

Analysis of the role of internal audit with the quality of financial reports at pt bank sulsebar

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ABSTRACT

This research aims to examine the relationship between internal audit functions and the quality of financial reports at PT Bank Sulsebar. The study took place at PT Bank Sulsebar and utilized a quantitative research approach. The sample was determined using a survey technique that included all members of the population, totaling 30 individuals. The primary data was collected through the

distribution of questionnaires. Regression Analysis was employed as the statistical method to test the hypotheses. The results indicated a significant correlation between the internal audit role and the quality of financial reports at PT Bank Sulsebar. These findings have positive implications, suggesting that PT Bank Sulsebar should continue enhancing the quality of its financial statement preparation and presentation.

Keywords : The Role of Internal Audit, Financial Reports.

INTRODUCTION

Financial reports serve as a crucial medium for companies to elucidate their fiscal performance to the broader community. Consequently, the presentation of financial reports in an exceptional manner that aligns with established accounting norms is imperative. The presence of high-caliber financial reports yields positive repercussions, fostering public trust in governmental bodies and associated enterprises. This extends particularly to the meticulous handling and

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conscientious management of funds, bolstering accountability and transparency. Such top-tier financial reports act as potent tools, instilling faith in the efficient utilization of resources by governmental bodies and companies in alignment with their designated objectives. Through the insights gleaned from quality financial reports, the public can harbor confidence in the optimal administration of funds, conducted with the utmost accountability and transparency (Anggraeni, 2021).

The governmental internal audit oversight of financial reports is carried out by the Inspectorate, functioning as an internal audit institution under the jurisdiction of the local administration. This task encompasses a supervisory process encompassing scrutiny of SKPK's financial report preparation and evaluation of financial statements prior to submission to the Supreme Audit Agency of the Republic of Indonesia (BPK-RI). This evaluation strives to confer assurance regarding the precision, dependability, and validity of information contained within the financial reports, preceding their submission by the financial manager to the regional head.

This review endeavor constitutes a pivotal stride in ensuring the financial statements subjected to BPK-RI audit meet high standards and adhere to established norms. This internal evaluation empowers the local administration to offer assurance concerning the accuracy, dependability, and validity of financial information within the reports prior to dissemination to external entities for further scrutiny. By doing so, the maintenance and reinforcement of transparency and accountability in public fund administration are upheld, fostering heightened trust in local administrations and their financial management processes (Adrian, 2019).

PT Bank Sulselbar operates as a financial entity within the banking sector. As a consequential financial establishment within the economy, this bank bears the responsibility of adeptly navigating fund and financial management to realize corporate objectives and appease stakeholders. Nonetheless, the practical preparation of financial reports within banks often involves intricacies and multifaceted aspects that impinge upon their quality and dependability. Numerous issues serve as potential bedrocks for subsequent research or analysis concerning financial reports at PT Bank Sulselbar:

1. **Quality of Financial Statements:** The capacity of financial reports to accurately mirror the genuine financial and operational standing of PT Bank Sulselbar is a pertinent query. The manner in which financial information is gauged and exhibited can influence stakeholders' trust, encompassing customers, investors, and regulators, toward the bank.

2. **Regulatory Compliance:** Banks, as entities, are bound by rigorous regulations, including obligatory adherence to accounting standards. Observance of these regulations is pivotal in engendering precise and lawful financial reports. Departures or breaches from these regulations can undermine the quality of financial reports.
3. **Transparency and Accountability:** Banks are obligated to bestow transparency and accountability to the public and stakeholders concerning their activities and performance. Financial reports lacking in transparency or insufficient in information provision can undermine positive perceptions of the bank.
4. **Internal Audit and Monitoring Process:** The internal auditing and monitoring mechanism in a bank plays a pivotal role in certifying the accuracy and reliability of financial reports. Challenges encountered in orchestrating this process with efficiency and efficacy can impact the quality of financial reports.

Through meticulous analysis and subsequent research, solutions or enhancements can be discerned and subsequently implemented at PT Bank Sulselbar to augment the quality and dependability of their financial reports, while also ensuring adherence to pertinent regulations and standards. Drawing from the aforementioned backdrop, the researcher is inclined to undertake a fresh study with the objective of dissecting the role of internal audit in shaping the caliber of PT Bank Sulselbar's financial reports

THEORETICAL REVIEW AND HYPOTHESIS DEVELOPMENT

Institutional Theory

In the realm of organizational dynamics, DiMaggio and Powell (1983) propose a concept akin to a creative dance: institutional theory, a conceptual lens portraying organizations as dancers mirroring their counterparts in the same performance arena. This phenomenon, christened isomorphism, hinges on the art of organizations emulating others within their contextual arena. Yet, this mimicry carries an intrinsic weight a palpable institutional pressure for homogeneity. This theory elucidates organizations as microcosms of their grander social environs, entwined with the tenets, regulations, and prevailing norms, unraveling the fabric of organizational architecture and conduct (Berthod, 2016).

