

Analysis of the utilization of inspectorate audit report provincial and regency/city inspectorates by BPK representative of North Sulawesi Province

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Received 12 July 2024

Revised 3 August 2024

Accepted 4 August 2024

Published online 4 August 2024

DOI: 10.58784/cfabr.164

ABSTRACT

This study aims to determine the implementation of the use of the Provincial and Regency/City Inspectorate Audit Report (LHP) by the BPK Representative of North Sulawesi Province in the period of 2021 to 2023, obstacles and efforts to overcome obstacles. This research uses a qualitative method. Data collection with unstructured observations, in-depth interviews, and documentation. The results of the study show that the LHP of the Regional Inspectorate has not fully made an active contribution to the preparation of the program, implementation, and control of audit activities by the BPK Representative of North Sulawesi Province. The LHP of the Regional Inspectorate has contributed when the BPK Audit Team carried out the audit task. The BPK Audit Team is active in requesting the Regional Inspectorate's LHP and the Regional Inspectorate's Annual Supervision Work Program (PKPT) during the implementation of the audit task used in examining problems and recommendations along with not continuing the Regional Inspectorate LHP. The results of the BPK Audit Team's study are used in the preparation of the business risk matrix, fraud risk matrix, sample selection strategy and preparation of additional/alternative procedures if necessary. The obstacle to the use of the Regional Inspectorate LHP for BPK is the lack of understanding of the obligation of the Regional Inspectorate to actively submit its LHP to the BPK, the lack of timely receipt of the Regional Inspectorate LHP by the BPK Audit Team so that an in-depth evaluation cannot be carried out, the scope of the Regional Inspectorate LHP object is less relevant to the needs of the Audit Team. The efforts that have been made by BPK are that the BPK Audit Team has made a written request for the list of LHPs along with the LHP of the Regional Inspectorate and the Badiklat PKN BPK RI has opened opportunities to improve the competence of Regional Inspectorate inspectors with training for Regional Inspectorate inspectors.

Keywords: inspectorate audit report; audit board; government's internal audit report; government internal supervision apparatus

JEL Classification: H11 & H83

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1. Introduction

Audit Board of the Republic of Indonesia (or BPK) in the implementation of the audit determines the object of the audit, plans, and implements the audit, determines the time and method of the audit, and prepares and presents the audit report independently and independently by BPK. In planning the auditor's duties, the BPK may consider information from the government, central banks, and the public. In conducting an audit of the state's financial management and responsibility, BPK can utilize the results of the audit of the government's internal supervisory apparatus. To conduct an audit of state financial management and responsibility, a report on the results of the government's internal audit must be submitted to the BPK (Law No. 15 of 2004).

The phenomenon that researchers see based on laws and regulations that the government's internal audit report (or LHP) must be submitted to the BPK, on the other hand, it is stated that the BPK can utilize the results of the audit of the

government's internal supervisory apparatus. In Article 34 paragraph (1) of Law Number 15 of 2006 concerning the Financial Audit Board, it is stated that BPK in carrying out its duties and authorities is assisted by the BPK Executive, which consists of the Secretariat General, the audit task implementation unit, the supporting task implementation unit, representatives, auditors, and other officials designated by the BPK as needed. In the implementation of its very complex duties and responsibilities and from the wide aspect of Indonesia's territory, BPK Representatives were formed in 34 provinces. BPK Representative of North Sulawesi Province in one of the news on its website on May 15, 2023 reported that "BPK submits LHP of Regional Government Financial Reports (or LKPD) Regency/City throughout North Sulawesi Province Simultaneously". Table 1 presents the submission of unaudited LKPD and LHP LKPD for fiscal year 2022.

Table 1. Submission of Unaudited LKPD and LHP LKPD 2022 throughout North Sulawesi

No	Local governments	LKPD	LHP LKPD
1	Sulawesi Utara	9-3-2023	15-5-2023
2	Minahasa	3-3-2023	15-5-2023
3	Bolaang Mongondow Selatan	3-3-2023	15-5-2023
4	Kepulauan Talaud	3-3-2023	15-5-2023
5	Tomohon	3-3-2023	15-5-2023
6	Bolaang Mongondow	9-3-2023	15-5-2023
7	Minahasa Utara	9-3-2023	15-5-2023
8	Minahasa Selatan	9-3-2023	15-5-2023
9	Minahasa Tenggara	9-3-2023	15-5-2023
10	Bolaang Mongondow Utara	9-3-2023	15-5-2023
11	Bolaang Mongondow Timur	9-3-2023	15-5-2023
12	Kep. Siau Tagulandang Biaro	9-3-2023	15-5-2023
13	Manado	9-3-2023	15-5-2023
14	Bitung	9-3-2023	15-5-2023
15	Kotamobagu	9-3-2023	15-5-2023
16	Kepulauan Sangihe	17-3-2023	15-5-2023

