

Quality of Regional Financial Supervision (At the Inspectorate of Central Java Province)

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Abstract—This study aims to strengthen objectivity, expertise, professional skills and compliance with the code of ethics on the quality of the inspectorate apparatus. A common problem in this study was the continued increase in state losses caused by corruption and the like. The research sample was taken at the inspectorate of Central Java province. Data were analyzed using Partial Least Square with SmartPLS 03 software. The results showed objectivity and adherence to the code of ethics of reproduction to the quality of examination, while the expertise and professional skill were not significant on the quality of the examination. The value of things that are jointly shared objectivity, expertise, professional skills and adherence to the code of ethics provide quality to audit quality of 56.4% while the remaining 45.6% by other factor outside the construct. The implication of this research findings for the importance of quality of supervision is the need for objective attitude of the auditor in addition to the effort to increase the ethical value through coaching and training.

Keyword—*quality of supervision; objectivity; expertise; professional skills; adherence to the code of conduct*

I. INTRODUCTION

Internal supervision is the whole process of supervisory activities, review, monitoring, evaluation and other supervisory activities in the form of assistance, socialization and consultancy on organizing duties and functions of the organization to provide reasonable assurance that an activity has been implemented in accordance with the criterion that has been established effectively and efficient to achieve good governance[1]. About Audit Standards of Government Internal Supervisory Apparatus). Audit as the collection and evaluation of evidence of information to determine and report the degree of conformity between the information with predetermined criteria[2]. Internal auditing is an independent, objective consultation activity designed to add value and improve an organization's operations. Internal auditing helps the organization achieve its goals by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes[3]. There are three main aspects that support the creation of good governance (good governance) they are supervision, control and examination[4]. Examination (audit) is an activity undertaken by parties who have the independence and professional competence to check whether the results of government performance has been in accordance with predetermined standards. Public accountability relates to the

practice of transparency and the provision of information to the public in order to fulfill the public's right.

The phenomenon that still occurs in Central Java Province is the number of corruption cases, abuse of authority and position, violations and many other criminal cases. Sindonews.com reported several cases of corruption, abuses or abuse of positions carried out by government officials such as: corruption case grant funds National Sports Committee of Indonesia (KONI) branch of Semarang period 2012-2013, which cost the state Rp 2 Billion (Thursday, 9 / 2/2015); the corruption case of the provincial government's Bansos fund in Rembang that harms the state finances of Rp 654,000,000 (- Tuesday, April 14, 2015); the case of the Ministry of transportation dormitory project in Tegal that harms the state finances of Rp 1.7 billion (Wednesday, April 2, 2015); corruption head of the irrigation department of the Public Works Department of Rembang Regency that harms the state finances of Rp 750,000,000, - and many more cases that have been done by government officials. Based on the phenomenon that occurs in the local government of Central Java Province it is important to enforce quality supervision in order to realize accountable and transparent government. With these considerations, the researcher intends to conduct research on the inspectorate apparatus that examines the influence of independence, objectivity, expertise, professional accuracy and compliance to the code of ethics on audit quality.

II. LITERATURE REVIEW AND HYPOTHESES

A. Supervision Quality

The essence of supervision is to prevent as early as possible the occurrence of irregularities, waste, fraud, obstacles, errors, failure in achieving the objectives and execution of tasks an organization. Internal supervision is the whole process of audit activities, review, monitoring, evaluation, and other supervisory activities in the form of assistance, socialization and consultancy on organizing duties and functions of the organization in order to provide reasonable assurance that the activities have been carried out in accordance with the benchmarks that have been established effective and efficient for the interests of leaders in realizing good governance[5]. The audit standard becomes the guidance and measure of the quality of the auditor's performance[6]. According to the measurement of the quality of supervision over the financial statements, especially those conducted by

Government Internal Control Apparatus, shall use the State Financial Supervisory Standard. The statement is written in Attachment 3 of the CBSS which states that "The amount of benefits derived from the supervisory work does not lie in the findings of the reported oversight or the recommendations made, but lies in the effectiveness of the settlement pursued by the entity being examined. Quality supervision is a Supervision that can be followed up by a supervisor. This quality must be built from the beginning of the Supervision implementation to reporting and recommending. Thus, the indicators used to measure the quality of supervision include the quality of the process, whether the supervision is done carefully, according to the procedure, while continuing to maintain skepticism.

