

ANALYSIS OF PROVINCIAL INSPECTORATE ROLE AS INTERNAL GOVERNMENT AUDITOR IN INCREASING THE QUALITY OF LOCAL FINANCIAL REPORTS AND ITS OBJECTIVE IN AUDIT (Case Study Of North Sumatera Government)

Tyus Windi Ayuni

Accountancy, Universitas Muhammadiyah Sumatera Utara

ARTICLE INFO

Keywords:

Internal Auditor;
Internal Audit;
Financial Statements;

ABSTRACT

This study aims to determine this is for knowing the role played by the Inspectorate Body North Sumatra Province for operating function in increasing the quality report finance, for knowing factor obstacles encountered by Inspectorate North Sumatra Province in increasing the quality report finance, and for knowing the sharia audit review in the role of the inspectorate as an *internal auditor*. technique _ data collection used in this research using Observation Techniques (*Observation*) where the observation is describing *the setting* being studied, the activities that take place, the people involved in the activity, and the meaning of the event seen from the perspective of those seen in the observed event (Bi Rahmani, 2016). Research results show that the role of the internal auditor of the Inspectorate North Sumatra province is influential and significantly positive in increasing quality report finance government where an Adjusted R square of 0.635 indicates that 63.5% of the role of internal audit is influential to quality report finance government whereas of 36.5% explained by other factors that are not researched in this study.

E-mail:

Tyuswindiayuni@gmail.com

Copyright © 2022 Economic Journal. All rights reserved.

is Licensed under a [Creative Commons Attribution-NonCommercial 4.0 International License \(CC BY-NC 4.0\)](https://creativecommons.org/licenses/by-nc/4.0/)

1. INTRODUCTION

Accountability is a form of responsibility for implementing the roles and functions assigned to each government agency in carrying out the goals and objectives that have been set. Accountability in the public sector is related to transparency and the provision of information to the public as one of fulfilling public rights. Government activities are closely related to the budgeting process. Where there are various interests and roles of bureaucratic officials in it. Each line of the budgeting process allows for fraud to occur which can lead to inefficiency and ineffectiveness of the budget itself, starting from planning, compiling, and executing to budget reporting. Therefore, an adequate control and supervision system is needed to minimize the risk of fraud that can occur. Policies to realize *good governance* in the public sector include setting ethical and behavioral standards for government officials, establishing organizational structures and organizational processes that regulate the roles and responsibilities, and accountability of organizations to the public, setting up an adequate organizational control system, and external reporting that is prepared based on the system. accounting by Government Accounting Standards. The Inspectorate as part of the Government's Internal Supervisory Apparatus (APIP) at the State Ministries/Institutions/Government reviews the Financial Statements to ensure the reliability of the information presented and that the financial statements have been prepared based on an adequate Internal Control System and are presented by the SAP before being submitted by Ministers/Heads of Institutions/governors/regents/mayors to related parties as stipulated in Government Regulation Number 8 of 2006 concerning Financial Reporting and Performance of Government Agencies. The current phenomenon is that cases of fraud against financial reports in North Sumatra are almost evenly distributed in all districts/cities in North Sumatra from 2018 to 2020 and the perpetrators of corruption are dominated by the State Civil Apparatus. Of all the cases, *markup* or budget inflation is the mode most often used to commit corruption. Another accounting fraud is financial report fraud, (Usman, 2021). For an example of a case that indicates a problem with fraudulent financial reports, namely, in 2018 the Supreme Audit

Analysis Of Provincial Inspectorate Role As Internal Government Auditor In Increasing The Quality Of Local Financial Reports And Its Objective In Audit (Case Study Of North Sumatera Government). **Tyus Windi**

Ayuni

1511

Agency (BPK) revealed several problems found during the audit process of local government financial reports (LKPD) in North Sumatra. The Financial Report of the North Sumatra Provincial Government (Pemprov Sumut) for the 2017 fiscal year reaped polemics. The Supreme Audit Agency of the Republic of Indonesia (BPK RI) found several problems in the initial report (JawaPos.Com, "BPK Finds Unfair Finances," 2018).