Source: Compiled from the BPK Press Release of North Sulawesi Provincial Representative (2023)

The phenomenon that occurred in the implementation of the BPK audit is that the BPK Representative of North Sulawesi Province can carry out the LKPD audit in a timely manner and the reporting of the audit results can be submitted simultaneously throughout North Sulawesi Province. In 2021, in one of the news on its website on May 4, 2021, with the news title "BPK Submits LHP LKPD for Fiscal Year 2020 North Sulawesi Region City Regency". In the news, it is known that on May 3, 2021, the BPK Representative of North Sulawesi Province submitted the LHP LKPD for the 2022 Fiscal Year Regency and City in the North Sulawesi Province area simultaneously. Then in 2022 the BPK Representative of North Sulawesi Province in one of the news on its website on May 13, 2022, reported "BPK Conducts Simultaneous Submission of LHP LKPD for Fiscal Year 2021 Regencies and Cities in the North Sulawesi Province Region".

BPK Representative of North Sulawesi Province from 2021 to 2023 has successfully completed its audit task by submitting the LHP LKPD in the North Sulawesi Province Region in a timely and simultaneous manner. Some of the factors that determine the success of the BPK Representative of North Sulawesi Province to be able to carry out the LKPD audit in a timely manner and can be submitted simultaneously are as follows.

The first factor is the compliance of local governments throughout North Sulawesi Province to submit unaudited LKPD to BPK RI no later than three months after the end of the fiscal year. As an illustration in 2023, local governments throughout North Sulawesi Province submitted the Unaudited LKPD before March 31, 2023. Four local governments submitted on March 3, 2023, eleven local governments submitted on March 9, 2023, and one local government submitted on March 17, 2023. The second factor is the compliance of the local government to

assign Government Internal Supervisory Apparatus (or APIP) to carry out an audit of the LKPD before submitting it to BPK RI in a timely manner.

The role of internal auditor includes prevention of fraud (Lestari & Bernawati, 2020; Pitriani & Dewi, 2023), competent internal audit can improve audit quality (Dhatu & Diana, 2020; Adam, 2023) risk management (Zunaedi et al., 2022), and financial accountability (Hernadianto et al., 2020). In the State Financial Audit Standards (or SPKN), it is stated that the Auditor can use the work of the Government Internal Supervisory Apparatus, experts and/or auditors outside the BPK. The examination procedure must provide a sufficient basis when using the work of the other party. The auditor must obtain evidence that guarantees the competence and independence of experts and/or auditors outside the BPK, as well as the quality of their work.

In carrying out the audit, BPK can utilize the results of the audit of the government's internal supervisory apparatus. In practice, BPK Representative of North Sulawesi Province, what can BPK benefit from the results of the Inspection of Provincial and Regency/City Inspectorates in the work area of BPK Representative of North Sulawesi Province. The implementation practice at BPK Representative of North Sulawesi Province is based on the experience and perspective of BPK RI Auditors Representative of North Sulawesi Province in the implementation of audit duties in the North Sulawesi region of the Inspection of Provincial and Regency/City Inspectorates in the work area of BPK Representative of North Sulawesi Province.

2. Literature review

Stewardship theory

Stewardship theory describes a situation in which managers focus more on organizational goals than individual goals

(Donaldson & Davis, 1991; Davis et al., 1997; Schillemans & Bjurstrøm, 2020). According to Surifah and Rofiqoh (2020), managers in this theory are motivated for the interests of the organization, not personal goals. This theory emerged in response to the limitations of agency theory, offering an approach that emphasizes the alignment of goals between the principal and the steward.

Stewardship prioritizes community, morality, and trust, and considers the success of the organization to be a personal achievement even though financial incentives may be low. Davis et al. (1997) state that the theory is oriented towards information, transparency, accountability, collectivity, partnership, and empowerment. Otherwise, the concept of agency theory by Jensen and Meckling (1976) tends to control, individualism, and high-power spans. In the context of BPK, stewardship theory is applied to achieve state and regional financial accountability by considering external factors, such as the results of APIP supervision, especially the provincial and regency/city inspectorate inspection results report in North Sulawesi.

