Tec Empresarial
P-ISSN: 1659-2395; E-ISSN: 1659-3359

SANTECEDENTS OF REVIEW QUALITY ON THE QUALITY OF REGIONAL GOVERNMENT FINANCIAL REPORTS IN NORTH SULAWESI PROVINCE

Jaqueline EM Tangkau
Management Science Study Program (S3), Faculty of Economics and Business
Sam Ratulangi University Manado, Indonesia, Email: jeinjessita@gmail.com

Herman Karamoy
Management Science Study Program (S3), Faculty of Economics and Business
Sam Ratulangi University Manado, Indonesia, Email: herman.karamoy@unsrat.ac.id

Victor PK Lengkong
Management Science Study Program (S3), Faculty of Economics and Business
Sam Ratulangi University Manado, Indonesia, Email: vpk.lengkong@unsrat.ac.id

Hendrik Gamaliel
Management Science Study Program (S3), Faculty of Economics and Business
Sam Ratulangi University Manado, Indonesia, Email: hendrik_gamaliel@unsrat.ac.id

ABSTRACT

This research aims to explore the factors that influence the quality of local government financial reports in North Sulawesi Province. The background to this research focuses on the importance of good governance to increase transparency and accountability in regional financial management. The quality of financial reports is the key to accountability for financial performance to the public. This research has novelty in empirical testing regarding the mediating role of review quality in the relationship between organizational compliance, competence, integrity and auditor commitment and the quality of financial reports. A research gap was identified related to the lack of in-depth studies regarding the specific mechanisms of how these factors influence the quality of financial reports in the Indonesian public sector. The aim of this research is to fill this gap by using a quantitative method based on Structural Equation Modeling-Partial Least Square (SEM-PLS). The research population consisted of 220 internal auditors who worked at Provincial, City and Regency Inspectorates in North Sulawesi. The sampling method used is the saturated sampling method, where the entire population is used as the research sample. Primary data was collected through a questionnaire with a 5 point Likert scale. The research instrument was tested for validity and reliability through the Pearson validity test and Cronbach's Alpha reliability test. Data analysis was carried out using SEM-PLS with SmartPLS software.

The research results show that organizational obedience, competence, integrity have a significant effect on the quality of financial reports through the quality of reviews, except that auditor commitment does not have a significant effect on the quality of financial reports but through the quality of reviews it has a significant effect. Review quality acts as a mediating variable that strengthens the positive influence of these variables on the quality of financial reports. Organizational compliance, competency, integrity, and auditor commitment each show significant direct and indirect influence through review quality. Practical implications of this research include recommendations for improving auditor training and strengthening internal control systems. Auditors must be provided with ongoing training to improve their competency in reviewing financial statements. Management must build a work culture that supports auditor integrity and commitment, and ensure that procedures and regulations are strictly followed. Internal control systems must be strengthened to ensure that the quality of financial reviews and reports meets high standards.

Keywords:. Organizational compliance, competence, integrity, commitment, quality of reviews, quality of financial reports, auditors, North Sulawesi Provincial Inspectorate.

INTRODUCTION

Good governance must continue to be pursued to increase transparency and accountability in regional financial management. Regional financial management regulates all technical aspects including regulations, institutions, regional financial information systems, and improving the quality of human resources. Financial reports are a medium for an entity, in this case the government, to be accountable for its financial performance to the public. Financial reports are also an important financial position that originates from transactions carried out by public sector organizations and are a medium for entities to account for their activities to the public. Apart from that, they also function to provide information in decision making. Therefore, the government is currently obliged to pay attention to the information presented in financial reports.

Government Regulation Number 12 of 2019 concerning regional financial management mandates that regional finances be managed in an orderly manner, in compliance with statutory regulations, efficiently, economically, effectively, transparently and responsibly by paying attention to the principles of justice, propriety and benefits to society. Accountability for the implementation of the Regional Revenue and Expenditure Budget (APBD), it is stated that regional government financial reports are prepared based on the financial reports of Regional Apparatus (PD) and submitted to the Regional Head in order to fulfill accountability for the implementation of the APBD.

The Regional Government Financial Report (LKPD) is annually assessed in the form of an opinion from the Financial Supervisory Agency (BPK). The BPK provides an unqualified opinion on financial reports, meaning that an organization's financial reports are presented and disclosed fairly and with quality. However, in fact, there are still many inconsistent data presented or reported that were discovered by the BPK during audits of government financial reports.

Bastian (2013) states that: "Financial reports are the final result of the accounting process which presents information that is useful for decision making by various interested parties." Mahmudi

(2013) states that: "Financial reports are the output of an accounting system which is useful for providing information to parties who will use financial information as a basis for decision making."
The importance of auditor competence cannot be ignored in the context of improving the quality of financial reports. Indicators such as understanding SAP and SAPD, as well as data analysis skills, are essential to ensure that financial reports are prepared to a high standard. The urgency of increasing competency has become very clear, especially in the face of regulatory complexity and the need to produce reliable findings.

The main obstacles in improving auditor competency are limited resources for training and education, as well as resistance to change. Possible solutions include investment in ongoing training programs, use of technology to support learning, and incentives for auditors to improve their skills. This research shows that by overcoming these obstacles, the quality of financial reports can be significantly improved.

In the research object, namely the inspectorate in North Sulawesi Province, auditor competence is the key in carrying out supervisory and internal audit functions. Research respondents, consisting of internal auditors, indicated that their competence in understanding SAP, SAPD, and audit techniques was very important in improving the quality of the financial reports they prepared. This emphasizes the importance of ongoing professional training and development for auditors.

The demographic characteristics of respondents, such as age, education level, and work experience, can influence the auditor's competency level. Auditors who are more experienced and have higher education tend to have a better understanding of accounting and auditing standards, which in turn improves the quality of financial reports. For example, auditors who have attended various trainings tend to have better communication and data analysis techniques.

This research develops findings from previous research such as that conducted by Sirhan et al. (2016), who found that competency has a significant effect on audit quality. Likewise, research conducted by Maulana et al. (2017) shows the importance of competency in improving the quality of reviews. This research extends these findings by showing the specific impact of competencies on the quality of financial reports in the public sector.

