Tbk (Sritex), which resulted in non-performing loans amounting to approximately IDR

3.5 trillion. Investigations by the Attorney General's Office revealed collusion between corporate executives and banking officials, indicating serious deficiencies in internal control, especially in credit feasibility assessment, internal supervision, and human resource competence (Alsyaifira, 2025).

Previous empirical studies have confirmed the importance of internal control in preventing fraud and improving organizational performance. Fadlurrahman (2024) found that internal control systems and internal auditors positively influence fraud prevention in banking institutions. Rachman & Astri, (2024) demonstrated that internal control and operational audits simultaneously affect company performance, while Putri et al., (2025) emphasized the positive impact of internal control structures on organizational performance. Furthermore, Maabuat et al. (2022) highlighted that weaknesses in internal control and regulatory non-compliance significantly affect audit opinions issued by BPK.

However, existing studies largely focus on public sector entities or examine internal control as a standalone variable. This study addresses this gap by focusing on financial service institutions in Cirebon Region III and examining internal control as an intervening variable influenced by accounting knowledge, work experience, and organizational structure, as well as its impact on company performance. By integrating human resource competence and organizational factors into the internal control framework, this study aims to provide broader empirical evidence on strengthening internal control systems to enhance organizational performance and mitigate financial risks in the banking sector.

## Research Method

This study employs a quantitative approach with a causal-explanatory design to examine the relationships among accounting knowledge, work experience, organizational structure, internal control systems, and firm performance within financial service companies in the Cirebon Region III. The object of the study consists of these five constructs, while the unit of analysis includes directors, branch managers, managerial staff, and operational employees, reflecting the organization-wide nature of internal control implementation. The research population comprises all financial service companies registered with the Financial Services Authority (OJK) operating in Cirebon Region III during 2025. Using purposive sampling and the SEM-PLS "10-times rule" (Hair et al., 2021), 77 valid responses were obtained from 103 distributed questionnaires. Data were collected through structured questionnaires (both physical and online via Google Forms) and supported by interviews to strengthen contextual understanding. All variables were operationalized using ordinal-scale indicators adapted from the COSO Framework (2020) and relevant empirical literature.

Data analysis was conducted using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. The analysis involved descriptive statistics and confirmatory hypothesis testing through evaluation of the measurement (outer) and structural (inner) models. The outer model assessment included convergent validity, discriminant validity, composite reliability, and Cronbach's alpha to ensure the validity and reliability of the constructs. The inner model evaluation focused on coefficient of determination ( $R^2$ ), goodness of fit (SRMR and GoF), and path coefficients using t-statistics and p-values at a 5% significance level. This analytical approach enables robust testing of both direct and mediating effects, providing empirical evidence on the role of internal control systems as an intervening variable influencing firm performance in the financial services sector.

## Results and Discussions

### Outer Model

Outer model analysis, also known as the measurement model, is conducted to evaluate the adequacy of the measurement instruments used in this study in representing the latent constructs. This analysis aims to ensure that each indicator demonstrates sufficient validity and reliability before proceeding to structural model testing. The assessment of the outer model in PLS-SEM focuses on convergent validity, discriminant validity, and construct reliability, which are evaluated through indicator loadings, Average Variance Extracted (AVE), cross-loadings, composite reliability, and Cronbach's alpha. By confirming that all indicators meet the recommended threshold values, the outer model analysis ensures that the constructs of accounting knowledge, work experience, organizational structure, internal control systems, and firm performance are measured accurately and consistently, thereby providing a sound basis for subsequent hypothesis testing.

Table 1. Outer Model

<b>Variabel</b>	<b>Loading Factor</b>	<b>AVE</b>	<b>Cronbach's alpha</b>	<b>Composite reliability (rho_c)</b>
Accounting Knowledge	0.828	0,794	0.967	0.972
	0.887			
	0.735			
	0.928			
	0.929			
	0.927			
	0.938			
	0.924			
Work Experience	0.904	0.733	0.927	0.943
	0.814			
	0.873			
	0.877			
	0.834			
	0.870			
Organizational Structure	0.868	0.880	0.932	0.957
	0.918			
	0.969			
Internal Control	0.928	0.785	0.907	0.936
	0.775			
	0.930			
	0.910			
Firm Performance	0.920	0.782	0.943	0.955
	0.744			
	0.869			
	0.920			
	0.941			
	0.903			
	0.913			

Source: Data processed, 2025

The outer model evaluation indicates that all constructs in this study meet the recommended criteria for validity and reliability. The loading factors for all indicators exceed the minimum threshold of 0.70, demonstrating strong convergent validity, as each indicator adequately represents its respective latent construct. In addition, the Average Variance Extracted (AVE) values for Accounting Knowledge (0.794), Work Experience (0.733), Organizational Structure (0.880), Internal Control (0.785), and Firm Performance (0.782) are all above the recommended cutoff of 0.50, confirming that each construct explains more than half of the variance of its indicators.