Auditing

According to Rahmatika and Yunita (2021), auditing has several definitions given by experts. Auditing is a systematic and objective process to obtain and evaluate evidence related to the assertion of economic activities to increase the relationship between the assertion and the criteria set and communicate the results to stakeholders (Rahmatika & Yunita, 2021). (Arens et al., 2017) mention that auditing is the collection and evaluation of evidence about information to determine and report the level of conformity between the information and the established criteria, which must be carried out by competent and independent individuals.

Arens et al. (2017) state that auditing is a critical and systematic examination by an

independent party of financial statements prepared by management, along with bookkeeping records and other supporting evidence to provide opinions on the fairness of the financial statements. A Statement of Basic Auditing Concepts (ASOBAC) defines auditing as a systematic process to collect and evaluate evidence objectively regarding the assertion of various economic actions and events to determine the level of conformity with the established criteria and communicate the results to stakeholders. According to SPKN of 2017, an audit is a process of problem identification, analysis, and evaluation that is carried out independently, objectively, and professionally based on audit standards, to assess the truthfulness, thoroughness, credibility, and reliability of information regarding the management and responsibility of state finances.

Examination of state financial management and responsibility

State financial management must be carried out in an orderly, law-abiding, efficient, economical, effective, transparent, and responsible manner. Article 23 E paragraph (1) of the 1945 Constitution stipulates the existence of an independent and independent Audit Board (BPK) to examine the management and responsibility of state finances, covering all financial elements as stipulated in Article 2 of Law No. 17 of 2003 concerning State Finance. BPK conducts three types of audits: financial, performance, and specific objectives.

Financial audits include central and regional financial statements, with opinions on the fairness of information. Article 4 paragraph (3) of Law No. 15 of 2004 defines performance audit as an examination of economic, efficiency, and effectiveness aspects, which results in findings, conclusions, and recommendations. Purpose-built audits cover areas other than financial and

performance audits, resulting in a report with conclusions. Article 1 number 14 of Law No. 15 of 2006 states that the results of the BPK audit include an assessment of the correctness, compliance, thoroughness, credibility, and reliability of financial data, which are stated in the audit report as a decision of the BPK.

Examination of government internal supervisory apparatus

Internal Supervision, according to Article 1 number 3 of PP 60 of 2018, includes the entire process of auditing, reviewing, evaluating, and monitoring the tasks and functions of the organization to ensure that activities run effectively and efficiently. This supervision is carried out by the APIP consisting of BPKP, Inspectorate General, Provincial Inspectorate, and Regency/City Inspectorate (Article 49 paragraph 1). In accordance with Article 9 paragraphs (1) and (2) of Law No. 15 of 2004, BPK can utilize the results of the APIP audit, and the report must be submitted to BPK. In North Sulawesi Province, Provincial, Regency, and City Inspectorates must submit reports on the results of their internal audits to the BPK, which is used by the BPK in its state financial audit duties. APIP's internal supervision is carried out through performance audits and audits with specific objectives, as well as a review of financial statements before being submitted to BPK.

3. Research method

This research uses a qualitative method based on the philosophy of post positivism or interpretive, which aims to understand phenomena in natural conditions. The location of the research is the BPK Representative Office of North Sulawesi Province, with the implementation time from January 2024 until completion. The data used was qualitative data, both primary and secondary, obtained through in-depth interviews and documentation

studies. Data collection techniques include unstructured observations, semi-structured interviews, and documentation. The informants (ARB, NA, AR, EA, US, RJ, AS, and RJ) are inspectors who have carried out inspection duties in North Sulawesi from 2021 to 2023. The data analysis technique follows the Miles et al. (2014), which includes data reduction, data display, and conclusion drawing or verification.

The validity test of the data was carried out through a credibility test and a dependability test. The credibility test involves triangulation of methods, triangulation of data sources, and triangulation of theories, as well as member checks. The dependability test involves examining the entire research process by an experienced supervisor. The researcher as the main instrument is responsible for setting the focus of the research, selecting informants, collecting data, assessing data quality, analyzing data, and interpreting and making conclusions from the findings. The supporting instruments used include notebooks, voice recorders, cameras, and laptops. By qualitative method, the study seeks to describe how the practice of submitting Provincial and Regency/City Inspectorate Audit Results Reports is utilized by the North Sulawesi Provincial Representative BPK Auditors in the implementation of audit tasks during 2021-2023.