In the symphony orchestrated by Nazarudin and Suseno (2017), organizations harmonize through three distinct cadences coercive isomorphism, mimetic isomorphism, and normative isomorphism. In our exploration, the spotlight fixates on the melodious notes of coercive isomorphism a poignant external pressure orchestrated by the environment encircling the

organization. Harmoniously, the refrain of normative isomorphism resonates a tune swayed by the melodies of professional organizations' demands.

In the finale, the stage of institutional theory unveils its grand theme: the artistic choreography of DiMaggio and Powell. A tale unfolds, spotlighting isomorphism as a pivotal motif in guiding organizations to mesh with their surroundings. The orchestration of institutional pressures becomes a conductor's baton, guiding organizations to harmonize with counterparts and synchronize their strides. As the curtains fall, the duet of coercive isomorphism and normative isomorphism resonates as the symphonic influencers, orchestrating change and adaptation within the intricate tapestry of organizations.

Stewardship Theory

In the realm of innovative thought brought forth by Donaldson and Davis (1991), the stewardship theory unfolds like a canvas painted with uniqueness. Here, a captivating tableau emerges, one where the aspirations of the main players—society, in this instance—lie nestled at the very heart of managerial objectives. While management reaps the rewards of this intricate interplay, the true focal point remains the contentment of the community. This acts as the propellant for the 'stewards,' a cast encompassing not only management but all actors engaged in this endeavor. This collective is driven by an unwavering dedication to deliver their paramount contributions and to tread the organizational path leading to the realization of the preordained ambitions.

Stewardship theory, akin to a nurturing seed, carries within it the notion that the triumph of local governance in heightening the caliber of financial reports hinges on the warp and weft of individual conduct and character. These facets, the artisans of government pursuits in multifarious dimensions, rise above personal interests. The vantage point of stewardship theory illuminates the significance of a harmonious concord between individual demeanor and character, harmonizing seamlessly with governmental objectives. This dynamic synergy compels stakeholders to harness their individual prowess, bequeathing a bouquet of excellence in service to the community. This crusade is fortified by the metronomic role of internal audit, a well-oiled machinery, further buttressed by the organizational allegiance that paves the path for virtuous governance practices (Good Governance) (Gulo, 2021).

Collectively, the symphony of stewardship theory forges a cultural anthem, one where the orchestration of societal and governmental aspirations holds the premier chair. Within this harmony, individual conduct dances in synchronized rhythm towards the attainment of shared

aspirations. Through this orchestral performance, the spotlight hovers on the pivotal partnership of internal audit and organizational allegiance, crafting the ethos that guides the voyage towards governance excellence.

The Influence of Internal Audit's Role on the Quality of Financial Statements

The Institute of Internal Auditors (IIA) states that internal audit is an independent and objective In a multifaceted endeavor that merges insurance and consultancy, lies an entity known as internal audit. This entity is meticulously crafted to amplify value and refine company operations through a systematic appraisal. Its purpose is the optimization of risk management, control mechanisms, and corporate governance processes, aiming to attain a pinnacle of performance. As articulated by Arief (2016), internal audit operates as an internal control overseer within the organizational framework. This entails a concentrated vigil over the efficiency of diverse internal control elements.

The internal audit function, akin to a discerning investigator, scrutinizes and gauges company activities while proffering counsel to the managerial echelons to augment corporate efficacy. This intricate process is meticulously designed to bolster every facet of the company in their endeavors, ushering forth precision and efficiency. The resultant internal audit findings bequeath valuable assessments, revelations, and suggestions that cascade through every division. At its core, this function endeavors to equip organizational members with the tools to discharge their responsibilities with utmost effectiveness.

As illuminated by Podrug (2011), the governance facet can be understood through the kaleidoscopic lenses of sociology and psychology. In this elaborate tapestry, the Inspectorate, as a representative (or steward) of stakeholders, dons the mantle of aligning with the wishes of the principal and the organization. These stewards are perceived as entities capable of executing their duties with finesse for the betterment of society. This paradigm postulates that the role of an internal auditor transcends mere financial statement scrutiny; it morphs into a wellspring of guidance for the auditee, akin to a shareholder. These insights are subsequently harnessed as fuel for contemplation by entities, fueling the enhancement of financial and resource management effectiveness. Through this endeavor, not only economic but also socio-psychological facets of society are tended to, heralding the dawn of good governance. With these conceptual underpinnings in mind, the stage is set for a transformative journey, the hypothesis proposed is as follows:

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H 1: The role of internal audit has a positive effect on the quality of PT Bank Sulselbar's financial reports.