Practically, these findings indicate that organizations should strengthen their efforts in improving auditor competency through continuous training and development. Theoretically, this research reaffirms the importance of the competency concept in management and accounting literature, as well as providing empirical evidence about its influence on the quality of financial reports. This supports the theory that competence is a key element in carrying out effective and efficient audits.

The limitation of this research lies in the use of survey methods which can be influenced by respondent bias. In addition, this research was only conducted in one province, so the results may not be generalizable to a wider context. Further research could expand the sample and use more diverse methods to overcome these limitations (Hair et al., 2010).

Increasing auditor competency has a significant impact on the quality of financial reports, with indicators such as understanding SAP and SAPD, communication techniques, and data analysis contributing positively to the quality of financial reports. These findings demonstrate the importance of building auditor competency through ongoing training and development to ensure that financial reports are prepared to high standards, which in turn increases stakeholder confidence in financial reports.

RESEARCH METHODS

The research approach used in this study is a quantitative approach. A quantitative approach is a research method that focuses on collecting and analyzing numerical data to identify patterns, test hypotheses, and make predictions. This approach is often used to explain phenomena using statistical and mathematical tools(Creswell, 2018).

In the context of this research, a quantitative approach is used to

The research population is all subjects or objects that have certain characteristics determined by the researcher to be studied and conclusions drawn (Sugiyono, 2013). A sample is a part of a population selected by a certain method to represent the entire population.

The population in this study are government internal auditors in functional auditor positions at the Inspectorate Office in North Sulawesi Province, which consists of the Provincial Inspectorate, City Inspectorate and Regency Inspectorate. The total auditor population is 220 people. The sampling method used is the saturated sampling method, where the entire population is used as the research sample because the population is relatively small and it is possible to include all of them.

Of the 220 respondents who filled out the questionnaire and returned a total of 164, the number of questionnaires that could be analyzed was 151 (North Sulawesi Inspectorate 27, Manado Inspectorate 15, Tomohon Inspectorate 5, Bitung Inspectorate 5, Minahasa Inspectorate 18, Minsel Inspectorate 12, Mitra Inspectorate 3, Minut Inspectorate 8, Kotamobagu Inspectorate 8, Bolmong Inspectorate 15, Bolsel Inspectorate 5, Boltim Inspectorate 5, Bolmut Inspectorate 3, Sitaro Inspectorate 8, Sangihe Inspectorate 9, Talaud Inspectorate 5) while 13 questionnaires could not be analyzed because they were not filled in completely.

Inferential analysis is a statistical technique used to make conclusions about a population based on sample data. In this research, inferential analysis was carried out using the Structural Equation Modeling (SEM) method with the Partial Least Squares (PLS) approach. SEM PLS is a popular technique in management research because it is able to analyze complex relationships between latent variables and test measurement models and structural models simultaneously (Hair et al., 2014).

Data analysis method:

1. Evaluation of the Measurement Model

The measurement model (outer model) in SEM PLS is used to test the validity and reliability of the constructs measured by the indicators. Evaluation of the measurement model includes the following stages:

Convergent Validity: Convergent validity is tested by looking at the Average Variance Extracted (AVE) value. AVE must be greater than 0.50 to indicate that the construct indicators have good convergent validity (Hair et al., 2014).

Discriminant Validity: Discriminant validity is tested by ensuring that the AVE of each construct is greater than the correlation between constructs. Cross-loadings were also examined to ensure discriminant validity (Fornell & Larcker, 1981).
Construct Reliability: Reliability is tested by looking at the Composite Reliability (CR) and Cronbach's Alpha values. CR and Cronbach's Alpha values must be greater than 0.70 to indicate adequate reliability (Hair et al., 2014).
2. Evaluation of the Structural Model
The structural model (inner model) in SEM PLS is used to test the relationship between latent variables and test research hypotheses. Structural model evaluation includes the following stages:
R-Square (R^2): The R^2 value is used to measure how much variability in the dependent variable can be explained by the independent variable. A high R^2 indicates a good model.
Path Coefficient: The path coefficient is used to test the strength and direction of the relationship between latent variables. A significant path coefficient indicates a strong relationship between variables.
t-Statistics and p-Values: The t-statistics and p-values tests are used to test the significance of the path coefficient. The hypothesis is accepted if the t-statistics value is greater than the critical value (1.96 for a significance level of 5%) and the p-values are less than 0.05.
3. Model Testing
Several test items and standard values in the structural model (inner model) used to measure the strength of the model in this research can be seen below.

Table 4. 3
PLS Structural Model Test Value Standards (*Inner Model*)

Testing Items	Description (Acceptance)
Average path coefficient (APC)	P<0.001
Average R-squared (ARS)	P<0.001
Average adjusted R-squared (AARS)	P<0.001
Average block VIF	Acceptable if ≤5, ideally ≤3.3
Average full collinearity VIF (AFVIF)	Acceptable if ≤5, ideally ≤3.3
Tenenhaus GoF (GoF)	Small ≥0.1
	Medium ≥0.25
	Large ≥0.36
Sympson's paradox ratio (SPR)	Acceptable if ≥0.7, ideally =1
R-squared contribution ratio (RSCR)	Acceptable if ≥0.9, ideally =1
Statistical suppression ratio (SSR)	Acceptable if ≥0.7
Nonlinear bivariate causality direction ratio	Acceptable if ≥0.7

Source:(Carrion et al., 2017)

PLS SEM Statistical Analysis

Statistical analysis Partial Least Squares Structural Equation Modeling (PLS-SEM) is a structural modeling technique used to analyze complex relationships between latent variables in research. PLS-SEM is very suitable for use in research contexts that focus on developing theory and predicting relationships between variables, as well as when the sample size is relatively small or the data does not meet normality assumptions. PLS-SEM combines path analysis with principal component analysis, which allows researchers to estimate measurement models and structural models simultaneously. This technique is frequently used in a variety of fields including management, marketing, and social sciences to evaluate complex theoretical models(Solimun et al., 2017).

DISCUSSION

Discussion of research results is an important part of a dissertation or research report which aims to interpret and evaluate the findings obtained from data analysis. This section provides an opportunity for researchers to relate the results found to existing theory, answer research questions, and assess the practical and theoretical implications of the research. Comprehensive and critical discussion helps readers to understand the meaning and relevance of research findings in a broader context.