4. Result and discussion

Result

SPKN in its Audit Conceptual Framework states that the Auditor can use the work of the Government Internal Supervisory Apparatus, experts, and/or auditors outside the BPK. The examination procedure must provide a sufficient basis when using the work of the other party. The auditor must obtain evidence that guarantees the competence and

independence of experts and/or auditors outside the BPK, as well as the quality of their work results. The use of the work results of the Government Internal Supervision Apparatus is to improve coordination and cooperation, as well as reduce the possibility of duplication of work. This is possible because in principle, both the BPK Auditor and the Government Internal Supervisory Apparatus aim to encourage good governance. In accordance with the Conceptual Framework of the audit, the auditor can use the results of the work of the Government Internal Supervisory Apparatus to improve coordination and cooperation in achieving the same goal of encouraging good government governance in line with the theory of stewardship.

Stewardship explains that the pattern of leadership and communication between shareholders and management, or the relationship between top management and managers below them in an organization with situational mechanisms that include management philosophy, differences in organizational culture and leadership in achieving common goals encourage good governance without hindering each other's interests. The BPK Auditor Representative of North Sulawesi Province in carrying out the audit task uses the basis and reference of SPKN, including the use of the work results of the Government Internal Supervisory Apparatus. In this study, our Government Internal Supervisory Apparatus limited the use of the Provincial and Regency/City Inspectorate Inspection Results Report by the BPK Representative of North Sulawesi Province. Stewardship theory assumes that long-term relationships are based on trust, collective goals and the involvement of management and staff in reciprocal relationships. The relationship model between internal and external auditors and support from management will produce audit results that are internal audit effectiveness (Oktavian

et al., 2023). Based on stewardship theory, several important points were found.

1. Trust

Public sector organizations (government) are organizations that run the wheels of government whose source of legitimacy comes from the community (the people). Public trust in clean government administrators with the emergence of public demands so that public sector organizations maintain quality, professionalism, and public accountability as well as value for money in carrying out their activities and to ensure the implementation of public accountability, an audit of the public sector organization is needed (Istianah et al., 2024). The audits carried out are not only limited to financial audits and compliance audits, but also require audits of the performance of these public sector organizations (Salampessy & Yolanda, 2016). Audits of the implementation of government by local governments are carried out by internal auditors and external auditors. In this study, the Internal Auditor is the Auditor at the Regional Inspectorate, and the External Auditor is the Auditor at the Financial Audit Agency. In North Sulawesi, there are 16 (sixteen) Regional Inspectorates consisting of one Provincial Inspectorate, 11 (eleven) District Inspectorates and four City Inspectorates, as well as the North Sulawesi Provincial Representative Financial Audit Agency as external auditors. In Article 9 paragraph 1 of Law Number 15 of 2004 concerning the Audit of State Treasury Management and Responsibility, it is stated that in conducting an audit of state financial management and responsibility, BPK can utilize the results of the audit of the government's internal supervisory apparatus. The provisions in Article 9 paragraph (1)

imply a form of trust by BPK as an External Auditor to utilize the results of the Regional Inspectorate as an Internal Auditor. Based on in-depth interviews with informants, the conclusion is:

a. The BPK Auditor Representative of North Sulawesi Province has accommodated the Provincial and Regency/City Inspectorate Audit Results Report in planning the audit and implementing the audit in the implementation of the audit task by the Audit Team. (P.3) "BPK Representative of North Sulawesi Province has accommodated the LHP of the Provincial and Regency/City Inspectorates in:

1. *Planning process.* The BPK Audit Team identifies the Inspectorate Audit Results in accordance with the Inspectorate PKPT and the LHP outputs that have been produced related to the Audit object. Based on the LHP of the Inspectorate, further review was carried out. For example, in the LKPD audit, the audit team examines to identify, among others, problems in the Inspectorate's LHP, risks arising from existing problems, recommendations for improvement and follow-up from the relevant regional apparatus. The results of the review are used in the BPK audit planning process and are outlined in the preparation of the business risk matrix, fraud risk matrix (in the event of an indication of fraud in the Inspectorate's LHP), the preparation of the audit sample selection strategy and the preparation of the audit procedure if the audit team will

delve into the results of the Inspectorate audit.