RESEARCH METHODS

This research endeavors to investigate the impact of the variable representing the role of internal audit on the caliber of PT Bank Sulselbar's reports. The study unfolded within the confines of PT Bank Sulselbar, spanning a duration of one month commencing from late June and extending into July 2023. Within this sphere, the entire workforce entailed in crafting financial reports, summing up to 50 individuals, forms the population of interest. Employing a survey methodology, a comprehensive approach where every population member is enlisted as a research participant, the sample size for this study is pegged at 30 participants. The bedrock of data utilized is rooted in primary sources, obtained directly from PT Bank Sulselbar's workforce, the respondents of this investigation.

The statistical method used to test the hypothesis is by using multiple linear regression analysis.

RESULTS AND DISCUSSION

Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
	B	std. Error	Betas		
1 (Constant)	8033	1,536		1,356	0.000
Internal Audit Role	0.742	0.176	0.624	4.157	0.002

Source: Data Processed with SPSS, 2023.

The Effect of the Role of Internal Audit on the Quality of Local Government Financial Statements

In the internal audit role variable, a probability value of 0.000 is found. Because this probability number, which is 0.002, is smaller than the significance threshold of 0.05, partially

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the internal audit role variable has a significant effect on the financial report quality variable. Based on the coefficient with the number 0.742 which is positive, this indicates a continuous influence. This indicates that the increasing role of internal audit, the quality of financial reports will increase accordingly. Conversely, if the role of internal audit decreases, the quality of financial reports also tends to decrease.

This study aligns with the findings of previous research conducted by Astuti (2022), Goo et al. (2019), and Gamayuni (2018), all of which underscore the positive and substantial influence of the internal audit's role on the quality of financial statement presentation. However, in contrast, this study's outcomes diverge from the conclusions drawn in investigations by Atika et al. (2019) and Triyanto (2019), where the role of internal audit was found to lack a significant impact on financial report quality.

The study's results divulge that internal auditors at PT Bank Sulselbar effectively carried out their mandate of scrutinizing and overseeing the financial statements. This review centered on facets like the precision, credibility, and soundness of financial data displayed within the reports. This revelation resonates harmoniously with the tenets of stewardship theory postulated by Podrug (2011). This theory envisions the internal auditor's role transcending mere verification of financial statement coherence; rather, it extends to providing counsel akin to a shareholder to the entity under examination. This counsel, when heeded, can be seized by relevant entities to enhance financial management efficacy. This paradigm transformation leads not only to economic gains but also encompasses societal and psychological dimensions, heralding the zenith of good governance.

The study's findings collectively unveil that budget users within PT Bank Sulselbar exhibited unwavering dedication in executing their tasks and obligations. The evidence emerges from questionnaire responses, encompassing an understanding of job objectives, prioritizing organizational imperatives over personal interests, striving for efficiency, endeavoring toward goal attainment, meticulous task completion, and steadfast consistency even in the absence of superiors.

Placing the spotlight on the augmentation of organizational commitment among auditors, this approach harmonizes seamlessly with stewardship theory. This theory espouses a management philosophy rooted in the pursuit of organizational goals by erecting an internal audit division that augments value and aligns with the organizational vision. The pronounced organizational commitment of internal audit holds immense importance, particularly for their role in unveiling potential report inconsistencies. This formidable work ethos not only delivers

stellar performance outcomes but also rallies the organization's collective endeavors toward goal achievement, epitomized by the presentation of top-tier financial reports

CONCLUSIONS AND RECOMMENDATIONS

1. There is a positive and significant influence from the role of internal audit on the quality of PT Bank Sulselbar's financial statements. This is due to the fact that the role of internal auditors goes beyond simply assessing the conformity of financial statements with supporting evidence, and also includes providing advice to top managers and corporate commissioners in the preparation of financial statements.

Suggestion

Based on the research that has been carried out there are several suggestions that can be submitted, as follows:

1. **Strengthening the Role of Internal Audit:** Based on the finding that the role of internal audit has a significant impact on the quality of financial reports, it is important for PT Bank Sulselbar to continue to strengthen the roles and responsibilities of the internal audit team. They can continue to be empowered to ensure the accuracy, reliability and validity of the financial information presented in reports.
2. **Training and Development:** Given the results indicating the commitment of budget users in carrying out their duties and responsibilities, the management may consider further training and development. This training can help team members better understand best practices in financial management and internal control

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