Furthermore, the reliability assessment shows excellent internal consistency across all constructs. Cronbach's alpha values range from 0.907 to 0.967, while composite reliability (rho\_c) values range from 0.936 to 0.972, all exceeding the recommended threshold of 0.70. These results confirm that the measurement instruments are reliable and consistent in capturing Accounting Knowledge, Work Experience, Organizational Structure, Internal Control, and Firm Performance. Overall, the outer model satisfies the requirements of convergent validity and construct reliability, indicating that the measurement model is robust and suitable for subsequent structural model analysis.

### Inner Model

The inner model or structural model evaluation is conducted to examine the relationships among variables, including the level of significance and the R-square values of the research model. In assessing a model using Partial Least Squares (PLS), the evaluation begins by analyzing the R-square values for each endogenous latent variable (Ghozali & Latan, 2022). This study employs the Structural Equation Modeling (SEM) technique using the Partial Least Squares approach to examine the relationships among Firm Performance, Accounting Knowledge, Internal Control, Work Experience, and Organizational Structure, with Internal Control positioned as an intervening variable.

Table 2. Inner Model

Hypothesis	Original Sample	T Statistics	P Values
<b>Accounting Knowledge → Internal Control</b>	0.245	2.227	0.026
<b>Work Experience → Internal Control</b>	0.275	3.335	0.001
<b>Organizational Structure → Internal Control</b>	0.355	3.548	0.000
<b>Internal Control → Firm Performance</b>	0.552	5.305	0.000
<b>Accounting Knowledge → Firm Performance</b>	0.004	0.040	0.968
<b>Work Experience → Firm Performance</b>	0.132	1.722	0.085
<b>Organizational Structure → Firm Performance</b>	0.302	2.536	0.011

Source: Data processed, 2025

The results indicate that accounting knowledge has a positive and significant effect on internal control ( $O = 0.245$ ;  $p = 0.026$ ). This finding suggests that higher levels of employees' accounting knowledge lead to more effective internal control. This result is consistent with Agency Theory and the COSO framework, which emphasize the importance of human resource competence in reducing information asymmetry and the risk of irregularities. This result is also in line with prior studies by Fadlurrahman (2024) and Putri (2020), which found that accounting knowledge significantly contributes to the effectiveness of internal control systems.

Work experience has a positive and significant effect on internal control ( $O = 0.275$ ;  $p = 0.001$ ). This indicates that longer and more diverse work experience enhances employees' understanding of business processes, risk detection, and supervisory functions. This finding supports Agency Theory, which posits that experience improves agents' capability to act in accordance with the principal's interests. This finding is consistent with studies by Askara and Adang (2024) and Rahmiati (2025), which conclude that work experience strengthens internal control effectiveness through improved employee competence and accuracy.

Organizational structure has a positive and significant effect on internal control ( $O = 0.355$ ;  $p = 0.000$ ). Clear division of duties, authority, and reporting lines strengthens the internal control system. This result aligns with Agency Theory, which views organizational structure as a governance mechanism to minimize conflicts of interest and opportunistic behavior. A clear organizational structure, including well-defined duties, authority, and reporting lines, serves as an effective control instrument. This finding is consistent with prior studies by Santoso et al. (2025), Ali (2022), and Kesuma and Novita (2022).

Internal control has a positive and significant effect on firm performance ( $O = 0.552$ ;  $p = 0.000$ ) and represents the strongest direct effect in the model. This indicates that effective internal control improves operational efficiency, reliability of reporting, and regulatory compliance, which ultimately enhances firm performance. This result is supported by Mahmudah (2020), Putri and Endiana (2020), and Sari and Purwanto (2022).

Accounting knowledge does not have a significant effect on firm performance ( $O = 0.004$ ;  $p = 0.968$ ). Although the relationship is positive, the magnitude of the effect is negligible. This finding suggests that accounting knowledge does not directly influence firm performance but plays a more important indirect role through internal control, in line with the Resource-Based View (RBV) perspective. In this context, accounting knowledge has not yet functioned as a strategic capability that directly enhances firm performance, but instead plays an indirect role through internal control. This result is consistent with the findings of Putri (2020) and Nisa (2023).

Work experience does not have a significant effect on firm performance ( $O = 0.132$ ;  $p = 0.085$ ). This implies that individual work experience does not necessarily lead to higher firm performance, particularly in financial service companies where work processes are standardized and system-based. The role of work experience is more dominant through its contribution to strengthening internal control. This finding suggests that in financial service companies characterized by standardized and system-based operations, work experience contributes more to strengthening internal control than to directly improving firm performance. This result aligns with Astuti (2020).

Organizational structure has a positive and significant effect on firm performance ( $O = 0.302$ ;  $p = 0.011$ ). A well-structured organization enhances coordination, accountability, and supervisory effectiveness, thereby contributing directly to improved firm performance. This finding is consistent with Agency Theory and prior empirical studies. A well-designed organizational structure improves coordination, role clarity, and decision-making efficiency, thereby directly contributing to higher firm performance. This result is consistent with studies by Mahmudah (2020), Santoso et al. (2025), and Garcia et al. (2021).