B. *Objectivity*

Supervisory objectivity is required to increase the credibility of Government Internal Control Apparatus's work. The assessment of independence and objectivity includes two components, namely the status of Supervisors in the organization and the policy of maintaining the objectivity of the supervisor over the object of supervision stated objectivity as a free person from the influence of subjective views of other parties concerned, so it can propose an opinion according to what it is. Short element that supports objectivity, among others (1) reliable and trusted, (2) not concurrently as a tender committee, other committees and / or other works which are the operational duties of the subject being examined; (3) Not departing duties with the intention of finding fault with others; (4) being able to maintain official criteria and policies, and (5) in acting or making decisions based over logical thinking [7] [8].

C. *Expertise*

Stated that the supervisor should have knowledge, skills and other competencies that are treated to carry out their duties and responsibilities[9]. The leadership of Government Internal Control Apparatus must be confident that the background of technical competence and supervisory education is adequate for the supervisory work to be mandated. Thus the Government Internal Control Apparatus leadership should establish adequate specifications on technical and educational competence in filling the supervisory positions in the Government Internal Control Apparatus environment. The expertise (competence) of a supervisor in the field of supervision is shown by the educational background and experience it has. In terms of education, ideally a supervisor has an educational background in the field of supervision. While the experience, usually shown by the length of career in the field of supervision.

D. D. *Professional Accuracy*

Supervisors must maintain their professional knowledge and skills at a high enough level and diligently in applying their knowledge and skills when providing professional services. Thus, supervisors should refrain from providing services for which they have no competence in performing the duties, and

must perform their professional duties in accordance with all technical and professional standards. In performing their duties, the supervisor should use his / her professional expertise (due professional care), well planned, using appropriate approaches, as well as providing opinions on the basis of sufficient evidence and in-depth study[10].

Compliance with the Code of Conduct

Implementation of supervision shall refer to the Supervisory Standard established by the state minister's regulation of the empowerment of state apparatus[11] and the supervisor shall comply with the Code of Conduct which is an integral part of the Supervisory Standard. The code of ethics created aims to regulate the relationships between: their co-workers, their superiors, their supervisory objects, and with society. The Code of Ethics is important for internal supervisors because the description of their work depends on the reputation of objectivity and high personal integrity. The code of ethics specifies four key principles of ethical behavior and a set of associated rules that support the expected behavior of the members of the Institute for Internal Auditors, ie integrity, objectivity, confidentiality and competence [12].

III. HYPOTHESES DEVELOPMENT

A. *Effect of Objectivity on Quality Inspectorate Supervision*

According to the Regulation of the Financial Supervisory Board of the Republic of Indonesia Number 01 Year 2007 regarding State Financial Supervision Standards, being objective is an impartial, intellectually honest, and free from conflict of interest. Objectivity is required by a supervisor to to act fairly without being influenced by pressure or request from certain interested parties for the results of supervision[13]. Objectivity as a free person from the influence of subjective views of other parties concerned. Research on objectivity has been done before. The results of his research show that objectivity positively affects the quality of the results of supervision[14] [15] [16]. This indicates that the higher the level of objectivity of the supervisor, the better the quality of supervision produced by the inspectorate. Based on the above, the second hypothesis proposed is:
H1: Objectivity has a positive effect on the quality of Inspectorate's supervision.