1. The Relationship Between Organizational Compliance and Review Quality

Organizational obedience is a condition where organizational members follow the rules, procedures and standards set by the organization (Wibowo, 2016). This concept includes compliance with policies, standard operating procedures and external regulations. Review quality, on the other hand, is a measure of the extent to which the results of a review or internal audit meet professional standards, provide added value to the organization, and increase the trust of financial report users (Wakhyudi, 2012). The relationship between organizational compliance and review quality can be explained through organizational control theory which states that high compliance with procedures and regulations will result in more effective and efficient inspections (Arens, Elder, & Beasley, 2014).

The results of this study found that organizational compliance has a positive and significant influence on review quality with a path coefficient of 0.126 and a p value of 0.049. This suggests that higher levels of organizational compliance contribute significantly to improved review quality. For research objects and respondents, this indicates that compliance with rules and procedures is very important in producing high-quality reviews.

The relationship between organizational compliance indicators and review quality shows that strict internal monitoring and auditing as well as enforcing a code of ethics have direct implications for better review quality. For example, ongoing training and education improves auditor competency in carrying out reviews, while effective risk management helps identify and address potential problems early.

The importance of organizational compliance cannot be ignored in the context of improving the quality of reviews. Indicators such as compliance with regulations and enforcement of codes of ethics are urgently implemented to ensure that every review process is carried out to a high standard. Consistent adherence to moral principles and regulations improves the quality of review results, which is very important for transparency and accountability in organizational financial management (Soimah, 2014).

The main obstacles in increasing organizational compliance are resistance to change and a lack of understanding of the importance of compliance. Solutions that can be implemented include increasing training and education, strengthening organizational culture that supports compliance, and implementing an effective monitoring system (Muchdarsyah, 1987). This research shows that by overcoming these obstacles, the quality of reviews can be significantly improved.

This research develops findings from previous research such as that conducted by Wakhyudi (2012) which found that organizational obedience has a significant effect on the effectiveness of internal supervision. Likewise, research by Juanda & Nauli (2018) shows the importance of compliance in improving internal audit quality. This research extends these findings by demonstrating the specific impact of organizational compliance on review quality.

Practically speaking, these findings suggest that organizations should strengthen their efforts in ensuring compliance with rules and regulations to improve the quality of reviews. Theoretically, this research reaffirms the importance of the concept of organizational compliance in management and accounting literature, and provides empirical evidence about its influence on review quality.

The limitation of this research lies in the use of survey methods which can be influenced by respondent bias. In addition, this research was only conducted in one province, so the results may not be generalizable to a wider context. Further research could expand the sample and use more diverse methods to overcome these limitations (Hair et al., 2010).

2. The relationship between competency and review quality

This research found that competency has a positive and significant effect on review quality with a path coefficient of 0.363 and a p value of 0.009. This shows that increasing auditor competency significantly increases the quality of the reviews produced. For the research object, namely the inspectorate in North Sulawesi Province, these results show that auditor competence is a key factor in ensuring high quality reviews.

Competency indicators in this research include understanding Government Accounting Standards (SAP), understanding Regional Government Accounting Standards (SAPD), understanding the business processes or main activities of the entity being reviewed, understanding the basics of auditing, communication techniques, and database analysis (Minister of Finance Regulation No. 8 of 2015). Any improvement in these indicators contributes significantly to improving the quality of reviews.

The relationship between competency indicators and review quality shows that auditors who have a deep understanding of SAP and SAPD can carry out reviews better and more accurately. Skills in communication techniques and database analysis also play an important role in producing high-quality review reports. The implication of these findings is that organizations need to focus on improving auditor competency to ensure optimal review results.

The importance of auditor competency cannot be ignored in the context of improving review quality. Indicators such as understanding SAP and SAPD, as well as data analysis capabilities, are critical to ensuring that reviews are conducted to a high standard. The urgency of increasing competence becomes very clear, especially in the face of regulatory complexity and the need to produce reliable findings.

The main obstacles in increasing auditor competency are limited resources for training and education, as well as resistance to change. Possible solutions include investment in ongoing training programs, use of technology to support learning, and incentives for auditors to improve their skills. This research shows that by overcoming these obstacles, the quality of reviews can be significantly improved.

In the research object, namely the inspectorate in North Sulawesi Province, auditor competence is the key in carrying out supervisory and internal audit functions. Research respondents, consisting of internal auditors, indicated that their competence in understanding SAP, SAPD, and audit techniques was very important in improving the quality of the reviews they conducted. This emphasizes the importance of ongoing professional training and development for auditors.

The demographic characteristics of respondents, such as age, education level, and work experience, can influence the auditor's competency level. Auditors who are more experienced and have higher education tend to have a better understanding of accounting and auditing standards, which in turn improves the quality of the review. For example, auditors who have attended various trainings tend to have better communication and data analysis techniques.

This research develops findings from previous research such as that conducted by Sirhan et al. (2016), who found that competency has a significant effect on audit quality. Likewise, research conducted by Maulana et al. (2017) shows the importance of competency in improving the quality of reviews. This research extends these findings by showing the specific impact of competencies on the quality of reviews in the public sector.

Practically, these findings indicate that organizations should strengthen their efforts in improving auditor competency through continuous training and development. Theoretically, this research reaffirms the importance of the competency concept in management and accounting literature, and provides empirical evidence about its influence on review quality. This supports the theory that competence is a key element in carrying out effective and efficient audits.

The limitation of this research lies in the use of survey methods which can be influenced by respondent bias. In addition, this research was only conducted in one province, so the results may not be generalizable to a wider context. Further research could expand the sample and use more diverse methods to overcome these limitations (Hair et al., 2010).

3. The Relationship Between Integrity and Review Quality

Integrity is a moral and ethical quality that shows the consistency of actions with the values and principles adhered to by a person or organization (Redjeki & Herdiansyah, 2013). In the audit context, auditor integrity includes honesty, transparency and responsibility in carrying out audit tasks. Review quality, on the other hand, is a measure of how well the audit or review results meet professional standards, provide added value, and increase the trust of financial report users (Arens, Elder, & Beasley, 2014). The relationship between integrity and review quality is based on the premise that auditors with high integrity tend to produce more accurate and reliable reviews, because they work with high ethics and adhere to professional standards.