### **Discussions**

The findings of this study indicate that accounting knowledge has a positive and significant effect on internal control. This result suggests that employees with adequate accounting knowledge are more capable of understanding financial procedures, preparing accurate financial reports, and implementing organizational

policies effectively. Accounting knowledge also helps employees identify potential errors and irregularities within organizational activities, thereby supporting the effectiveness of internal control systems. This finding is consistent with the concept of internal control proposed by COSO and supported by Fitriani et al. (2024), who emphasized that competent financial management contributes to stronger internal control implementation within organizations.

The results also show that work experience positively and significantly affects internal control. Employees with longer work experience tend to have better understanding of organizational operations, supervisory mechanisms, and risk identification processes. Experienced employees are generally more capable of responding to operational challenges and implementing internal control procedures effectively. This finding reflects the importance of practical experience in strengthening organizational control systems and minimizing operational errors. In financial service companies, experience becomes an important factor in supporting the implementation of effective supervision and accountability mechanisms.

Furthermore, organizational structure has a positive and significant effect on internal control. A clear organizational structure facilitates coordination, supervision, and communication among organizational members. Clearly defined authority, responsibility, and reporting lines help organizations implement internal control systems more effectively. This finding supports the argument presented by Biandari and Harahap (2021), who explained that internal control systems require proper organizational arrangements and clear procedures to ensure the effectiveness of operational activities and financial reporting.

The study also demonstrates that internal control has a positive and significant effect on firm performance. This finding indicates that effective internal control systems contribute to improved operational efficiency, reliability of financial reporting, regulatory compliance, and organizational accountability. Effective internal control also reduces the risk of fraud and financial irregularities, thereby supporting sustainable organizational performance. This result is consistent with the findings of Putri et al. (2025), which emphasized that strong internal control structures improve organizational performance and the quality of financial reporting.

However, accounting knowledge does not have a significant direct effect on firm performance. Although accounting knowledge improves employees' technical competence, it does not automatically enhance organizational performance unless it is supported by effective internal control systems. This finding suggests that accounting knowledge contributes indirectly to firm performance through its role in strengthening internal control mechanisms. In other words, accounting knowledge becomes more meaningful when it is integrated into organizational control systems and operational practices.

Similarly, work experience does not have a significant direct effect on firm performance. This result indicates that individual experience alone is insufficient to improve firm performance directly, especially in financial service companies that operate under standardized systems and procedures. Work experience contributes more effectively through its support for internal control implementation rather than through direct influence on organizational outcomes. This finding shows that organizational systems and governance mechanisms play a more dominant role in determining firm performance than individual characteristics alone.

In contrast, organizational structure has a positive and significant direct effect on firm performance. Organizations with clear structures, effective coordination mechanisms, and well-defined responsibilities are better able to achieve operational objectives efficiently. A well-structured organization improves communication, supervision, and decision-making processes, which ultimately enhance firm

performance. This finding confirms the importance of organizational governance and structural effectiveness in supporting organizational success and operational sustainability.

Overall, the findings of this study confirm the important role of internal control as an intervening variable linking accounting knowledge, work experience, and organizational structure to firm performance. Internal control functions as a strategic organizational mechanism that transforms employee competence and organizational governance into improved organizational performance. Therefore, financial service companies should continuously strengthen internal control systems through employee development, effective organizational structures, and improved governance practices to support sustainable firm performance.

## Conclusions and Recommendations

Based on the results of this study, it can be concluded that accounting knowledge, work experience, and organizational structure have positive and significant effects on internal control, indicating that improvements in competence, experience, and organizational clarity strengthen the effectiveness of a firm's internal control system. Internal control is proven to have a positive and significant effect on firm performance, meaning that the more effective the internal control system implemented, the higher the firm performance achieved. However, accounting knowledge and work experience do not have a significant direct effect on firm performance; instead, their influence is indirect through the mediating role of internal control. Meanwhile, organizational structure has a positive and significant direct effect on firm performance. Therefore, internal control plays a strategic role as a mediating variable that links accounting knowledge, work experience, and organizational structure in improving firm performance.

Companies are advised to enhance accounting training and professional development, including certification programs for financial and managerial staff, to further strengthen internal control effectiveness and regularly evaluate organizational structures to ensure alignment with control needs. Employee work experience should be developed through job rotation, cross-functional projects, and mentoring to broaden understanding of internal control systems. In addition, organizations should establish clearer and more effective organizational structures with well-defined roles, responsibilities, and authority to support strong internal control and improved firm performance. For future research, it is recommended to incorporate additional variables such as organizational culture, work ethics, accounting information systems, or leadership style, and to extend the study to other industry sectors to enhance the comprehensiveness and generalizability of the research model.

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