2. *Implementation of inspections.*

In carrying out the inspection, the Inspection Team can then develop an inspection procedure to conduct further testing related to the results of the Inspectorate's inspection. In this case, the development can be a follow-up test (ARB). NA, AR, EA, US are of the same opinion on this. AR added that the LHP Inspectorate played a very important role during the Covid-19 pandemic, namely in 2021. In the 2021 inspection, there was a lockdown or Large-Scale Social Restrictions (or PSPB). At the time of the PSPB, the BPK Audit Team could not conduct physical tests directly to the entity, so that the results of the inspectorate's inspection after going through the review and testing of the audit procedures and the beliefs of the BPK auditors were used as part of the audit. By utilizing the findings and information in the Inspectorate's LHP, BPK Auditors can save time and resources needed to conduct a thorough audit. Then RJ also agreed that in 2021 during the Covid-19 pandemic, the LHP Inspectorate was very beneficial for BPK auditors, even inspectors were asked for assistance to conduct physical check testing remotely through videocall and zoom meeting media to discuss the results of physical checks. Even BPK has compiled a series of remote inspection guidelines.

b. The auditor is of the view that the Audit Report from the Provincial and Regency/City Inspectorates

supports the implementation of audit duties by the BPK but depends on several factors. (P.6) "The auditor's perception of the influence of the Inspection Report from the Inspectorate may vary depending on various factors, including the quality, relevance, and usefulness of the information contained in the Inspectorate's LHP. So, if these factors are met, the LHP Inspectorate will strongly support the inspection process by BPK" (RJ). NA, AR, AS, ARB, EA have the same opinion on this. However, EA, AS added that the Inspectorate's LHP was not optimally utilized by the BPK because the Inspectorate's LHP was not submitted to the BPK Audit Team on time. AS and EA added that it is necessary to establish a formal mechanism for receiving the Inspectorate's LHP to the BPK Representative Office and submit it to the entity so that it can be more optimally utilized before the BPK Audit Team carries out the Audit.

2. Collective purpose

Organizational commitment can be one of the factors that allegedly improve the quality of financial statements. Another factor is the role of internal audit. The role of internal audit related to the quality of financial statements has been stipulated in Law Number 15 of 2004 Article 9 paragraph (1) which states that BPK in the task of auditing state finances can utilize the results of internal audits (Nugroho & Setyowati, 2019). In Article 9 paragraph (2) of Law Number 15 of 2004 concerning the Audit of State Financial Management and Responsibility, it is stated that for the purpose of conducting an audit of the management and responsibility of state finances, BPK can utilize the results of the audit of the government's internal

supervisory apparatus, the report on the results of the government's internal audit must be submitted to the BPK. Based on in-depth interviews with informants, the conclusion is:

- a. There are no special regulations and special policies that govern the procedures for submitting the Inspectorate's LHP to the BPK. (P.1) "From the point of view of the Audit Team, there are no regulations and policies related to the receipt of the Inspectorate's LHP" (AS). NA, AR, ARB, EA are of the same opinion on this. However, RJ is of the view that "there are already regulations, namely: (a) Law Number 15 of 2004 concerning the Inspection of State Financial Management and Responsibility in article 9 paragraphs 1 and 2; (b) BPK Regulation Number 1 of 2017 concerning SPKN; and (c) BPK Decree Number 1/K/I-XIII.2/1/2021 concerning Technical Guidelines for LKPD Inspection. BPK policies include in the LKPD Audit Program in the Expectations section and audit objectives, and audit methodologies are listed: In the framework of risk-based audits, auditors must pay attention to, among others, the results of the supervision of the APIP that are relevant to financial reporting in 20xx".
- b. The practice that occurs at the BPK Representative of North Sulawesi Province in receiving the LHP of the Provincial and Regency/City Inspectorates is very rare, the LHP of the Inspectorate is submitted to the BPK Representative of North Sulawesi Province. (P.2) "In its implementation from 2021 to 2023, the Inspectorate LHP is no longer submitted to the BPK

Representative of North Sulawesi Province unless there is a request from the auditor, so it is rare for the Inspectorate LHP to be discussed/reviewed by the inspectorate. In the implementation of the audit, the audit team usually requests the Inspectorate's LHP documents that are at risk of being influential related to financial accountability and the presentation of financial statements to be analyzed related to control, audit risks and audit strategies. In addition to the inspection, usually when the Regional/State Loss Monitoring activity is carried out, the team requests an update from the Inspectorate on the APIP LHP that indicates state/regional losses to be included in the regional loss table and monitored by the BPK." (EA). AR, AS, ARB, NA and RJ are of the same opinion on this.