2. LITERATURE REVIEW

Role

The role is a dynamic aspect of position (status). If a person exercises his rights and obligations according to his position, he is carrying out a role. The distinction between position and role is for the sake of science. The two cannot be separated because one depends on the other and vice versa. There is no role without a position or position without a role. Everyone has various roles that come from the patterns of social interaction in his life. This means at the same time that the role determines what he does for society and what opportunities are given to him by society (Prof. Dr. Soerjono Soekanto; Dra. Budi Sulistyowati, 2017).

Inspectorate

The provincial inspectorate is a regional government supervisory element led by an inspector who, in carrying out his duties, is responsible to the Governor through the Regional Secretary. Regulation of the Minister of Home Affairs Number 47 of 2011 concerning the policy of environmental supervision of the Ministry of Home Affairs and the implementation of regional government in 2012 at the point of sharpening supervision number 4 stipulates the formulation of the role of the district regional inspectorate, namely carrying out:

- a. Supervision the implementation of government affairs in the district/city area (compulsory affairs and optional affairs) by compiling and stipulating a supervisory policy within the administration of the regency/municipal government.
- b. Supervision the implementation of village government affairs with the scope of supervision of the village government, supervision of the implementation of co-administration tasks in the district/city, and special inspections related to complaints.
- c. Guidance in the administration of district/city and village regional government.

Audit

The audit provides added value to the financial statements of a government agency because the public accountant as an expert and independent party at the end of the audit will provide an opinion regarding the fairness of the financial position, changes in equity, results of operations, and statements of cash flows. The following are examples of compliance audits for a private company:

- a. Determines whether accounting personnel follow the procedures outlined by company controllers.
- b. Review wage rates for compliance with minimum wage provisions.
- c. Examine contractual agreements with bankers and other lenders to ensure that the company complies with legal requirements.
- d. Determine whether bank mortgages comply with the newly enacted government regulations

Local Government Financial Report

A review is a review of the evidence of activity to ensure that the activity has been carried out by the provisions, standards, plans, or norms that have been set (Arsana 2016: 376). The district/city inspectorate as the Government's Internal Supervisory Apparatus is required to review the Regional Government Financial Statements (LKPD) in parallel with the implementation of the budget and preparation of the LKPD. PP No. 8 of 2006 concerning Financial Reporting and Performance of Government Agencies states that APIs in provinces/regencies/cities (inspectors) are required to review LKPD to ensure the reliability of the information presented in the report. Based on Permenkeu Number 8/PMK.09/2015 of 2015 concerning Review Standards on Regional Government Financial Statements, a review of LKPD is defined as a review of the implementation of accounting and presentation of LKPD by the inspectorate to provide limited assurance that accounting has been carried out based on the Regional Government Accounting System and LKPD has been presented by Government Accounting standards to assist regional heads to produce quality LKPD.

Analysis Of Provincial Inspectorate Role As Internal Government Auditor In Increasing The Quality Of Local Financial Reports And Its Objective In Audit (Case Study Of North Sumatera Government). **Tyus Windi**

3. METHOD

The data analysis technique used in this research using Observation Techniques (*Observation*) where the observation is describing *the setting* being studied, the activities that take place, the people involved in the activity, and the meaning of the event seen from the perspective of those seen in the observed event (Bi Rahmani, 2016). An interview technique that is debriefing or interaction between data seekers or researchers as interviewers and respondents or resource persons in research this researcher interviewed 3 sources in the inspectorate. Next use the documentation technique. The documents used in this study are stored or documented information such as financial statements, documents, *soft files*, authentic data, and other archives related to the problem under study which can be used as a complement to the data obtained in interviews and observations.

The approach used in the study this use approach qualitative. Approach qualitative is a purposeful approach to understanding phenomena experienced by the subject study like motivation, behavior, and action with method description, in form words on utilizing context method naturally (Moleong, 2017).