This research found that integrity has a positive and significant effect on review quality with a path coefficient of 0.350 and a p value of 0.046. This shows that increasing auditor integrity significantly increases the quality of the reviews produced. For the research object, namely the inspectorate in North Sulawesi Province, these results show that auditor integrity is an important factor in ensuring high quality reviews.

The relationship between integrity indicators and review quality shows that honest and responsible auditors will produce more reliable and credible reviews. Honesty and consistency between the auditor's words and actions ensures that all findings and recommendations are conveyed with transparency and objectivity, improving the quality of the review results. The implication of these findings is that organizations need to focus on improving auditor integrity to ensure optimal review results.

This research develops findings from previous research such as that conducted by Susilawati et al. (2017), who found that integrity has a significant effect on audit quality. Likewise, research conducted by Enzelin and Edi (2021) shows the importance of integrity in improving the quality of reviews. This research extends these findings by showing the specific impact of integrity on the quality of reviews in the public sector.

Practically, these findings indicate that organizations must strengthen their efforts in improving auditor integrity through professional ethics training and strengthening organizational culture that supports integrity. Theoretically, this research reaffirms the importance of the concept of integrity in management and accounting literature, and provides empirical evidence about its influence on review quality. This supports the theory that integrity is a key element in conducting effective and efficient audits.

The limitation of this research lies in the use of survey methods which can be influenced by respondent bias. In addition, this research was only conducted in one province, so the results may not be generalizable to a wider context. Further research could expand the sample and use more diverse methods to overcome these limitations (Hair et al., 2010).

4. The Relationship Between Commitment and Review Quality

Organizational commitment is an individual's attachment and involvement to the organization and its goals, which is reflected in the desire to contribute and remain part of the organization (Meyer & Allen, 1991). In the context of internal audit, the auditor's commitment includes dedication and responsibility in carrying out audit tasks in accordance with professional standards. Review quality is a measure of how well the audit or review results meet professional standards, provide added value, and increase the trust of financial report users (Arens, Elder, & Beasley, 2014). The relationship between commitment and review quality is based on the premise that committed auditors tend to be more thorough, dedicated, and motivated to produce high-quality reviews.

This research found that commitment has a positive and significant effect on review quality with a path coefficient of 0.141 and a p value of 0.049. This shows that increasing auditor commitment significantly increases the quality of the reviews produced. For the research object, namely the inspectorate in North Sulawesi Province, these results show that auditor commitment is an important factor in ensuring high quality reviews.

Increasing auditor commitment has a significant impact on the quality of reviews in various aspects of management and organization. In management, committed auditors demonstrate high dedication in identifying risks, providing useful recommendations, and ensuring regulatory compliance. For organizations, high commitment strengthens a work culture that is oriented towards quality and accountability, which in turn increases stakeholder trust in the results of the review.

The relationship between commitment indicators and review quality shows that auditors who feel supported and appreciated by the organization tend to be more motivated and dedicated in carrying out reviews. Trust and shared values create a strong bond between the auditor and the organization, which improves the quality of the review results. The implication of these findings is that organizations need to focus on increasing auditor commitment through greater fairness, support and engagement.

The importance of auditor commitment cannot be ignored in the context of improving review quality. Indicators such as fairness and support, as well as employee engagement, are critical to ensuring that reviews are conducted to a high standard. The urgency of increasing commitment becomes very clear, especially in the face of operational challenges and external pressures that may influence auditor motivation.

The main obstacle in increasing auditor commitment is a lack of support from management and a work environment that is not conducive. Possible solutions include increased communication and transparency, leadership training for management, and the creation of a supportive and fair work environment. This research shows that by overcoming these obstacles, the quality of reviews can be significantly improved.

This research develops findings from previous research such as that conducted by Meyer & Allen (1991), which found that commitment has a significant effect on work performance. Likewise, research conducted by Arfianti (2017) shows the importance of commitment in improving audit quality. This research extends these findings by showing the specific impact of commitment on the quality of reviews in the public sector.

Practically, these findings suggest that organizations should strengthen their efforts in increasing auditor commitment through management support, creating a fair work environment, and employee engagement. Theoretically, this research reaffirms the importance of the concept of commitment in management and accounting literature, as well as providing empirical evidence about its influence on review quality. This supports the theory that commitment is a key element in conducting an effective and efficient audit.

The limitation of this research lies in the use of survey methods which can be influenced by respondent bias. In addition, this research was only conducted in one province, so the results may not be generalizable to a wider context. Further research could expand the sample and use more diverse methods to overcome these limitations (Hair et al., 2010).

5. The Relationship Between Organizational Compliance and the Quality of Financial Reports

Organizational obedience is the level of compliance of organizational members with the rules, policies and procedures established by the organization (Mitchell, 2012). In a government context, compliance with regulations and accounting standards is very important to ensure that the financial reports produced are accurate and trustworthy. Financial report quality, on the other hand, includes the characteristics of financial reports that are relevant, reliable, understandable and comparable (Government Regulation No. 71 of 2010). The relationship between organizational compliance and the quality of financial reports is based on the premise that high compliance with rules and standards will produce high quality financial reports.

This research found that organizational compliance has a positive and significant effect on the quality of financial reports with a path coefficient of 0.197 and a p value of 0.049. This shows that increasing organizational compliance significantly improves the quality of the financial reports produced. For the research object, namely the inspectorate in North Sulawesi Province, these results show that compliance with regulations and procedures is a key factor in producing high quality financial reports.

The importance of organizational compliance cannot be ignored in the context of improving the quality of financial reports. Indicators such as regulatory compliance and enforcement of codes of ethics are critical to ensuring that financial reports are prepared to a high standard. The urgency of increasing compliance becomes very clear, especially in the face of external and internal pressures that may affect the accuracy and transparency of financial reports.

The main obstacles in increasing organizational compliance are resistance to change and a lack of understanding of the importance of compliance. Solutions that can be implemented include improving training and education, strengthening an organizational culture that supports compliance, and implementing an effective monitoring system. This research shows that by overcoming these obstacles, the quality of financial reports can be significantly improved.

In the research object, namely the inspectorate in North Sulawesi Province, organizational compliance is the key in carrying out the internal supervision and audit function. Research respondents, consisting of internal auditors, indicated that their compliance with procedures and regulations is very important in improving the quality of the financial reports they produce. This highlights the importance of promoting a culture of compliance at all levels of the organization.

