

The Role of Inspectorate Audit on the Quality of Budget Realization Reports with Expertise as a Moderating Variable

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Abstract

Budget realization reports produced by work units within the Regional Government are largely determined by the role of the Government's Internal Supervisor. The role of Government Internal Supervisors will be more optimal if supported by the expertise they have in supporting the quality of reports that are relevant, reliable, comparable, and understandable. This research aims to analyze the influence of the Inspectorate's audit role on the quality of budget realization reports with expertise as a moderating variable. This type of research is explanatory quantitative using survey methods. The survey was conducted using a *non-probability sampling design* with a purposive sampling technique of 38 Papua Province Inspectorate employees. The results of research using the *Structural Equation Model Partial Least Square (SEM-PLS)* analysis method found that Inspectorate audits had a positive impact on budget realization reports, while expertise as a moderator variable was also able to moderate the relationship between Inspectorate audits and budget realization reports.

Introduction

Standard Accountancy Governance (SAP) as part framework conceptual accountancy Government in the Regulations government (PP) No. 71 year 2010 explains the importance of the report finance in fulfilling its objectives requires relevant quality financial reports, reliable, can be compared, And understood. A budget realization report is one of the components report finance Government provides information about the realization budget in a certain period. Therefore, the budget realization report is an important part very important in a company or agency, because its function is to know the circumstances of finance in a certain period.

Based on the overview report inspection Semester I year 2019 issued by the Financial Audit Agency (BPK) from 542 Report Finance Government Regional (LKPD) in 2018 The districts/cities examined by the BPK revealed this opinion reasonable without exception (WTP) on 443 (82%) LKPD. Qualified opinion (WDP) on 86 (16%) LKPD. Opinion no state opinion (TMP) on 13 (2%) LKPD. If compared to achievements in 2017, quality LKPD year 2018 experience enhancement. This matter showed with increase in WTP opinion by 6 percentage points, namely from 76% in LKPD in 2017 to 82% in LKPD year 2018. On LKPD year 2017 as much 411 from 542 LKPD obtained a WTP opinion (76%). Meanwhile, in the 2018 LKPD, as much as 443 of 542 LKPD obtained opinions reasonable without exception (WTP) (82%).

Several previous studies have linked the quality of financial reports to competence HR, technology information and system internal control (Pradono and Basukianto, 2015), the role of audit and expertise (Aisyah R, 2020), implementation standard accountancy Government, competence apparatus and role audit (Inapty and Martiningsih, 2016). The role of audit on budget quality does not show a significant influence, but expertise can explain the quality of financial reports. Financial quality Regional Government based on competency HR, technology information used, and system internal control implemented can have a meaningful impact. However, the quality of the information report finance with system internal control as moderating variables was found not to be determined by implementation standard accountancy government, competence apparatus, and role auditing. Regional governments where symmetrical information in the implementation of budget performance can be avoided and there is good appreciation from the public regarding the implementation of budget performance (Muh Nur Sucipto Rahman, 2018). This research confirms the role of transactions in preventing corrupt practices. integration of budgeting with organizational planning and governance towards the preparation of performance-based APBD. The integration of budgeting with organizational planning and governance as measured by the same information/data sources as well as commitment from all parties can have a significant influence on the APBD preparation process (Anestasye Agnes Wainalang, Jullie J. Sandakh, Ventje Ilat, 2018).

Another factor that tests quality auditing in the environment Government Regions use the Independence variable, objectivity, integrity, and competence (Septoni B. Siahaan, Arthur Simanjuntak, 2018). The results show a strong effect. In addition, the influence of expert professionals, independence, and budget pressure time against detection fraud. Skill professionals can detect the presence of fraud because auditors Who have expertise carry out the task by standards and adhere to ethics that have been set as well as skill technical adequately. Even though it is in discovery Rukayah, Nugrahini Kusumawati, Raden Irna Afriani (2017) that the Government is an integrated licensing and investment agency Serang district is said to be less successful in realizing expenditures within its budget. Cecilia Srimindarti, Pancawati Hardiningsih, Rachmawati Meita Octaviani (2015) use auditor expertise and *turnover intervention* as mediation determinant performance auditors in their research found that variables auditor expertise No mediate external influence locus of controls to performance auditors. This result is due to the relationship between expertise towards performance is not significant so the relationship does not direct to fall.