3. Involvement of management and staff in a reciprocal relationship
 - a. BPK representative of North Sulawesi Province identified the obstacles/obstacles faced in the use of the LHP of the Provincial and District/City Inspectorates that it is very rare for the LHP of the Inspectorate to be sent to the representative office, the results of the Inspectorate inspection are not all related/relevant to the scope of the BPK's audit duties. (P.4) "In the use of the Audit Results Report (LHP) of the Provincial and Regency/City Inspectorates in the implementation of audit duties by the BPK Auditor Representative of North Sulawesi Province during 2021 to 2023, there are several obstacles faced. Some of the obstacles that arise and the efforts that may be made by the BPK Auditor to overcome them are as follows:

1. One of the obstacles that may be faced is the limited access or availability of relevant information in the Inspectorate's LHP. This can be caused by a variety of factors, including delays in submitting LHP or scarcity of data needed.
2. It is possible that the scope of the inspection conducted by the Inspectorate and BPK is not fully appropriate, which may reduce the relevance or effectiveness of the Inspectorate's LHP in supporting the BPK audit (AR). AS, ARB, NA, EA, and RJ are of the same opinion on this. ARB added that the lack of understanding of the Inspectorate's obligation to submit the Inspectorate's LHP to the BPK. RJ added that the obstacle when the Inspection Team asked the Inspectorate LHP while in the field was due to the limitation of personnel to conduct a thorough inspection of the Inspectorate LHP and related to ethics and Integrity issues that could affect the results of the Inspectorate audit.
- b. BPK Representative of North Sulawesi Province in overcoming obstacles/obstacles in the use of the Inspectorate LHP has not been optimal. (P.5) "Prior to the inspection, the entity communicated with the inspectorate. When the ST was issued, the team in the field communicated with the inspectorate and asked for the LHP of the Provincial and Regency/City Inspectorates. The team will select which LHP can and which does not need to be included in the BPK LHP." (NA). AS, ARB, NA, EA, and RJ are of the same opinion on

this. AS ARB and EA added that in the event that there are problems that are not disclosed in detail, the BPK audit team conducts discussions with the Inspector and/or the Inspectorate Inspection Team.

Discussion

The research was conducted to find out the practices that occurred in the submission of Audit Report (LHP) of the Provincial and Regency/City Inspectorates in the work area of the BPK Representative of North Sulawesi Province in 2021 to 2023. In addition, this study is also to find out what are the benefits of the Provincial and Regency/City Inspectorate LHP for BPK Auditors Representative of North Sulawesi Province and what obstacles and efforts are made in overcoming these obstacles in the period from 2021 to 2023. Based on interviews with informants related to this research, some of the things that we can convey are as follows.

1. There are no special regulations and special policies that regulate the procedure for submitting the Regional Inspectorate LHP to the BPK Representative of North Sulawesi Province. The Regional Inspectorate is passive in submitting its LHP to the BPK Representative of Sulawesi Province, the LHP of the Inspectorate will be submitted to the BPK Representative of North Sulawesi Province if there is a request at the time of the audit by the BPK Audit Team. It is very rare for the LHP of the Regional Inspectorate to be submitted to the BPK Representative Office of North Sulawesi Province which is then reviewed and archived by the information source holder in the technical work unit of the inspector (or Sub-Auditorat). The practice that occurs is that the BPK Audit Team at the beginning of the implementation of

the audit task will ask the Regional Inspectorate LHP to submit its LHP to the BPK Audit Team in the context of analysis related to control, risks and audit strategies. The LHP Inspectorate has not fully made an active contribution to the BPK Representative of North Sulawesi Province in the preparation of the audit planning program.

