

The Impact of Internal Controls and Compliance with Moderating Follow-up Recommendations on the Audit's Opinion

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Abstract. The purpose of this study is to ascertain how internal control systems and compliance with follow-up recommendations affect audit findings. The central government sample utilized in this study included 88 samples of central government employing sampling design method on the semester examination results summary, inspection report, and follow-up recommendation. Compliance and the internal control system are the independent variables. The audit opinion is the dependent variable. As the moderating factor, provide advice. The tests' findings showed that (1) the audit view is significantly influenced by the internal control system. (2) The audit conclusion is not significantly impacted by compliance. (3) The audit opinion is significantly impacted by follow-up recommendations.

Keywords: Internal Control System, Compliance, Follow-up Recommendation, Audit Opinion.

1 Preliminary

Governments often undertake a variety of initiatives to maintain and improve state/regional fiscal performance, transparency, and accountability. One of them is the enactment of three laws on finance: Law No. 17/2003 and Law No. 01/2003 on finance. Law No. 15 of 2004 on Ministry of Finance and Government Financial Management and Accountability Audits of 2004.

Sujarweni's System of Internal Control according to his COSO (2015:70) is a set of levels that describe all the processes that take place within an organization. Internal control is part of basic management, a process that includes planning, implementation, and monitoring. The report on the results of the audit of the financial statements should state that the auditor conducted the audit to comply with legal and regulatory requirements that directly and materially affect the presentation of the financial statements. not.

In performing her duties as auditor, BPK successfully audited her 264 audit items. From these results, it was determined that 252 were WTP opinions, 8 were WDP opinions, and 2 were TMP opinions. Description was given graphically

There have also been studies on SPIs for audit opinions, including studies depicting developments in Natama (2021) and Ayu Ratna Sari and Herry Winarto (2020). While these studies have found that SPI influences audit decisions, a study conducted by Nur Fitriana, Rita

Anugerah, and Ruhul Fitrius (2020) makes a different statement. In this survey, the SPI negatively and significantly influences her transmission of WTP's views to the LKPP.

In addition, there are several previous studies on audit opinion law compliance, surveyed by Santi Ananda Putri, Wayan Rai Suarthana, Sigit Edi (2018) and Natama (2021), showing results that influence audit opinion. increase. In contrast, Mahardika Dwi Putri, Ethika and Herawati (2018) explored the same topic but made different statements. In their study, compliance does not influence audit opinion.

A survey conducted (Nur Fitriana, Rita Anugerah, Ruhul Fitrius, 2020) shows that following up on audit recommendations has a positive impact on her LKPD opinion. On the other hand, a study conducted by (Sembiring, 2017) at Nur Fitriana found that follow-up to audit recommendations did not significantly affect audit opinion.

A study conducted at Nur Fitriana 2020 (Mahmudi, 2016) stated that follow-up recommendations could strengthen the relationship between internal control systems and local government audit opinions, but Nur Fitriana, Rita Anugerah, Ruhul Fitrius's internal control system investigation had no impact. His LKPD opinion with follow-up audit recommendations.

According to a study conducted by (Nur Fitriana, Rita Anugerah and Ruhul Fitrius, 2020), compliance with the law influences the opinion of the LKPD by following up on audit recommendations. A study conducted at Nur Fitriana (Sembiring, 2017) found that compliance with the law did not affect the LKPD's opinion as audit recommendations were followed up.

Referring to the Background Note, researchers proposed the title, 'Impact of Internal Control System and Compliance on Central Government Audit Opinion with Audit Recommendations as Intermediate Variables'

2 Literature Review

Stewardship Theory Management action focused on the primary objective, namely the interest of the organization. This theory explains the close relationship between satisfaction and organizational success. In general, stewardship theory is a theory that discusses the underlying causes of human behavior, the influence of both external and internal factors.

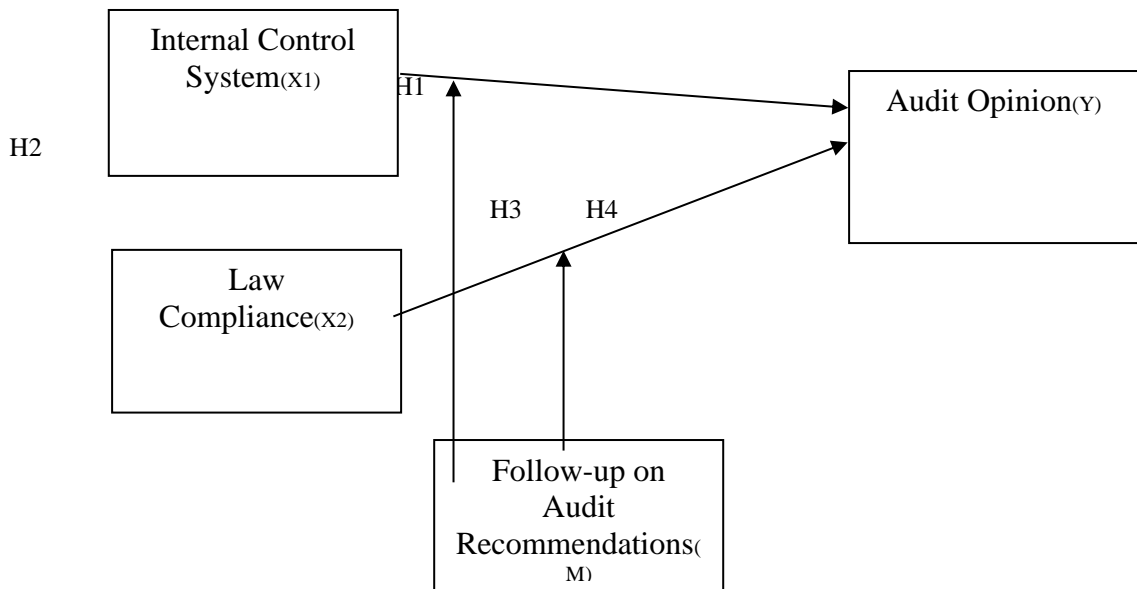
Agency theory is a contract between a manager (agent) and a shareholder (principal). Agency relationships can cause problems between management and shareholders. Conflict that arises because humans are economic beings with a fundamental nature. Arens (2015)'s opinion is a written opinion on whether the financial statements present fairly, in all material respects, based on the auditor's assessment of audit evidence obtained and verified.