Previous research examining the quality of budget realization reports about the audit role of the inspectorate and expertise has been carried out, but these two variables are explained as independent variables. Existing research has also not been found with research objects in Papua Province. This research uses the inspectorate audit role variable as the independent variable and the expertise of the inspectorate auditor as the moderating variable. Testing with objects in the Papua region with a variety of variables with different functions will provide broader insight into the factors that influence the quality of financial reports.

This research used an observation sample of 38 Inspectorate employees from 40 Inspectorate office employees. This research aims to test and analyze the influence of the expertise of Inspectorate auditors in moderating the relationship between the Inspectorate's audit role and the quality of budget realization reports. This research analyzes a *cross-section data sample* of 38 Inspectorate employees. The results of this research found a positive influence on the role of the Inspectorate's audit and expertise in moderating its relationship to the quality of budget realization reports.

This research is structured to include the first part, introduction; the second part, literature review, and hypothesis; the third part, presents data and methodology; and the

fourth section, explains the results and discussion. The final section summarizes the study conclusions.

Literature Review and Hypothesis

Accounting literature that explains the factors that influence the quality of financial reports has been widely analyzed and studied in both private companies and government institutions. The quality of financial reports is important for the government and society because it is an indicator of the success of accountability in implementing budget use. Therefore, Regional Governments as holders of the people's trust are required to be able to present financial reports (budget realization reports, regional balance sheets, cash flow reports) as well as notes on an overview of sources of allocation and use of economic resources that fulfill the elements of being reliable, relevant and accountable. The presentation of financial reports in the form of budget realization reports is explained as including income, expenditure, transfers, and financing.

The budget realization report (LRA) explains an overview of sources, allocation, and use of resources and the economy managed by the government (central or regional) and describes the comparison between the budget and its realization in one reporting period (Nur Afiah). The budget realization report is also a component of the Government's financial report which presents information about the reporting entity's realization and budget for a certain period. Mahsun (2013:145) states that financial planning for the future which generally includes the organization's short term which translates several programs into a more concrete annual financial plan is a budget.

Testing the quality of financial reports, especially audits carried out within the Regional Government, in several previous literature is linked to independence factor, objectivity, integrity, and competence (Septoni B. Siahaan, Arthur Simanjuntak, 2018). The quality of audits produced by the Regional Government cannot be separated from the importance of the attitude of independence, objectivity, integrity, and competence. The results of Widya's research by Pangestika, Taufeni Taufik, and Alfiati Silfi (2014) show that variable skill professionals are influential in the detection of fraud in addition to the independence factor. This matter is due to auditors Who are expert professionals who carry out the task by standards and adhere to the ethics profession that has set as well as skill technical adequate. Although the auditor's expertise and *turnover intervention* cannot be used as a mediation determinant performance auditor (Cecilia Srimindarti, Pancawati Hardiningsih, Rachmawati Meita Oktaviani, 2015). Factors that cannot mediate are caused by the relationship between expertise towards performance which is not significant so the relationship does not direct to fall. Other things that are also related to the financial quality of the Regional Government and factors That influence and have policy implications, such as systems internal control, competence HR, and technology information. The study conducted at the Provincial Government Organization Java Middle shows that competence in HR, technology information, and system internal control is influential and significant to quality report finance (Pradono and Basukianto, 2015),

Inapty and Martiningsih (2016), Influence application standard accountancy government, competence apparatus and role audit, Results study This show that implementation accounting standards Government, competence, apparatus, role internal auditing own no effect significant to information quality report finance with system internal control as moderating variable

