**The Effect Of Assurance Effectiveness, Internal Control Systems And Auditor Professional Consultation On The 2019 Regional Government Financial Report Of Palembang City**

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**Abstract**

This research aims to analyze the influence of effectiveness of assurance, consulting and auditor expertise with internal control system in financial audit opinion. This research uses primary data in distributing questionnaires to the employees who work in the inspectorate in Palembang City. Data was obtained by distributing 59 questionnaires. This research using saturated sampling method, data were analyzed with partial least squares structural equation modeling. The result that effectiveness of consulting and auditor expertise with internal control system on financial audit opinion has significant influence either directly or through intermediate variables, while assurance does not have a significant influence either directly or through intermediate variables.

**Chapter 1**

**Preliminary**

The financial statements produced by local governments must contain useful information and can meet the needs of its users, because the financial statements will be used by interested parties as a basis for decision making. Based on that, the information contained in the financial statements must be considered by the local government for the purposes of planning, controlling and decision making. The implementation of financial management must always be monitored and controlled both internally and externally, so that the quality of the financial statements of local governments will be increasingly guaranteed. Monitoring Supervision has the function to control the system that runs in accordance with the plan as an effort to provide quality information so that it will then have an impact on improving the quality of financial statements.

The success of accountability in financial management in the form of an opinion on the financial statements of local governments is inseparable from the management of internal control systems. Internal control system which has not been run as effectively, there are many weaknesses in the control systems of accounting and reporting, revenue and expenditure control system, and the weakness of the internal control structure will greatly affect the quality of the local government's financial statements.

This is in line with the objectives of the Government's Internal Control System to provide adequate confidence for the achievement of effectiveness and efficiency in achieving the objectives of the administration of the state, the reliability of financial statements, security of state assets, and compliance with statutory regulations (Government Regulation Number 60 Year 2008).

This study aims to find the influence of effectiveness of assurance, consulting and auditor expertise with internal control system on financial audit opinion.

**Chapter 2**

**Literature Review**

A. Effectiveness of Assurance

Assurance in the Public Accountants Act (Law Number 5 Year 2011) is to define insurance services, which are services that aim to provide users with confidence in the results of evaluations or measurements of financial and non-financial information based on criteria. A*ssurance* activities include appraisal of evidence by an internal auditor objectively as the basis for an independent opinion or conclusions regarding a process, system, and so on. The nature and scope of *assurance* activities are determined by internal auditors.

B. Effectiveness of Consulting

Consulting according to Oxford Dictionary is the business of giving expert advice to other professionals. Consultation activities are basically the activities of giving advice, and usually carried out based on special requests from clients. The nature and scope of the consulting activity depends on the agreement between the internal auditor and the client.

C. Auditor Expertise

The audit is carried out by the auditor who in conducting the audit and preparing the report, the auditor must use his professional skills carefully and thoroughly (SPAP, 2001). Competence shows the achievement and maintenance of a level of understanding and knowledge that enables a member to provide services with ease and ingenuity (Mulyadi, 2013). Professional competency ability is the responsibility of the internal audit department and each internal auditor (Tugiman, 2011).

D. Internal Control System

Internal Control according to American Institute of Certified Public Accountants (AICPA) is as a process, effected by an entity’s board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objective in the following categories: (a). Reliability of financial reporting; (b). Effectiveness and efficiency of operations; and (c). Compliance with applicable laws and regulations (Sawyer, 2005). Internal control system aims to maintain the wealth of the organization, check the accuracy and reliability of accounting data, encourage efficiency, and encourage compliance with management policies that have been outlined (Gondodiyoto, 2007).

E. Financial Audit Opinion

Audit opinion is the auditor's opinion which is a source of information for the company’s others parties as a guide for decision making (Pratiwi and Januarti, 2013) and part of the audit report which is the main information of the audit report (Alichia, 2013). In determining the type of audit opinion by the auditor is inseparable from the suitability of the financial statements with the standards in that period (Mahmudi, 2016).

**Chapter 3**

**Research Methodology**

This research is a quantitative research. Quantitative research is a research method that is inductive, objective and scientific in which the data obtained in the form of numbers (score and value) or statement that are valued, and analyzed by statistical analysis. The population and sample in this research is 59 employees in Inspectorate, Palembang City. In this study, Author using a whole employees from staff until head of section. Using partial least squares structural equation modeling, we have done classic assumption test such as normality, validity and reliability.

|  |  |
| --- | --- |
|  | R *Square* |
| Audit Opinion | 0.849 |
| Internal Control System | 0.850 |