2. The LHP of the Regional Inspectorate contributes to the Audit Team in carrying out its inspection duties. BPK Representative of North Sulawesi Province accommodates the LHP of the Regional Inspectorate during the implementation of the inspection task of the Inspection Team. The audit team during the implementation of the audit task will actively request the LHP of the Regional Inspectorate in accordance with the Annual Supervision Work Program (PKPT) of the Regional Inspectorate related to the object of the BPK Audit Team. The BPK Audit Team will review the LHP of the Regional Inspectorate to identify problems and recommendations in the LHP. Then the Inspection Team will review the follow-up to the recommendations of the LHP of the Regional Inspectorate. The results of the BPK Audit Team's review will be used in the preparation of the business risk matrix and fraud risk matrix, the preparation of the audit sample selection strategy, and the preparation of additional procedures or alternative procedures if they will delve into the results of an audit by the Regional Inspectorate to gain adequate confidence in the procedures and evidence as well as the competence and independence of the audit that has been carried out by the Regional Inspectorate. The LHP Inspectorate played a very important role during the Covid-19 pandemic, namely in 2021. In the 2021 inspection, there was a

lockdown or Large-Scale Social Restrictions (or PSPB). At the time of the PSPB, the BPK Audit Team was unable to conduct physical tests directly to the entity, so that the results of the inspectorate's inspection after going through the review and testing of the audit procedures and the confidence of the BPK auditors were used as part of the audit. Inspectors of the Inspectorate were even asked for assistance during the Covid-19 pandemic to conduct physical check testing remotely through videocall and zoom meeting media to discuss the results of physical checks. Even BPK has compiled a series of remote inspection guidelines.

3. There are obstacles/weaknesses in the use of the Regional Inspectorate LHP by the BPK Representative of North Sulawesi Province. The constraints/weaknesses are as follows.
 - a. Lack of understanding from the Regional Inspectorate on the obligation to submit the Regional Inspectorate LHP to the BPK without having to have a request from the BPK Audit Team when carrying out the audit task.
 - b. The Regional Inspectorate LHP is given when the BPK Audit Team requests documents in carrying out the audit task and the Inspectorate LHP is sometimes slow to be accepted by the BPK Audit Team. This is a problem by the BPK Audit Team to evaluate the adequacy and credibility of the findings in the LHP of the Regional Inspectorate due to the limited resources and time of the BPK Audit Team during the implementation of audit duties. Especially if the LHP of the Regional Inspectorate is late to be accepted by the BPK Audit Team so that an in-depth evaluation cannot be carried out.

- c. The LHP of the Regional Inspectorate is compiled too concisely and the procedures implemented are not in-depth, so the Inspection Team still needs time to communicate/discuss with the Regional Inspectorate. In addition, the LHP Inspectorate of the scope of the Regional Inspectorate's inspection object is not relevant in supporting the needs of the Inspection Team to ensure that the internal control system is running well.

Regarding the obstacles/weaknesses in the use of the LHP of the Regional Inspectorate by the BPK Representative of North Sulawesi Province, there are several efforts made by the BPK Representative of North Sulawesi Province:

- a. The BPK Audit Team of the North Sulawesi Provincial Representative through a written data request to request the inspection list of the Inspectorate and LHP that has been published at the beginning of the audit and communicate intensively with the Regional Inspector.
- b. BPK has opened opportunities for Regional Inspectorates to increase the capacity and quality of Inspectorate inspectors through Education and Training activities organized by the BPK State Financial Audit Education and Training Agency.

5. Conclusion

Based on the results of the analysis of the conditions found in this study, it can be concluded that the Regional Inspectorate Audit Report (LHP) has not fully made an active contribution in the preparation of programs, implementation, and control of regional financial management and responsibility audit activities carried out by the BPK Representative of North Sulawesi Province. However, the LHP of

the Regional Inspectorate contributed when the BPK Audit Team carried out the audit task.

The BPK Audit Team actively requests the LHP and PKPT of the Regional Inspectorate during the implementation of the audit task to review the problems, recommendations, and follow-up of the LHP of the Regional Inspectorate. The results of the study are used in the preparation of the business risk matrix, fraud risk matrix, sample selection strategy, and additional or alternative procedures if necessary.

Obstacles to the use of the Regional Inspectorate's LHP for BPK include the lack of understanding of the Regional Inspectorate on the obligation to actively submit the LHP to the BPK, the untimely receipt of the LHP by the BPK Audit Team which hinders in-depth evaluation, and the irrelevance of the scope of the LHP object to the needs of the Audit Team. To overcome this obstacle, BPK has made a written request for a list of LHPs along with the LHP of the Regional Inspectorate and the Education and Training Agency (or Badiklat) PKN BPK RI to open opportunities to improve the competence of Regional Inspectorate inspectors through education and training.

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