According to Kozier, quoted by Lia (2011:19), states that a role is a form of the expected behavior of a person in a particular social situation. Internal audit has a very crucial role in the process of achieving specified company goals. The need for the concept of internal audit is due to the increasing scope of the company. The basic theories as well as the

premises and concepts of internal audit have shown that the existence or reason for conducting audits in companies or regional inspectorate offices is that audits are intended as a tool in improving the performance of a function or element, which can be a division, department, business unit section, function, process or information service. Erfan Erfiansyah & Ia Kurnia (2018: 157), prove in research that the role of internal auditors on the quality of financial reports has a significant positive effect on the quality of financial reports. The better the role of internal auditors in monitoring financial reporting, the better the quality of financial reporting will be. Meanwhile, Muh Nur Sucipto Rahman (2018) researched the topic of monitoring budget realization with the concept of *good governance* in preventing corrupt practices. The results show that the variable role of transparency in preventing corrupt practices can have a significant influence on the Regional Government where similar information in the implementation of budget performance can be avoided and there is good operation from the community regarding the implementation of budget performance.

This research is a development of previous research conducted by Aisya R. (2020). The research was conducted by linking the quality of budget realization reports with the role of audit, expertise. The results show that there is a positive and significant influence of the internal auditor's role variable on the quality of financial reports. The better the role of internal auditors in monitoring financial reporting, the better the quality of financial reporting will be. supervision of budget realization with the concept of *good governance* in preventing corrupt practices. The results of the research show that the variable role of transparency in preventing corrupt practices can have a significant influence on Regional Government where similar information in implementing budget performance can be avoided and there is good operation from the community regarding performance implementation. budget Muh Nur Sucipto Rahman (2018), Meanwhile, Jom Fekon (2014), stated that professional expertise influences the detection of fraud. This is because auditors who have professional expertise carry out their duties by standards and comply with established professional ethics and adequate technical expertise. However, contrary to the research results of Alfi Sahrin Malanovita (2018), which states that the influence of auditor experience and auditor expertise on the accuracy of providing an audit opinion, the audit expertise variable does not have a significant effect on the accuracy of providing an audit opinion. This is because the higher the level of formal education an auditor has and the more educational certifications he has do not affect the accuracy of providing an audit opinion to the auditor of the BPK RI Government Representative of East Java Province. The research takes the hypothesis:

H1: Inspectorate audits have a positive effect on the quality of budget realization reports

H2: Expertise moderates the relationship between Inspectorate audits and the quality of budget realization reports

Research Methods

This research is explanatory quantitative research with a survey method using a questionnaire instrument. The survey was conducted on employees of the Papua Province Inspectorate. The survey results used 38 respondents from 40 Inspectorate employees who served as internal auditors.

Data were analyzed using the PLS structural equation modeling (SEM) method with stages including; measurement model testing (validity and reliability), model suitability testing, and hypothesis testing. Test the measurement model to find out whether the questionnaire instrument used is valid and reliable. Meanwhile, test the suitability of the model to ensure that the indicators meet the requirements to be used as a model (Ghozali & Latan, 2016). Model measurement analysis of the questionnaire instrument (*outer model*) was carried out including *convergent validity* and *discriminant validity*.