Validity and Reliability Test

The results of the validity test Instrument validity testing, where the validity value can be seen in the Corrected Item-Total Correlation column. If the correlation number obtained is greater than the critical number ($r_{count} > r_{table}$), then the instrument is declared valid. In this study, the critical number was $N - 2 = 30 - 2 = 28$ with a significant level of 5% using one-way testing, so the critical number for the validity test in this study was 0.306. Thus, based on testing the validity of the instrument, the Corrected Item-Total Correlation value is positive and above the table value of 0.306, which means that all question items can be said to be valid. The results of the validity test of the internal audit variable (X) and the quality of financial reports (Y) can be described in the table below:

Table 1. Validity Test Results

Instrument Variable	Question	Corrected Item-Total Correlation (r-hitung)	r-table	Conclusion
Internal Audit (X)	X1	0.709	0.306	Valid
	X2	0.644	0.306	Valid
	X3	0.465	0.306	Valid
	X4	0.385	0.306	Valid
	X5	0.447	0.306	Valid
	X6	0.638	0.306	Valid
	X7	0.438	0.306	Valid
	X8	0.670	0.306	Valid
	X9	0.596	0.306	Valid
	X10	0.724	0.306	Valid
Quality of Local Financial Report (Y)	Y1	0.625	0.306	Valid
	Y2	0.716	0.306	Valid
	Y3	0.523	0.306	Valid
	Y4	0.685	0.306	Valid
	Y5	0.733	0.306	Valid
	Y6	0.509	0.306	Valid
	Y7	0.688	0.306	Valid
	Y8	0.675	0.306	Valid
	Y9	0.685	0.306	Valid
	Y10	0.389	0.306	Valid

One construct or variable is said to be reliable if it gives a Cronbach Alpha value > 0.60 . The reliability test in this study used the SPSS 22 program. The data processing results presented in the table show that the Cronbach Alpha (a) item value for each variable is more significant than 0.60 so the item for each variable is reliable. The results of the reliability test can be seen in the following table :

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Standard Reliability	Conclusion
Internal Audit	0.858	0.60	Reliable
Quality of Local Financial Report	0.887	0.60	Reliable

Normality test

The normality test is carried out to see whether the dependent variable and independent variable both have a normal distribution or not in a regression model. A good regression model is the data distribution is normal or close to normal. Data analysis requires normally distributed data to avoid bias in data analysis. Decision-making can be done with the naked eye by looking at the PP Plot graph and the histogram curve. In the Normal P-P Plot, in principle, normality can be detected by looking at the distribution of data (points) on the diagonal axis of the graph. If the data spread around the diagonal line and follows the direction of the diagonal line, then the regression model satisfies the assumption of normality. On the histogram curve, the normality of the data can be seen based on the curve image. If the shape of the curve has a slope that tends to be balanced, both on the left and right sides, and an almost perfect bell-shaped curve, then the regression model satisfies the assumption of normality.

Based on the statistical results, the PP Plot graph shows that it follows the direction of the diagonal line. This proves that the data is normally distributed so the regression model is feasible to use because it fulfills the assumption of normality.

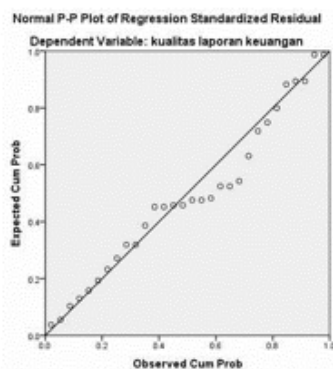


Figure 1. Normality Test (P-P Plot)

Partial Hypothesis Test (t-test)

Testing the hypothesis in this study using the t-statistical test and the coefficient of determination. The t-statistical test shows how far the influence of one independent variable individually explains the variation of the dependent variable. The test was carried out with a significance level of 0.05. If the sig value ≤ 0.5 , then the hypothesis is accepted and vice versa if the sig value ≥ 0.05 , then the hypothesis is rejected.

Table 3. Partial Hypothesis Test (t-test)

Coefficients			
	Model	t	Sig.
1	(Constant)	1.286	.209
	Internal Audit	7.000	.000

a. Dependent Variable: Effectiveness of Internal Control

Based on the data shown in table 3 above, the output results obtained for the calculated value of the internal auditor's role variable are 7000 while the t-table value is 1.699. So it can be seen $t \text{ count } 7000 > t \text{ table } 1.699$ or in other words the alternative hypothesis (H_a) is accepted, and the conclusion is that variable X has a positive effect on variable Y.