Respondent demographic characteristics, such as age, education level, and work experience, can influence the level of organizational compliance. Auditors who are more experienced and have higher education tend to have a better understanding of the importance of compliance with procedures and regulations, which in turn improves the quality of financial reports. For example, auditors who have attended various trainings tend to have a better understanding of accounting and auditing standards.

This research develops findings from previous research such as that conducted by Juanda & Nauli (2018), which found that organizational compliance has a significant effect on the effectiveness of internal supervision. Likewise, research conducted by Wakhyudi (2012) shows the importance of compliance in improving the quality of financial reports. This research extends these findings by showing the specific impact of organizational compliance on the quality of financial reports in the public sector.

Practically, these findings suggest that organizations should strengthen their efforts in ensuring compliance with rules and regulations to improve the quality of financial reports. Theoretically, this research reaffirms the importance of the concept of organizational compliance in management and accounting literature, as well as providing empirical evidence about its influence on the quality of financial reports. This supports the theory that compliance with standards and regulations is a key element in producing accurate and trustworthy financial reports.

The limitation of this research lies in the use of survey methods which can be influenced by respondent bias. In addition, this research was only conducted in one province, so the results may not be generalizable to a wider context. Further research could expand the sample and use more diverse methods to overcome these limitations (Hair et al., 2010).

Increasing organizational compliance has a significant impact on the quality of financial reports, with indicators such as regulatory compliance, risk management, training and education, internal supervision and audit, and enforcement of codes of ethics contributing positively to the quality of financial reports. These findings demonstrate the importance of building a culture of compliance within organizations to ensure that financial reports are prepared to high standards, which in turn increases stakeholder confidence in the results of financial reports.

6. The Relationship Between Competency and the Quality of Financial Reports

Competency indicators in this research include understanding Government Accounting Standards (SAP), understanding Regional Government Accounting Standards (SAPD), understanding the business processes or main activities of the entity being reviewed, understanding the basics of auditing, communication techniques, and database analysis (Minister of Finance Regulation No. 8 of 2015). Any improvement in these indicators contributes significantly to improving the quality of financial reports.

The relationship between competency indicators and the quality of financial reports shows that auditors who have a deep understanding of SAP and SAPD can prepare financial reports better and more accurately. Skills in communication techniques and database analysis also play an important role in producing high-quality financial reports. The implication of these findings is that organizations need to focus on improving auditor competency to ensure optimal financial report quality.

7. The Relationship Between Integrity and the Quality of Financial Reports

Integrity is a moral and ethical quality that shows the consistency of actions with the values and principles adhered to by a person or organization (Redjeki & Herdiansyah, 2013). In the audit context, auditor integrity includes honesty, transparency and responsibility in carrying out audit tasks. The quality of financial reports is a measure of how well financial reports meet professional standards, provide relevant, reliable, understandable and comparable information (Government Regulation No. 71 of 2010). The relationship between integrity and financial report quality is based on the premise that auditors with high integrity tend to produce more accurate and trustworthy financial reports because they work with high ethics and adhere to professional standards.

This research found that integrity has a positive and significant effect on the quality of financial reports with a path coefficient of 0.451 and a p value of 0.001. This shows that increasing auditor integrity significantly improves the quality of the financial reports produced. For the research object, namely the inspectorate in North Sulawesi Province, these results show that auditor integrity is an important factor in ensuring high quality financial reports.

Increasing auditor integrity has a significant impact on the quality of financial reports in various aspects of management and organization. In management, auditors who have high integrity can identify and report audit findings honestly and objectively, increasing management's confidence in financial reports. For organizations, high integrity strengthens a culture of ethics and compliance, which in turn increases stakeholder trust in financial reports.

Integrity indicators in this research include honesty, consistency between words and actions, compliance with organizational regulations and ethics, responsibility for actions, decisions and the risks that accompany them, as well as consistent adherence to moral principles that apply in society (Redjeki & Herdiansyah , 2013). This research shows that any improvement in these indicators contributes significantly to improving the quality of financial reports.

The main obstacle in improving auditor integrity is external and internal pressure which can affect objectivity and honesty. Solutions that can be implemented include strengthening an organizational culture that supports ethics and integrity, ongoing professional ethics training, and implementing an effective monitoring system. This research shows that by overcoming these obstacles, the quality of financial reports can be significantly improved.

In the research object, namely the inspectorate in North Sulawesi Province, auditor integrity is the key in carrying out the supervisory and internal audit functions. Research respondents, consisting of internal auditors, indicated that their integrity in carrying out their duties is very important in improving the quality of the financial reports they produce. This emphasizes the importance of promoting a culture of integrity at all levels of the organization (Government Regulation No. 71 of 2010).

The demographic characteristics of respondents, such as age, education level, and work experience, can influence the auditor's level of integrity. Auditors who are more experienced and have higher education tend to have a better understanding of the importance of integrity in carrying out audit tasks, which in turn improves the quality of financial reports. For example, auditors who have attended various ethics training tend to have higher moral standards.

This research develops findings from previous research such as that conducted by Susilawati et al. (2017), who found that integrity has a significant effect on audit quality. Likewise, research conducted by Enzelin and Edi (2021) shows the importance of integrity in improving the quality of reviews. This research extends these findings by showing the specific impact of integrity on the quality of financial reports in the public sector.

Practically, these findings indicate that organizations must strengthen their efforts in improving auditor integrity through professional ethics training and strengthening organizational culture that supports integrity. Theoretically, this research reaffirms the importance of the concept of integrity in management and accounting literature, as well as providing empirical evidence about its influence on the quality of financial reports. This supports the theory that integrity is a key element in conducting effective and efficient audits.

The limitation of this research lies in the use of survey methods which can be influenced by respondent bias. In addition, this research was only conducted in one province, so the results may not be generalizable to a wider context. Further research could expand the sample and use more diverse methods to overcome these limitations (Hair et al., 2010).

Increasing auditor integrity has a significant impact on the quality of financial reports, with indicators such as honesty, consistency between words and actions, and responsibility contributing positively to the quality of financial reports. These findings demonstrate the importance of building a culture of integrity within organizations to ensure that financial reports are prepared to high standards, which in turn increases stakeholder confidence in financial reports.