B. *Expertise Effect on Quality Inspectorate Supervision*

Supervisory expertise is the supervisor's ability to apply his knowledge and experience in supervising so that supervisors can monitor carefully, thoroughly, intuitively and objectively. Therefore, it can be understood that supervision should be carried out by people with sufficient technical skills and training as supervisors. Thus, the supervisor has not met the requirements if he / she does not have adequate education and experience in the supervision field. Research on the influence of expertise on quality of supervision has been done by previous researchers [17] where expertise is proxied with experience and knowledge, whereas independence is proxied in long ties with clients, client pressure and peer review. The

results of his research indicate that supervisory skills influence the quality of supervision. Thus, the hypothesis can be put forward as follows:

H2: Supervisory skills have a positive effect on the quality of supervisors

C. Professional Accuracy Effect on Inspectorate Supervision Quality

Professional precision is the fourth factor. The professional precision in this study is that the supervisor should use his professional expertise carefully and prudently in every assignment. Due professional care can be applied in professional judgment, although there may be inaccurate inferences when supervision is done carefully. A researcher has been conducting research on the influence of professional supervisors' carefulness on the quality of inspectorate inspectors[18]. The results showed that professional accuracy had a positive effect on the quality of supervision. So in other words, the better the professional accuracy of a supervisor will be the better the quality of the supervisors produced. Thus, hypotheses can be developed as follows:

H3: Professional accuracy has a positive effect on the quality of supervisors

D. The Influence of Compliance to the Code of Ethics on the Quality of Inspectorate Supervision

Supervisors must comply with the Code of Conduct Implementation of supervision shall refer to this Supervisory Standard, and the inspector shall comply with the Code of Conduct which is an integral part of the Supervisory Standard. Understanding the code of ethics will lead to the order of thought patterns, behavior and attitudes of public supervisors to maintain dignity in order to have a respectable place and be able to provide the results of expected supervision. The influence of adherence to the code of ethics on the quality of supervision of the apparatus has been studied other reasearcher [19].

The results showed that compliance with the code of ethics had a positive effect on the quality of the results of supervision. Thus with high compliance code of ethics then support the quality of supervision will be better. From the above exposure can be developed the following hypothesis:

H4: Compliance with the code of conduct has a positive effect on the quality of the Inspectorate's supervision.

IV. RESEARCH METHOD

A. Population and Sample Research

The data used in this study is the primary data. This study uses a questionnaire consisting of five sections each containing questions relating to objectivity, expertise, professional diligence, compliance with the code of ethics and the inspectorate's supervisory qualities. Sample in this study consisted of Supervisor Inspectorate of Central Java province

and Supervisor inspectorate of Semarang. So the number of samples taken in this study were as 92 respondents.

B. Data Analysis and Hypothesis Testing

Data processing techniques using the SEM method based on Partial Least Square (PLS) requires 2 stages to assess the Fit Model of a research model[20]. These stages are to assess the outer model and inner model. Outer model and inner model.

Based on the output of Outer Model analysis of the final Phase, all values of Cross loading indicator items are > 0.5 ; Convergent Validity is > 0.5 ; and the reliability coefficients (Cronbach alpha and Composite Realiability) of all constructs are above 0.7. So it can be continued to the Analysis of the Structural Model (Inner Model).

TABLE 1. EVALUATION OF STRUCTURAL MODEL (INNER MODEL)

VARIABEL EKSOGEN	VAR. ENDOGEN (Quality Of Supervision)
Expertis	0,146
Professional Skills	0,148
Adherence To The Code Of Conduct	0,665
Objectivity	-0,048

Based on the Inner Model relationship table obtained the model equation as follows: $Y = 0.146K + 0.148KP + 0.665KKE - 0,048O$. The final value of R^2 is as follows:

TABLE 2. FINAL VALUE OF R^2

	R^2	Adjusted R2
Expertis		
Professional Skills		
Adherence To The Code Of Conduct		
Objectivity		
Quality Of Supervision	0,698	0,646

The adjusted R2 value of the Quality Supervision construct is 0.646. This means that the constructs Expertis, Professional Skills, Adherence To The Code Of Conduct, Objectivity can simultaneously explain the variability of Quality Of Supervision constructs by 64.6%. Since the number of exogenous variables is more than two, the value of determination coefficient used is adjusted R2 or the value of simultaneous influence is 64.6. The following is the result of hypothesis testing.