Coefficient of Determination

Determination analysis is a comparison between Y (dependent) variations explained by X (independent). This coefficient shows how much the percentage of variation in the independent variable used in the study can explain the variation in the dependent variable.

This study uses the adjusted R coefficient of determination to see the effect of the independent variables on the dependent variable. Based on the test results, the coefficient of determination adjusted R² of 0.623 indicates that 62.3% of the role of internal audit influences the quality of the financial reports of the North Sumatra Provincial Government while 37.7% is explained by other variables not examined in this study.

Table 4. Koefisien Determinasi

Model Summary					
Model	R	R Square	Adjusted R Square	Std. The error in the Estimate	
1	.798 ^a	.636	.623	2.90282	

a. Predictors: (Constant), Internal Audit
 b. Dependent Variable: Quality of Local Financial Report

Discussion of Research Results

Based on the results of hypothesis testing, it can be said that internal auditors have a significant positive effect on the quality of local government financial reports, this is because an auditor can assess objectively and not be easily influenced and impartial to the interests of certain parties. This research is in line with that proposed by Tunggal, 2012: 3 defines internal audit as an independent appraiser function within the organization to examine and evaluate organizational activities as the provision of services to the organization. Internal audit is a major milestone in supporting the effectiveness of an organization in achieving its goals, as well as the efficient use of all available resources.

The results of this study are the same as research conducted by Wasman (2014) which states that the role of internal audit has a significant effect on the quality of financial reports. Amalia and Laksito (2014) also concluded that internal auditors have a significant positive influence on the quality of financial statements. Pradono and Basukianto (2015) with the title Local government financial quality: influencing factors and policy implications (studies on SKPD Central Java Provincial Government) distinguish this research from the research that the authors conducted, namely from the results of their research which showed that the internal control system had a significant effect on the quality of local government financial reports. The internal auditor of the City Government Inspectorate of the North Sumatra Provincial Government greatly influences the quality of the financial reports of the North Sumatra Provincial Government City government which illustrates that financial reports have good quality with an internal audit as internal supervision to prevent irregularities and is objective and can provide suggestions on the financial reports presented by each SKPD. In addition, an internal audit can review and provide conclusions about whether each implementation of the activity is by the rules set by the government or not. As well as follow up and provide recommendations to each SKPD that is the object of inspection.

It can be said that the Financial Report of the North Sumatra Pemrov city government is of high quality, judging from the results of the research described above that the existence of an internal audit greatly influences the quality of the financial reports presented. This is because in presenting the financial statements of the city government, the North Sumatra Provincial Government has fulfilled several characteristics, namely as follows.

- The financial reports of the North Sumatra Pemrov city government can be clearly understood. The financial information is presented in a form and technical language appropriate to the level of understanding of its users.
- The financial reports can be compared, this can be seen from the financial statements presented by the North Sumatra Provincial Government which has increased profits every year
- Presentation of North Sumatra Pemrov government financial reports is done on time, namely at the end of each month of December. This is done as a basis for decision-making by management and presents all financial facts so that it will not mislead users of its financial reports.

- d. the North Sumatra Provincial government's financial information is addressed to the general public, not only to certain parties such as investors, auditors, and others.
- e. The financial information is presented reliably and is free from misleading notions and material errors

4. CONCLUSION

The role of an influential internal audit in supporting quality report finance is internal control and prevention happening deviations caused by the parties particular, p this because an auditor should have the ability to get evaluate in a manner objective so that when an auditor found exists deviation in the presentation report audited finances _ so an auditor will disclose that there is a deviation on report finance and earn provide advice as well do a review of report finance for resolve the deviation.

Viewed from the score coefficient the determinant indicated by the Adjusted R square ie of 0.635 indicates that 63.5% p this means by 36.5% the role of internal audit is influential to quality report finance whereas 36.5% explained by other factors that are not researched in this study.