8. The Relationship Between Commitment and the Quality of Financial Reports

Commitment is the level of individual attachment and dedication to the goals and values of the organization (Meyer & Allen, 1991). In the audit context, the auditor's commitment involves responsibility and a willingness to work diligently and thoroughly in accordance with professional standards. The quality of financial reports refers to the extent to which financial reports provide relevant, reliable, understandable and comparable information (Government Regulation No. 71 of 2010). The relationship between commitment and the quality of financial reports is based on the premise that auditors who are committed will be more thorough and responsible in assessing higher quality financial reports.

This research found that commitment has an insignificant effect on the quality of financial reports with a path coefficient of 0.072 and a p value of 0.602. This shows that increasing auditor commitment cannot significantly improve the quality of the financial reports produced. For the research object, namely the inspectorate in North Sulawesi Province, these results indicate that the auditor's commitment cannot ensure high quality financial reports.

The high level of commitment possessed by auditors does not guarantee that it will affect their performance. Because commitment is closely related to performance, which means it is important for organizations to foster commitment in each of their employees. The greater the commitment an employee has, the higher the quality of the accounting information produced (Widaryani & Kiswanto, 2020). Contrary to goal-setting theory which states that an individual with good commitment to achieving organizational goals will influence its performance. To achieve good performance there must be a match between organizational and individual goals.

The results of this research indicate that there is a mismatch of goals between organizations and individuals or auditors. Auditors do a job because they feel responsible for continuing to work without being committed to organizational goals. This is in line with one of the commitment components ofKreitner & Kinicki, (2014), namely normative commitment that reflects a sense of responsibility to continue working.

9. Relationship between Review Quality and Financial Report Quality

Review quality is a measure of how well the review process is carried out, including stages, review working papers (KKR), reporting, and limited confidence in the results of the review (Minister of Finance Regulation No. 8 of 2015). The quality of financial reports is the extent to which financial reports provide information that is relevant, reliable, understandable and comparable (Government Regulation No. 71 of 2010). The relationship between review quality and financial report quality is based on the premise that high quality reviews will produce more accurate and trustworthy financial reports.

This research found that the quality of reviews has a positive and significant effect on the quality of financial reports with a path coefficient of 0.293 and a p value of 0.009. This shows that improving the quality of reviews significantly improves the quality of the financial reports produced. For the research object, namely the inspectorate in North Sulawesi Province, these results show that the quality of reviews is a key factor in ensuring high quality financial reports.

Improving the quality of reviews has a significant impact on the quality of financial reports in various aspects of management and organization. In management, high-quality reviews can identify errors and deficiencies in financial reports, provide useful recommendations, and ensure compliance with regulations. For organizations, this increases operational efficiency and accountability, and strengthens stakeholder trust in financial reports.

Indicators of review quality in this research include limited confidence in review results, review stages, review working papers (KKR), and review reporting. Limited Confidence of Review Results: Measures the extent to which the auditor can provide confidence that the financial statements are free from material errors. Review Stages: Includes a systematic and structured process in carrying out a review. Review Working Paper (KKR): Comprehensive and detailed documentation of each stage of the review. Review Reporting: Preparation of a clear and comprehensive report on the results of the review carried out.

The relationship between review quality indicators and financial report quality shows that each aspect of the review process contributes significantly to improving the quality of financial reports. For example, complete and detailed review workpapers ensure that all audit findings are properly documented, which increases the accuracy of financial statements. The implication of these findings is that organizations need to ensure that each stage of the review process is carried out to a high standard to produce quality financial reports.

The importance of review quality cannot be ignored in the context of improving the quality of financial reports. Indicators such as limited confidence in review results and review working papers are critical to ensuring that the review is conducted to a high standard. The urgency of improving the quality of reviews has become very clear, especially in the face of regulatory complexity and the need to produce reliable financial reports.

The main obstacle in improving the quality of reviews is limited resources, both in terms of experts and technology that supports the review process. Possible solutions include investment in advanced audit technology, increased training for auditors, and the development of more efficient review methodologies. This research shows that by overcoming these obstacles, the quality of financial reports can be significantly improved.

Respondents' demographic characteristics, such as age, education level, and work experience, can influence the quality of the reviews they conduct. Auditors who are more experienced and have higher education tend to have a better understanding of the importance of each stage of the review process, which in turn improves the quality of financial reports. For example, auditors who have attended various trainings tend to be more skilled at documenting audit findings in detail.

This research develops findings from previous research such as that conducted by Juanda & Nauli (2018), which found that the quality of reviews has a significant effect on the quality of financial reports. Likewise, research conducted by Maulana et al. (2017) show the importance of each stage of the review process in improving the quality of reviews. This research extends these findings by showing the specific impact of each review quality indicator on the quality of financial reports in the public sector.

Improving the quality of reviews has a significant impact on the quality of financial reports, with indicators such as limited confidence in review results, review stages, review working papers, and review reporting contributing positively to the quality of financial reports. These findings demonstrate the importance of ensuring that each stage of the review process is conducted to a high standard to increase the accuracy and credibility of financial reports. Organizations need to focus on improving the quality of reviews to ensure that financial reports are prepared to a high standard, which in turn increases stakeholder confidence in the financial reports.

10. The relationship between organizational compliance and the quality of financial reports is mediated by the quality of the review

Organizational obedience refers to the compliance of organizational members with established regulations, policies and procedures (Mitchell, 2012). The quality of financial reports includes the extent to which financial reports provide relevant, reliable, understandable and comparable information (Government Regulation No. 71 of 2010). Review quality plays a mediating role in ensuring that the review process is carried out well, so that it can improve the quality of financial reports. The relationship between organizational compliance and financial report quality which is mediated by review quality shows that high compliance with regulations and procedures produces quality reviews, which in turn improves the quality of financial reports.

This research found that organizational compliance has a positive and significant effect on the quality of financial reports with a path coefficient of 0.045 and a p value of 0.049. This relationship shows that high organizational compliance contributes to improving the quality of reviews, which in turn improves the quality of financial reports.

Increasing organizational compliance has a positive impact on the quality of financial reports through improving the quality of reviews. In management, compliance with accounting regulations and standards ensures that all financial transactions are recorded correctly and transparently, increasing accountability and stakeholder trust. For organizations, high compliance strengthens the internal control system and reduces the risk of errors or fraud in financial reports.