TABLE 3. RESULT FOR INNER WEIGHTS

	Original Sample Estimate	Mean of Subsamples	Standard Error	T-Statistics	P Values
E	0.105	0.119	0.120	0.872	0.384
PS	-0.061	-0.061	0.134	0.456	0.648
ACC	0.502	0.509	0.130	3.848*	0.000
O	0.319	0.312	0.119	2.670*	0.008

Description: * = t value statistics > t table (5% significance = 1.664)

V. RESULT AND DISCUSSION

A. The influence of objectivity on the quality of supervision

Based on the results of statistical calculations, it can be concluded that objectivity can have a positive and significant effect on the quality of supervision. Positive can be seen from path coefficient value of 0,319 and stated significant because seen from t-statistic value bigger than t table (1,664) that is equal to 2,670. This means that the overall level of objectivity of auditors working in the Inspectorate of the Provincial Government of Central Java and Regency / Semarang City is included into the high category. With high level of auditor objectivity, the auditor of Inspectorate of Central Java / Municipal Government of Semarang is objective in performing audit duties.

B. The influence of expertise on the quality of supervision.

Based on the results of statistical calculations, it can be concluded that the expertise can have a positive but not significant effect on the quality of supervision. Positive can be seen from lane coefficient value of 0,105 and is not significant because seen from t-statistic value smaller than 1,664 that is equal to 0,872. This means that the overall level of supervisory expertise working in the Inspectorate of the Provincial Government of Central Java and the Regency / City as residency of Semarang is included in the low category. With the low level of auditor expertise, the auditor of the Central Java Provincial Government Inspectorate and the Regency / Municipality of Semarang residency is less expert in carrying out supervisory duties. Following the skill improvement program is expected to result in quality supervision.

This study does not support previous research^[21] which found that an auditor's expertise had a positive effect on the quality of the results[21]. The effect of professional accuracy on the quality of supervision.

Based on the results of statistical calculations, it can be concluded that professional accuracy has no positive effect on the quality of supervision. No effect because it can be seen from the coefficient value of the path of -0.061 and declared insignificant because seen from the value of t-statistic smaller than t table (1.664) that is equal to 0.456. This means that the overall level of accuracy of professional auditors working in the Inspectorate of the Provincial Government of Central Java and the Regency / city as residency of Semarang is included in the low category. With the low level of accuracy of auditor professionals, the auditor of the Central Java Provincial Government Inspectorate and the Regency / Municipal of

Semarang residency is not careful in carrying out the audit task.

C. The effect of compliance to the code of ethics on audit quality.

Based on the results of statistical calculations, it can be concluded that compliance with the code of ethics can have a positive and significant effect on the quality of supervision. Positive can be seen from the value of path coefficient of 0.502 and stated significant because seen from the value of t-statistic is greater than t table (1.664) which is 3.848.

This means that the overall level of compliance with the code of ethics of auditors working in the Inspectorate of the Provincial Government of Central Java and the Regencies / Municipalities of Semarang belongs to the high category. With the high level of compliance with the code of ethics of the auditor, the auditor of the Central Java Provincial Government Inspectorate and the Regency / City as residents of Semarang are obedient to the code of ethics in performing the audit duties.

Professional auditors in carrying out the work supported by compliance with the code of conduct will improve the quality of the audit. The higher compliance with the code of conduct owned by an auditor in carrying out his profession, the higher the audit quality will be generated. Similarly, on the contrary, the lower the compliance with the auditor's ethical code, the lower the quality of the resulting audit. With the increased audit quality generated, the public's trust in supervisors will increase.

VI. CONCLUSION

Based on the discussion of research results, it can be concluded that

1. Simultaneously objectivity, expertise, professional accuracy and compliance with the code of ethics together have a significant effect on the quality of auditors.
2. Partially objectivity and compliance to the code of ethics have a significant effect on audit quality. Professional expertise and accuracy does not affect audit quality so hypotheses 2 and 3 are rejected that professional accuracy has a positive effect on audit quality.

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