REFERENCE

- [1] A. Arens, A. (2015). *Auditing & Jasa Assurance* (p. h. 15). Erlangga.
- [2] Anggarsari, F. (2021). *Manfaat Laporan Keuangan Yang Perlu Anda Ketahui*. Zahir Internasional. <https://zahiraccounting.com/id/blog/manfaat-laporan-keuangan-yang-perlu-anda-ketahui/#manfaat-laporan-keuangan-secara-umum>
- [3] Anwar, A. (2021). *Peran Inspektorat Sebagai Badan Pengawasan Anggaran Daerah* (Studi Kasus Pada Dinas Pendidikan Dan Kebudayaan Kota Parepare). *Journal Ak-99*, 1(2), 55–63.
- [4] Arens, A. A., & Elder, R. J. (2015). *Auditing dan jasa assurance : pendekatan terintegrasi* (12th ed.). Erlangga.
<http://www.library.usd.ac.id/web/index.php?pilih=search&p=1&q=0000132197&go=Detail>
- [5] Bi Rahmani, N. A. (2016). *Metodologi Penelitian Ekonomi*. Febi Press UINSU.
- [6] *BPK Temukan Keuangan Tak Wajar*. (2018).
- [7] Diana, A., & Setiawati, L. (2017). *Akuntansi Keuangan Menengah Berdasarkan Standar Akuntansi Keuangan Terbaru*. CV. Andi Offset.
- [8] Fadilah, N. U. R. S. (2021). *Pengaruh Pemahaman Akuntansi, Pemanfaatan Sistem Informasi Akuntansi Keuangan Daerah Dan Peran Internal Audit Terhadap Kualitas Laporan Keuangan Pemerintah Kota Tegal (Studi Kasus Di Bakeuda Pemerintah Kota Tegal)*. Universitas Pancasakti Tegal.
- [9] Hery. (2012). *Akuntansi Keuangan Menengah I*. Bumi Aksara.
- [10] I.G.A, R. (2008). *Audit Kinerja Pada Sektor Publik* (p. h. 12). Salemba Empat.
- [11] Ihsan, M. H., Fuadah, L. L., & Kalsum, U. (2018). *Analisis Peranan Inspektorat Sebagai Auditor Internal Pemerintah Dalam Meningkatkan Kualitas Laporan Keuangan Pemerintah Daerah Kota Prabumulih*. Sriwijaya University.
- [12] Ikhsan, et. al., A. (2018). *Auditing: Pemeriksaan Akuntansi* (p. h. 13). Madenatera.
- [13] Indonesia, K. A. R. (2022). *Alquran*. <https://quran.kemenag.go.id/surah/2>
- [14] Indonesia, P. R. (2008). *Peraturan Pemerintah Republik Indonesia Nomor 60 Tahun 2008 tentang Sistem Pengendalian Intern Pemerintah*.
- [15] Kesan, J. P., & Hayes, C. M. (2017). *Strengthening cybersecurity with cyber insurance markets and better risk assessment*. *Minn. L. Rev.*, 102, 191.
- [16] Kusumawardani, V. P. (2021). *Analisis Pelaksanaan Fungsi Pengawasan Inspektorat Daerah Di Kabupaten Katingan*. *Pedagogik: Jurnal Pendidikan*, 16(1), 69–82.
- [17] Lumempouw, E. G., Nangoi, G. B., & Kalangi, L. (2021). *Analisis Peran Aparat Pengawas Internal Pemerintah (Apip) Dalam Pencegahan Dan Pendeteksian Fraud Biaya Perjalanan Dinas (Studi Kasus Pada Inspektorat Daerah Provinsi Sulawesi Utara)*. *Jurnal Riset Akuntansi Dan Auditing" Goodwill"*, 12(2), 252–263.
- [18] Maulana, E. (2021). *Peran Inspektorat Dalam Meningkatkan Kualitas Laporan Keuangan Pemerintah Daerah Kabupaten Pinrang*. *Decision: Jurnal Ekonomi Dan Bisnis*, 2(2), 276–280.
- [19] Mukmin, H. (2014). *Peranan Fakultas Dakwah Sebagai Lembaga Dakwah Kampus (LDK) dalam Pemberdayaan Masyarakat Islam di Wilayah Lampung* (p. h. 62). Pusat Penelitian dan Penerbitan Lembaga Penelitian dan Pengabdian Kepada Masyarakat, IAIN Raden Intan Lampung.
- [20] Nanda, W. H. (2021). *Pengaruh Kompetensi Sumber Daya Manusia, Penerapan PSAK 109, Pengendalian Intern, Pemanfaatan Teknologi Informasi, Dan Employee Engagement Terhadap Analysis Of Provincial Inspectorate Role As Internal Government Auditor In Increasing The Quality Of Local Financial Reports And Its Objective In Audit (Case Study Of North Sumatera Government)*. **Tyus Windi Ayuni**