A system of internal controls is a system designed to provide reasonable assurance regarding the achievement of three classes of objectives: reliable financial reporting, operational effectiveness and efficiency, and compliance with applicable laws and regulations. is. IAPI's system of internal controls is maintained by the board, management and others to provide reasonable assurance regarding the achievement of reliability of financial reporting,

effectiveness and efficiency of operations, and compliance with applicable laws and regulations. process to be executed.

Compliance is the selfish promotion of behavioral change, something that people perceive as moral and against their own interests. BPK RI provides indicators of regulatory compliance as follows: complying with administrative provisions, complying with civil engagements, not committing deviations that contain criminal elements (IHPS, 2018). Follow-up audits are steps that must be taken by the auditor after the audit report is submitted to the auditee. Audit follow-up is an activity to identify and document the progress of the auditee in implementing audit KThought framework

Figure 2



Hypothesis

- H1: Does the Internal Control System Affect the Audit Opinion of the Central Government?
- H2: Does compliance affect the central government's audit opinion?
- H3: Can follow-up audit recommendations strengthen the relationship between the internal control system and the central government's audit opinion?
- H4: Can Further Audit Recommendations Reinforce Relevance to Observance of Central Government Audit Opinion?

Research Methods Variable

Audit Opinion

In this study, audit opinions were measured using a proxy for the ordinal scale chosen in the study to classify the different opinions. (Ghozali, 2001: 4), this scale does not simply sort the data into groups, but also ranks them within each category.

- 1 = No Opinion
- 2 = Unfair
- 3 = Reasonable With Exceptions
- 4 = Not Qualified In Description
- 5 = Not Qualified

Internal Control System

SPI as one of the unbiased variables on this look at became measured through the range of findings in every 12 months of exam associated with the weaknesses of the SPI acquired from the precis of the consequences of the primary semester of 2018, 2019, and 2020 BPK RI.

The range of findings is separated into 3 categories, particularly the weak spot of the accounting and reporting manage gadget, the weak spot of the manage gadget for the implementation of the sales and expenditure finances and the weak spot of the inner manage structure.

Findings of Compliance with Laws and Regulations

Compliance variables are measured by the number of decisions each audit year regarding regulatory compliance and are divided into seven categories. That is, decisions of non-compliance that result in losses to the central government, decisions of potential losses to the central government. , disapproval findings, management findings, ineffectiveness findings, inefficiency findings, and ineffectiveness findings.

Audit Recommendation Follow-up

Audit Recommendation Follow-up. For each test performed by BPK-RI, BPK-RI recommends follow-up by an authorized person/institution (BPK, 2012). Recommendation follow-up on audit results based on recommendations (TLRHP) is the number of follow-ups carried out by local governments in accordance with his BPK recommendations on the audit of central government financial statements. (Arifianti, et al. 2013).

Populations, Samples, Research Samples

A sample is part of a population. A sample consists of a number of members selected from a population. The collected samples were 88 survey subjects in 2018, 2019 and 2020, namely 264 financial reports from the central government. The sampling method used was a regional sample design method that included geographic clusters in the Java island region (Sekaran, 2011).

Data Collection Procedures

Data collection was performed by examining data obtained from secondary data sources, followed by recording and counting. This data is collected through the official website www.bpk.go.id.

Data Analysis Methods

Quantitative analysis methods are used to examine the relationship between dependent and independent variables. In this study, the nature of the relationship between the variables is causal (causality), and as an intervening variable for central government financial audits, we

test the impact of compliance with follow-up audit recommendations of the SPI and LKPP opinions. statement. In accordance with our research objectives, we statistically tested our hypotheses using the following analytical techniques:

Research Result

T . Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.65502	1.737096	-6.709487	0.0000
SPI_X1	1.195226	0.316826	3.772499	0.0002
COMPLIANCE_X2	0.086295	0.048069	1.795254	0.0744
TLRHPS_Z	0.426733	0.068365	6.242004	0.0000
SPI_TLRHPS	-0.041533	0.011105	-3.740023	0.0003
COMPLIANCE_TLRH				
PS	0.001372	0.001936	0.708527	0.4796

Source: Data processed with eviews 10, 2022

According to the t test table above, the SPI variable (X1influence)'s on the Y variable is 0.0002 0.050, and the t-count value is 3.772499 > t table (1.96920), where Ho is rejected and H1 is accepted, indicating that the SPI variable (X1influence)'s on the Y variable is present.