Indicators of organizational compliance include compliance with regulations, risk management, training and education, internal supervision and audit, and enforcement of the code of ethics (Minister of Finance Regulation No. 8 of 2015). Review quality includes limited confidence in review results, review stages, review working papers (KKR), and review reporting. Each of these indicators contributes significantly to improving the quality of financial reports. For example, ongoing training and education improves auditors' understanding of accounting standards, while strict internal monitoring and auditing ensures that all financial transactions are properly recorded. The relationship between organizational compliance indicators and the quality of financial reports shows that compliance with accounting regulations and standards has direct implications for the quality of the financial reports produced. Effective risk management helps identify and address potential problems early, while training and education improve auditors' competency in carrying out their duties. The implication of these findings is that organizations need to focus on increasing auditor compliance to ensure optimal financial report quality.

The importance of organizational compliance cannot be ignored in the context of improving the quality of financial reports. Indicators such as regulatory compliance and enforcement of codes of ethics are critical to ensuring that financial reports are prepared to a high standard. The urgency of increasing compliance becomes very clear, especially in the face of external and internal pressures that may affect the accuracy and transparency of financial reports.

The main obstacles in increasing organizational compliance are resistance to change and a lack of understanding of the importance of compliance. Solutions that can be implemented include improving training and education, strengthening an organizational culture that supports compliance, and implementing an effective monitoring system. This research shows that by overcoming these obstacles, the quality of financial reports can be significantly improved.

In the research object, namely the inspectorate in North Sulawesi Province, organizational compliance is the key in carrying out the internal supervision and audit function. Research respondents, consisting of internal auditors, indicated that their compliance with procedures and regulations is very important in improving the quality of the financial reports they produce. This highlights the importance of promoting a culture of compliance at all levels of the organization.

Respondent demographic characteristics, such as age, education level, and work experience, can influence the level of organizational compliance. Auditors who are more experienced and have higher education tend to have a better understanding of the importance of compliance with procedures and regulations, which in turn improves the quality of financial reports. For example, auditors who have attended various trainings tend to have a better understanding of accounting and auditing standards.

This research develops findings from previous research such as that conducted by Juanda & Nauli (2018), which found that organizational compliance has a significant effect on the effectiveness of internal supervision. Likewise, research conducted by Wakhyudi (2012) shows the importance of compliance in improving the quality of financial reports. This research extends these findings by showing the specific impact of organizational compliance on the quality of financial reports in the public sector.

The limitation of this research lies in the use of survey methods which can be influenced by respondent bias. In addition, this research was only conducted in one province, so the results may not be generalizable to a wider context. Further research could expand the sample and use more diverse methods to overcome these limitations (Hair et al., 2010).

The relationship between organizational compliance (X1) and financial report quality (Y2) which is mediated by review quality (Y1) shows partial mediation. This is indicated by a significant path coefficient on the direct relationship between organizational compliance and the quality of financial reports, as well as on the indirect relationship through review quality. Partial mediation means that organizational compliance not only influences the quality of financial reports through the quality of reviews but also has a significant direct influence on the quality of financial reports. Thus, organizational compliance remains important in improving the quality of financial reports, both directly and through improving the quality of reviews.

Increasing organizational compliance has a significant impact on the quality of financial reports, with indicators such as regulatory compliance, risk management, training and education, internal supervision and audit, and enforcement of codes of ethics contributing positively to the quality of financial reports. These findings demonstrate the importance of building a culture of compliance within organizations to ensure that financial reports are prepared to high standards, which in turn increases stakeholder confidence in the results of financial reports.

CONCLUSION

This research has examined various factors that influence the quality of local government financial reports in North Sulawesi Province. Based on the problem formulation, research objectives, research hypotheses, and research results, the following conclusions can be drawn:

1. Organizational compliance, which includes compliance with applicable regulations and standards, has a significant influence on the quality of the review. Auditors who comply with regulations and procedures produce higher quality reviews, strengthen internal control and increase the reliability of the review process within the organization.
2. Auditor competency, which includes an in-depth understanding of accounting standards, audit techniques and organizational business processes, has a significant effect on the quality of the review. Auditors who have high competence can carry out reviews more effectively and accurately, ensuring that every detail of the financial reports has been carefully checked.
3. Auditor integrity, which includes honesty, consistency and compliance with moral principles, plays an important role in improving the quality of reviews. Auditors with high integrity tend to produce objective and transparent reviews, which contribute to the accuracy and trustworthiness of the financial reports being reviewed.Local governments and public institutions develop and strengthen their internal monitoring systems. This system should include clear procedures for internal reviews and audits, as well as transparent reporting mechanisms. With a strong monitoring system, errors in financial reports can be minimized and the quality of reports can be improved.

BIBLIOGRAPHY

Albustani, M.A. (2023). THE INFLUENCE OF ACADEMIC SUPERVISION, TEACHER TRAINING, AND TEACHER WORKING PERIOD ON TEACHER PEDAGOGICAL COMPETENCE AT MTSN 2 PONOROGO. (Doctoral dissertation, IAIN Ponorogo).

Anam, H., Tenggara, FO, & Sari, DK (2021). The influence of auditor independence, integrity, experience and objectivity on audit quality. Economic Forum, 23(1), 96–101.

ANITA, F. (2017). The Influence of Individual Auditor Factors on Audit Quality in the Lampung Province Inspectorate. (Doctoral dissertation, LAMPUNG UNIVERSITY).

Ardiani, F., & Ernawati, S. (2022). The Influence of Years of Service and Organizational Commitment on Employee Performance at Pt. Indonesian Telecommunication (Telkom) Persero Bima. Journal of National Development Economics, 15(2), 421–428. https://doi.org/10.46306/jbbe.v15i2.175

Arfianti, RI (2017). The Influence of Accountant Professional Commitment and Organizational Commitment on Audit Quality. Journal of Accounting, 6(1), 18–31.

Aziyah, W., & Yanto, H. (2022). The Influence of Internal Control Systems and Organizational Commitment on the Quality of Regional Government Financial Reports with Human Resource Competence as a Moderating Variable. Owner, 6(1), 977–989. https://doi.org/10.33395/owner.v6i1.686

Babin, B., Carr, J., Griffin, M., Zikmund, W., & Quinlan, C. (2019). Business Research Methods (2nd edition). Cengage Learning EMEA.