- Kualitas Laporan Keuangan Laznas IZI Provinsi Sumatera Utara*. Universitas Islam Negeri Sumatera Utara.
- [21] Nasional, D. P. (2007). *Kamus Besar Bahasa Indonesia* (p. h. 854). Balai Pustaka.
- [22] Negeri, K. D. (2007). *Pedoman Teknis Organisasi Dan Tata Kerja Inspektorat Provinsi Dan Kabupaten/Kota*. <https://peraturan.bpk.go.id/Home/Details/126440/permendagri-no-64-tahun-2007>
- [23] Pane, A. A. (2018). *Pengaruh Penerapan Sistem Pengendalian Internal Pemerintah Terhadap Kecurangan: Survei Pada Pemprov Sumatera Utara*. *Jurnal Akuntansi Dan Bisnis: Jurnal Program Studi Akuntansi*, 4(2), 40–48.
- [24] Prof. Dr. Soerjono Soekanto ; Dra. Budi Sulistyowati, M. . (2017). *Sosiologi suatu pengantar / (Revisi)*. Rajawali Press. <https://inlislite.uin-suska.ac.id/opac/detail-opac?id=10950>
- [25] Ratih Seftianova, H. A. (2013). *Pengaruh Kualitas Dipa Dan Akurasi Perencanaan Kas Terhadap Kualitas Penyerapan Anggaran Pada Satker Wilayah Kppn Malang*. *Jrak*, 4(1), 4. <https://Media.Neliti.Com/Media/Publications/4448-Id-Pengaruh-Kualitas-Dipa-Dan-Akurasi-Perencanaan-Kas-Terhadap-Kualitas-Penyerapan.Pdf>
- [26] Rusdianto. (2012). *Pengantar Akuntansi* (p. h. 20). Erlangga.
- [27] S, A. (2012). *Auditing Edisi 4* (p. h. 2). Salemba Empat.
- [28] Siregar, S. (2013). *Metode Penelitian Kuantitatif*. PT. Fajar Interpratama Mandiri.
- [29] Subagiyo, M. A. R. L. (2015). *Optimalisasi Penyerapan Anggaran dalam Rangka Pencapaian Kinerja Organisasi (Studi Kasus pada Inspektorat Kabupaten Boyolali)*. *Jurnal Manajemen Sumber Daya Manusia*, 9(1).
- [30] Sujarweni, W. (2015). *Metodologi Penelitian Bisnis Dan Ekonomi*. Pustaka Baru Press. https://dspace.uui.ac.id/bitstream/handle/123456789/14092/7%29.Skripsi_13423176-Chapter3..pdf?sequence=7&isAllowed=y
- [31] Sujarweni, W. (2019). *Metodologi Penelitian*. Pustaka Baru Press.
- [32] Tunggal, A. W. (2012). *Pokok-pokok operational & financial auditing*. Harvarindo. <https://opac.perpusnas.go.id/DetailOpac.aspx?id=811950>
- [33] Usman. (2021). *Pengaruh Pengetahuan Audit Dan Skeptisme Profesional Auditor Internal Terhadap Pencegahan Kecurangan*. *Jambura Accounting Review*, 2(1), 3. <https://jar.fe.ung.ac.id/index.php/jar/article/view/27>