

## **The Influence of Inspectorate General Auditor Quality, Accountability, and Supervision on the Quality of Financial Statements of the Jakarta Provincial Government**

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### **Abstract**

This study aims to examine the influence of the Inspector General's auditor quality, accountability, and supervision on the quality of the Jakarta Provincial Government's financial statements. The study population consists of employees of the Inspectorate General of Jakarta Province. A purposive sampling technique was employed, resulting in 45 respondents who met the research criteria. Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS software.

The results indicate that the quality of Inspectorate General auditors, accountability, and supervision have a positive and significant effect on the quality of financial statements of the Jakarta Provincial Government. The coefficient of determination ( $R^2$ ) demonstrates that 73.6% of the variance in financial statement quality is explained by these three variables.

**Keywords:** Inspectorate General Auditor; Accountability; Supervision; Financial Statement Quality

### **1. Introduction**

The advancement of the reform era has intensified public demand for good governance in both central and regional governments. Transparent and accountable financial management has become a fundamental requirement in public sector administration. Government financial statements serve as a primary instrument of accountability to stakeholders and society at large.

Government Accounting Standards (Standar Akuntansi Pemerintahan/SAP), regulated under Government Regulation No. 71 of 2010, provide the framework for preparing government financial reports. According to these standards, financial statements must possess qualitative characteristics, including understandability, relevance, reliability, and comparability. When these criteria are fulfilled, financial statements are considered to be of high quality.

The Supreme Audit Agency (BPK) plays a crucial role in examining the management and accountability of state finances as mandated by the 1945 Constitution. The audit opinion issued by BPK serves as an indicator of the credibility and quality of government financial reporting.

In this context, the role of the Inspectorate General is highly strategic. High-quality auditors, strong accountability mechanisms, and effective supervision systems are essential to ensure proper financial governance. Improved accountability strengthens financial management performance, while competent auditors enhance the reliability of audit outcomes. Furthermore, effective supervision minimizes fraud and misuse of public funds.

Therefore, this study investigates the influence of Inspectorate General auditor quality, accountability, and supervision on the quality of financial statements of the Jakarta Provincial Government.

## 2. Materials and Methods

### 2.1 Research Design

This research adopts a quantitative approach. The object of study is the quality of financial statements of the Jakarta Provincial Government.

The population consists of employees working at the Inspectorate General of Jakarta Province. The sample was selected using purposive sampling based on the following criteria:

- a. Government officials serving as auditors at the Inspectorate General of Jakarta Province.
- b. Auditors with a minimum of one year of working experience.

A total of 45 respondents met these criteria.

### 2.2 Data Collection

Primary data were collected through questionnaires measured using a Likert scale. Secondary data were obtained from literature reviews, books, academic journals, regulatory documents, and relevant financial reports.

### 2.3 Data Analysis

Hypothesis testing was conducted using SEM-PLS with SmartPLS software. The evaluation process included:

- a. Outer model testing (validity and reliability)
- b. Inner model testing (R-square, path coefficients, t-statistics, and p-values)

The reliability threshold was set at  $>0.70$  for Cronbach's Alpha and Composite Reliability (Ghozali et al., 2016).

## 3. Results

### 3.1 Discriminant Validity (Fornell-Larcker Criterion)

**Table 1. Fornell-Larcker Criterion**

Variable	Auditor Itjen (X1)	Accountability (X2)	Supervision (X3)	Financial Statement Quality (Y)
Auditor Itjen (X1)	1.000			
Accountability (X2)	-0.241	0.759		
Supervision (X3)	0.411	-0.064	0.747	
Financial Statement Quality (Y)	0.327	-0.292	0.287	0.744

The diagonal values (square root of AVE) are greater than the correlations between constructs, indicating adequate discriminant validity.

### 3.2 Coefficient of Determination

**Table 2. R-Square**

Variable	R Square	Adjusted R Square
Financial Statement Quality (Y)	0.736	0.680

The  $R^2$  value of 0.736 indicates that 73.6% of the variance in financial statement quality is explained by auditor quality, accountability, and supervision. The remaining 26.4% is influenced by other variables not included in this model.

### 3.3 Measurement Model

All indicator loadings exceeded 0.70, confirming convergent validity. Cronbach's Alpha and Composite Reliability values were above 0.70, indicating satisfactory internal consistency reliability.

#### 4. Discussion

The findings confirm that Inspectorate General auditor quality has a positive and significant influence on financial statement quality. Competent auditors with adequate expertise, independence, and professional ethics enhance the credibility and reliability of financial reporting.

Accountability also contributes positively to financial statement quality. Transparent reporting and clear responsibility mechanisms strengthen governance practices and improve financial management outcomes.

Supervision plays a preventive and corrective role in ensuring compliance with regulations and minimizing irregularities. Effective supervisory mechanisms enhance control systems and contribute to the production of reliable financial statements.

These findings align with prior research indicating that auditor competence and effective oversight mechanisms are critical determinants of public sector financial reporting quality

#### 5. Conclusion, Implications, and Recommendations

This study concludes that:

- a. Inspectorate General auditor quality significantly improves the quality of financial statements of the Jakarta Provincial Government.
- b. Accountability positively affects financial statement quality.
- c. Supervision contributes positively to enhancing financial reporting quality.

Theoretically, this research enriches public sector accounting literature by empirically validating determinants of financial reporting quality in local government contexts.

Practically, the Jakarta Provincial Government should:

- a. Enhance auditor competence through continuous professional training.
- b. Strengthen accountability frameworks.
- c. Improve supervisory mechanisms and internal control systems.

Future research is recommended to include additional variables such as internal control effectiveness, organizational commitment, and information system quality to provide a more comprehensive explanatory model.

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