First, *is convergent validity*. to assess the correlation between component/item scores and construct scores on standardized factor loading indicators. The factor loading value (*outer loading*) should be > 0.7 . Second, discriminant validity test for model measurements based on *cross-loading values* or *Fornell-Lacker values*. The discriminant validity value is carried out by comparing *the average variance extracted (AVE)* square root value with the correlation value between variables. If the root value is AVE of the latent variable is more than the correlation of other latent variables, it has a good discriminant validity value. The AVE measurement value must be greater than 0.5 (Solimun et al., 2017). Third, the reliability test uses *Composite reliability* or *Cronbach's value alpha* which is an indicator for construct measurement and is based on the latent variable coefficient. The measurement instruments for assessing composite reliability are internal consistency and *Cronbach's alpha*. If the value is > 0.70 , the construct has high *reliability* (Solimun et al., 2017). Fourth, *the goodness of fit inner model* uses *R-square dependent* latent variables with an interpretation as regression. *R-Square Value* > 0 indicates the model has a predictive relationship; on the contrary, if the *R-Square value* = 0 shows that the model lacks predictive relationship value. *R-Square* Calculation obtained using the formula $Q^2 = 1 - (1 - R1^2) (1 - R2^2) \dots (1 - Rn^2)$. $R1^2, R2^2 \dots$ are model equations of endogenous variables. The magnitude of Q^2 has a value in the range from $0 < Q^2 < 1$; a value close to 1, means the model is getting better (Solimun et al., 2017). Next, *the internal assessment model* from the path coefficient (*inner weight*). Lastly, hypothesis testing uses *the t-test* on the outside model and *inner models*. Hypothesis statistics for the inner model from the influence of latent variables exogenous against variables endogenous are $H_0: \beta < 0$ and $H_1: \beta \geq 0$.

Results and Discussion

Respondent Profile

Table 1. describes the rate of return of questionnaires from research respondents. A total of 40 questionnaires were distributed directly to employees of Inspectorate Jayapura Regency.

Table 1
Questionnaire Return Rate

Criteria	Amount	Percentage
Questionnaires distributed	40	100.00%
Number of unreturned questionnaires	2	5.00%
Number of damaged questionnaires	-	-
Number of questionnaires that meet the requirements	38	95.00%

Source: Primary data processed, 2023

The number of questionnaires that received responses was 38 respondents, while the number of questionnaires that did not receive responses was 2 respondents or 5%. Evaluation of the *outer model* testing for this research includes *convergent validity*, *discriminant validity*, and *construct reliability*. *Convergent Validity* for the *loading factor value* in this study is > 0.70 , or convergent validity value ($AVE > 0.50$). The measurement model test results are shown in Figure 1 and Table 2.

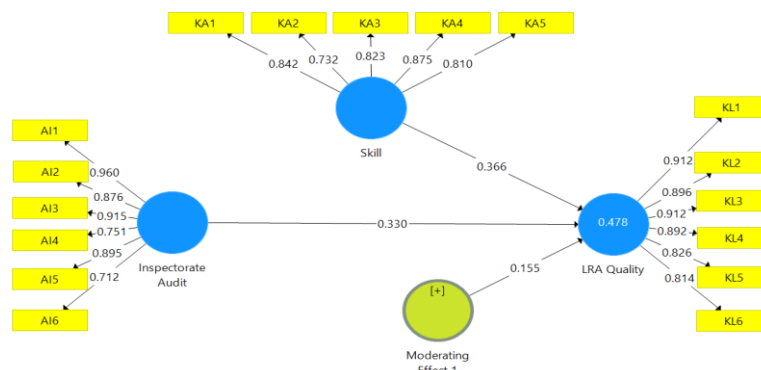


Figure 1. Outer Model

Table 2
Reflective Measurement Model Test Results

Variable	Measurement Items	Indicator	Outer Loading	Cronbach's Alpha	Composite Reliability	AVE
Role of Inspectorate Audit	AI1	Internal Audit as a supervisor	0.836	0.959	0.929	0.765
	AI2	Internal Audit as a consultant	0.917			
	AI3	Internal Audit as a catalyst	0.922			
Skill	KH1	Responsible & professionalism	0.964	0.920	0.761	0.761
	KH2	Ability to evaluate the level of efficiency and effectiveness	0.909			
	KH3	Understand accounting principles well	0.911			
LRA quality	KL1	Accurate & reliable financial and operating information	0.861	0.735	0.850	0.654
	KL3	Detecting fraud on LRA	0.814			
	KL4	Relevance and understandability	0.747			

Source: Smart-PLS processing results

Test results of the indicator measurement model for the audit role of the inspectorate, expertise, and quality of the LRA at the Jayapura Regency Inspectorate Office show validity with an *outer loading value* of more than 0.70. Meanwhile, the reliability values of the three variables that influence the quality of LRA show reliable values (*Cronbach's alpha* > 0.70, *Composite reliability* > 0.70, and convergent validity value (AVE > 0.50).