Bacon, D. R., Sauer, P. L., & Young, M. (1995). Composite Reliability in Structural Equations Modeling. Educational and Psychological Measurement, 55(3), 394–406. https://doi.org/10.1177/0013164495055003003

Bryman, A. (2016). Social Research Methods (5th edition). Oxford University Press.

Bryman, A., & Bell, E. (2015). Business Research Methods (4th edition). Oxford University Press.

Busse, R., & Doganer, U. (2018). The role of compliance for organizational change: Qualitative evidence from German SMEs. Journal of Organizational Change Management, 31, 00–00. https://doi.org/10.1108/JOCM-05-2017-0163

Carrion, G. C., Nitzl, C., & Roldan, J. L. (2017). Mediation Analyzes in Partial Least Squares Structural Equation Modeling: Guidelines and Empirical Examples. In H. Latan & R. Noonan (Ed.), Partial Least Squares Path Modeling Basic Concepts, Methodological Issues and Applications (pp. 173–195). Springer International Publishing.

Chua, Y.P. (2022). A Step By Step Guide PLS-SEM Data Analysis Using SmartPLS 4. Independently published.

Cooper, D. R., & Emory, W. (2007). Business Research Methodology. Salemba Four.

Creswell, J. W. (2018). Research Design: Qualitative, Quantitative, and Mixed Approaches (A. Fawald & SZ Qudsi, Translator). Student Library.

Deda, A., Karamoy, H., & Gamaliel, H. (2017). ON THE QUALITY OF THE REVIEW OF REGIONAL GOVERNMENT FINANCIAL REPORTS AT THE GORONTALO PROVINCIAL INSPECTORATE, Master of Accounting Study Program, Faculty of Economics and Business, Sam Ratulangi University. Introduction to the launch of state financial management reform, both pad. Journal of Accounting and Auditing Research, 8(1), 222–232.

Deni, W., & Putri, A. (2021). The Influence of Education Level, Years of Service and Mastery of Information Technology on Employee Performance (Case Study at the Regional Financial Agency of Pasaman Regency). BONANZA Journal: Management and Business, 2(1), 14–30.

Desai, V. M. (2016). Under the Radar: Regulatory Collaborations and their Selective Use to Facilitate Organizational Compliance. Academy of Management Journal, 59(2), 636–657. https://doi.org/10.5465/amj.2014.0943

Devitha, CTP, Baharuddin, FR, & Purnamawati, P. (2021). Analysis of the Effect of Years of Service and Certification on the Competency and Performance of Productive State Vocational School Teachers in Kendari City. 9(1), 69–78.

Dewi, MAWS, & Widanaputra, AAGP (2018). The Influence of Work Experience and Integrity on Audit Quality with Auditor Ethics as a Moderating Variable. Accounting E-Journal, 24(2), 1530–1556.

Donaldson, E.M. (2001). The relationship of the change process to principal leadership and teacher empowerment. University of Missouri-Columbia.

Edison, E., Kartika, T., & Lestari, RID (2017). The Influence of Job Satisfaction and Competency on Employee Performance in the Sukaregang Leather Industrial Center. Barista: Journal of Language and Tourism Studies, 4(1), 51–60.

Elsya, N., Putri, SP, Yanuardi, Y., & Umar, H. (2019). The Effect of Auditor Commitment on Audit Quality with Audit Fee as a Moderating Variable. In Proceedings of the National Scholars Seminar, 2–15.

Enzelin, I., & Edi, E. (2021). The Influence of Integrity, Objectivity, Competence, Confidentiality and Professional Behavior on the Quality of Financial Reports. In CoMBInES-Conference on Management, Business, Innovation, Education and Social Sciences, 1(1), 1436–1458.

Fadilah, U., & S, EM (2020). The Influence of Professionalism and Internal Supervisory Competence on Audit Quality at the Banten Province Inspectorate. Progress: Journal of Education, Accounting and Finance, 3(2), 142–154. https://doi.org/10.47080/progress.v3i2.938

Fahmi, M., & Mathori, M. (2023). The Influence of Education Level, Years of Service and Work Motivation on Performance and Competency as Intervening Variables for Pratama Wates Tax Service Office Employees. Indonesian Journal of Management Accounting Research, 1(3), 506–525. https://doi.org/10.32477/jrima.v1i3.737

Fajarianto, MID, Siska, E., & Indra, N. (2023). The Effect of Flexibility of Working Hours and Work Stress on Employee Integrity at PT Bank Negara Indonesia Tbk. CiDEA Journal, 2(1), 117–130.

Field, A. (2017). Amazon.com: Discovering Statistics Using IBM SPSS Statistics (North American Edition). SAGE Publications Ltd. https://www.amazon.com/Discovering-Statistics-Using-IBM-SPSS/dp/1526436566

Fikri, MA, Inapty, BA, & Martiningsih, RR. SP (2015). The Influence of Implementing Government Accounting Standards, Apparatus Competence and the Role of Internal Audit on the Quality of Financial Report Information with the Internal Control System as a Moderating Variable. M. Ali Fikri Biana Adha Inapty Rr. Sri Pancawati Martiningsih, 53(9), 1689–1699.

Fitri, Z, A; Arif, E. (2019). Journal of Islamic Finance and Accounting. Journal of Islamic Finance and Accounting, 1(2), 45–56.

Fitriani, R. (2020). The influence of length of service, audit specialization and audit committee on audit quality (case study on Islamic banking in Indonesia). MALIA: Journal of Islamic Banking and Finance, 3(2), 147. https://doi.org/10.21043/malia.v3i2.6882

Foorthuis, R., & Bos, R. (2011). A Framework for Organizational Compliance Management Tactics. In Lecture Notes in Business Information Processing (Vol. 83, p. 268). https://doi.org/10.1007/978-3-642-22056-2_28

Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. Journal of Marketing Research, 18(1), 39–50. https://doi.org/10.2307/3151312

Gaffar, MI, & Gaffar, G. (2022). The Influence of Ability, Professional Commitment, Motivation & Job Satisfaction on the Quality of Audit Results. Jambura Accounting Review, 3(2), 129–143. https://doi.org/10.37905/jar.v3i2.56

Gerdin, J., & Greve, J. (2008). The appropriateness of statistical methods for testing contingency hypotheses in management accounting research. Accounting, Organizations and Society, 33(7–8), 995–1009