According to the t-test table above, there is no influence of the Compliance variable (X2) on Variable Y since the effect of the Compliance variable (X2) on the Y variable is 0.0744 > 0.050 and the t-count value is 1.795254 t table (1.96920), where Ho is accepted and H1 is rejected.

According to the t test table above, the SPI TLRHPS variable's impact on the Y variable is 0.0003 0.050, and the t-count value is 3.740023 > the t table (1.96920), where Ho is rejected and H1 is accepted. This indicates that the implementation of audit recommendations can improve the relationship between the Internal Control System and the Audit Opinion (Y).

According to the t-test table above, the Compliance variable _TLRHPS has an impact on the Y variable with a value of 0.4796 > 0.050 while the t-count value is 0.708527 t table (1.96920), where Ho is accepted and H1 is rejected, meaning that the implementation of audit recommendations cannot improve the relationship between compliance and the audit opinion (Y).

Discussion

Based on the results of the data processing in the previous section, the researchers identified results from a total of 88 samples of central government internal control systems that had a significant negative impact on the audit opinion. This is indicated by the results of the regression coefficient test of the internal control system variables, which are the variable values of Y in the 0.0002 t table (1.96920), hence the decision not to reject H0. From this we can conclude that there is no positive impact between the internal control system and the auditor's report. The results of this hypothesis test are consistent with studies by Natama (2021) and Ayu Ratna Sari and Herry Winarto (2020), which show that internal control

systems influence audit opinion. . The greater the impact of identified weaknesses in the internal control system, the less likely the central government annual account will receive his WTP report. Weaknesses in internal identification systems include: records not performed/not performed or inaccurate; processes to prepare reports not compliant; The accounting and reporting information system was inadequate, and the accounting and reporting information system was not supported by sufficient human resources. Based on the results of the data processing in the previous section, the researchers identified results from a total of 88 central government samples, compliance does not impact the audit opinion. This is due to a number of statements regarding legal and regulatory compliance that do not affect our opinion, material non-compliance with laws and regulations, and deviations in presentation of financial statements in accordance with applicable regulations. The increased severity of the breach further weakened WDP's audit opinion on TW. The results of this test are consistent with the study of Mahardika Dwi Putri, Ethika, and Herawati (2018). Our findings show that compliance does not influence the audit opinion. Based on the results of data processing in the previous section, the researchers obtained the results that from 88 samples of the central government, the Follow-up on Audit Recommendations could moderate the influence of the Internal Control System on Audit Opinion. These results indicate that the Follow-up on Audit Recommendations is able to strengthen the relationship between the Internal Control System and the Audit Opinion, which is in accordance with the research conducted by (Mahmudi, 2016) in Nur Fitriana 2020. The weakness of the internal control system has a direct effect on the fairness of the information in the financial statements that has implications for the low acceptance of WTP opinions, the quality of financial reports, with improvements to existing weaknesses in audit recommendations can increase audit opinions as indicated by the increasing quality of financial statements. Based on the results of data processing in the previous section, the researchers obtained the results that from 88 samples, the central government followed up on Audit Recommendations unable to moderate the effect of Compliance on Audit Opinion. These results indicate that Follow-up Audit Recommendations are not able to moderate the effect of Compliance on Audit Opinion, which is in accordance with research conducted (Sembiring, 2017) in Nur Fitriana which resulted in Follow-Up on Audit Recommendations unable to moderate the relationship between Compliance and Audit Opinion. This is because regulatory compliance does not directly influence the opinion, but regulatory compliance influences the follow-up of audit recommendations that influence the adoption of the LKPP opinion. The existence of effective internal control systems that can prevent fraud, waste and fraud. Therefore, there is a strong link between compliance with laws and regulations and acceptance of his WTP opinion on central government financial statements. Compliance with laws and regulations ensures that his WTP opinion on central government financial statements is acceptable. Based on the results of data processing in the previous section, the researchers obtained the results that from 88 samples of the central government, the Follow-up on Audit Recommendations could moderate the influence of the Internal Control System on Audit Opinion. These results indicate that the Follow-up on Audit Recommendations is able to strengthen the relationship between the Internal Control System and the Audit Opinion, which is in accordance with the research conducted by (Mahmudi, 2016) in Nur Fitriana 2020. The weakness of the internal control system has a direct effect on the fairness of the information in the financial statements that has implications for the low acceptance of WTP opinions, the quality of financial reports, with improvements to existing weaknesses in audit recommendations can increase audit opinions as indicated by the increasing quality of financial statements. Based on the results of data processing in the previous section, the researchers obtained the results that from 88 samples, the central

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