Table 3
Discriminant Validity Test Results using *Fornell-Lacker*

	LRA quality	Role of Inspectorate Audit	Skill
LRA quality	0.809		
Role of Inspectorate Audit	0.815	0.927	
Skill	0.072	0.181	

Source: Smart-PLS processing results

Table 3, discriminant validity using *Fornell Lacker values* produces values that meet discriminant validity. The AVE root value shows good discriminant validity. These results show that the AVE root value of the LRA quality variables (0.809), expertise (0.927), and the audit role of the Inspectorate (0.875) is greater than the correlation value between the

variables. This means that the variables studied meet the requirements for discriminant validity.

Table 4
Hypothesis Test Results

Variable	Original Sample	Standard Deviation	t-statistics	p-Value	Results
Role of Inspectorate Audit Skill	0.033	0.091	0.362	0.717	No Sig
	0.835	0.077	10,901	0,000	Sig

Source: SEM-PLS processing results

Table 4 depicts the results of the hypothesis testing of the influence of the Inspectorate audit role variable and the expertise moderating variable on its relationship with the quality of budget realization reports. The results explain that Inspectorate audits play a significant role in the quality of budget realization reports produced by each regional organization. The resulting t-statistic value is greater than 1.64 and is significantly below the 5% level. Meanwhile, the expertise variable has a significant impact on the relationship between the Inspectorate's audit role and the quality of the budget realization report. These results indicate that Inspectorate employees consider expertise to be a fundamental thing that must be possessed to determine the quality of reports. Based on the results of this test, the accepted hypotheses are hypothesis 2 and hypothesis, while hypothesis 1 is rejected.

Inner model testing (*Structural Model*) using *R-square* for the dependent construct. *F-square* test to see the coefficient value of the structural path parameters. The inner model test results include the coefficient of determination (*R-square*), as shown in Table 5 below:

Table 5
Coefficient of Determination and F-Square Results

Variable	F-Square	R-Square	Adjusted R-Square
Quality of Budget Realization Report		0.715	0.704
Inspectorate's audit role	1,349		
Skill	0.134		

Source: Smart-PLS processing results

The results of the coefficient of determination test of the influence of the Inspectorate's audit role and the moderating function of the expertise variable on the quality of budget realization reports in the scope of regional apparatus organizations in Jayapura Regency obtained an *Adjusted R-Square value* of 0.704, meaning that 70.4% of the quality of budget realization reports is influenced by the audit role variable. Inspectorate and expertise.

Conclusion

This study examines and analyzes the influence of the Inspectorate's audit role and the moderating function of expertise variables on the quality of budget realization reports. This study used a sample of 38 Inspectorate employees as respondents. The results state that the quality of the budget realization report is influenced by the audit role of the Inspectorate. Meanwhile, the expertise variable is a moderator variable that can moderate the relationship between the Inspectorate's audit role and the quality of budget realization reports. The

Government's internal supervisors can make a significant contribution to the results of the budget realization report prepared. This is because the expertise possessed by inspectorate employees is considered capable of preventing administrative and financial irregularities.

This study expands the results of previous research by taking a different object, namely Inspectorate employees in the Papua Province region. However, this study has limitations, namely that not all employees took their role in responding to the survey conducted, so bias may still occur. Therefore, future researchers can use the saturated sample method to determine a larger sample so that it is truly represented.

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