Source: Primary data processed with PLS 3.0, 2020

Table 1

**Fishbone Diagram**

**Chapter 4**

Providing opinion by BPK RI

There is a gap over previous research

The inspectorate's supervision performance is less effective

Weak inspectorate supervision

There are still concurrent positions

ENVIRONMENT

POLICY

SUPERVISION

Management is unsure of the SAP financial system reports

The low expertise of the inspectorate auditors

The inspectorate auditors are not competent and skilled

The inspectorate auditor's failure to reveal the findings

The internal control system is not effective yet

SYSTEM

MANAGEMENT

PEOPLE

WTP Auditor Opinion can’t be reach

**Data Analysis And Discussion**

The coefficient of determination (R2) aims to see how much the ability of the independent variable seen through adjusted R2. The coefficient of determination is between zero and one. A small R2 value means the ability of the independent variables to explain the variation of the dependent variable is very limited. This research uses adjusted R square value because it uses more than 1 independent variable. The result of the coefficient of determination can be seen in the table 1. The value adjusted the first R-squared is 0.849, indicating that the contribution of independent variable (X) in this model can influence of 84,9% to audit opinion (dependent variable). The rest of 15,1% are contributed by others variables that are not included in the model. The value adjusted for the second R-squared is 0.850, indicating that the contribution of independent variable (X) in this model can influence of 85% to internal control system (intervening variable). The rest of 15% are contributed by others variables that are not included in the model.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
| *Assurance* -> Audit Opinion | 0.143 | 0.151 | 0.148 | 0.967 | 0.334 |
| *Assurance* -> Internal Control System | 0.182 | 0.165 | 0.130 | 1.400 | 0.162 |
| *Consulting* -> Audit Opinion | 1.040 | 1.036 | 0.115 | 9.069 | 0.000 |
| *Consulting* -> Internal Control System | 0.369 | 0.365 | 0.128 | 2.884 | 0.004 |
| Auditor Expertise -> Audit Opinion | 0.548 | 0.558 | 0.153 | 3.574 | 0.000 |
| Auditor Expertise -> Internal Control System | 0.802 | 0.791 | 0.108 | 7.455 | 0.000 |
| Internal Control System -> Audit Opinion | 0.888 | 0.896 | 0.155 | 5.711 | 0.000 |

Source: Primary data process with PLS 3.0, 2020

Table 2

Assurance does not has a significant influence in the internal control system, whereas the test results of the beta coefficient of assurance on the internal control system is 0.182 and t-statistic that is equal to 1,400, from this result stated t-statistically significant, because <1.96 with p-value 0.162> 0.05 so the assurance variable is not proven has a positive influence on the internal control system.

Consulting has a significant influence in the internal control system, whereas the value of beta consulting coefficient on the internal control system of 0.369 and t-statistic that is equal to 2.884, from these results stated t-statistically significant, because> 1.96 with a p-value of 0.004 <0.05 so consulting has a significant influence on the internal control system.

Auditor Expertise has a significant influence in the internal control system, whereas the test results show that the beta coefficient value of auditor expertise on the internal control system is 0.802 and t-statistic is 7.455. from these results, it is stated that the t-statistic is significant, because> 1.96 with p-value 0.000 <0.05, so auditor expertise has a significant influence on the internal control system.

Assurance does not have a significant influence in the financial audit opinion, whereas the test results show the value of the beta coefficient of assurance on audit opinion of 0.143 and t-statistic that is equal to 0.967. From these results stated t-statistically significant, because <1.96 with a p-value of 0.334> 0.05 so assurance is not proven to have positive influence on audit opinion.

Consulting has a significant influence in the financial audit opinion, whereas the test results show the value of beta consulting coefficient on audit opinion is 1,040 and t-statistic is 9,069. From this result it is stated that t-statistic is significant, because> 1.96 with p-value 0,000 <0.05 so it proves that consulting has a significant positive towards audit opinion.

Auditor Expertise has a significant influence in the financial audit opinion, whereas the test results show that the beta coefficient value of auditor expertise on audit opinion is 0.548 and t-statistic is 3.574. From these results it is stated that t-statistic is significant, because> 1.96 with p-value 0.000 <0.05 so auditor expertise is has a significant influence on audit opinions.

Internal Control System has a significant influence in the financial audit opinion, whereas the test results show that the beta coefficient value of the internal control system against audit opinion is 0.888 and t-statistic is 5.711. From these results, it is stated that the t-statistic is significant, because> 1.96 with a p-value of 0,000 <0.05 so control system intern has influence on audit opinion.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   | Original Sample (O) | Sample Mean (M) | Std.Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
| *Assurance* -> Internal Control System -> Audit Opinion | 0.162 | 0.145 | 0.113 | 1.429 | 0.154 |
| *Consulting* -> Sistem Pengendalian Intern -> Audit Opinion | 0.328 | -0.324 | 0.114 | 2.872 | 0.004 |
| Auditor Expertise -> Internal Control System -> Audit Opinion | 0.711 | -0.710 | 0.157 | 4.529 | 0.000 |

Source: Primary data process with PLS 3.0, 2020

Assurance does not have a significant influence with internal control system in the financial audit opinion, whereas the test results show the value of the beta coefficient of assurance on audit opinion through the internal control system of 0.162 and t-statistics that is equal to 1.429. From these results stated t-statistically significant, because <1.96 with a p-value of 0.154> 0.05 so as to prove that assurance has not been proven to have a positive influence on audit opinion through the internal control system as an intervening variable.

 Consulting has a significant influence with internal control system in the financial audit opinion, whereas the test results show that the beta consulting coefficient value of the audit opinion through the internal control system is 0.328 and the t-statistic is 2.872. From these results it is stated that the t-statistic is significant, because> 1.96 with a p-value of 0.004 <0.05 so consulting has a significant influence on audit opinion through the internal control system as an intervening variable.

Auditor Expertise has a significant influence with internal control system in the financial audit opinion, whereas the test results show that the value of the beta coefficient of auditor expertise on audit opinions through the internal control system is 0.711 and t-statistic is 4.529. It is stated that the t-statistic is significant, because> 1.96 with p-value 0.000 <0.05 so auditor's expertise is proven to have a positive influence on audit opinion through the internal control system as an intervening variable.

**Chapter 5**

**Research Costs And Schedule**

**5.1 Budget**

|  |  |  |
| --- | --- | --- |
| **No** | **Type of Expenditure** | **The proposed fee** |
|  |  | **Month 1** | **Month 2** |  |
| **1** | **Salary and wages** | **700.000,00** | **750.000,00** | **1.450.000,00** |
| **2** | **Consumables and Equipment** | **350.000,00** | **550.000,00** | **900.000,00** |
| **3** | **Travel Expense** | **500.000,00** | **525.000,00** | **1.025.000,00** |
| **4** | **Publications, Seminars, Reports** | **400.000,00** | **3.750.000,00** | **4.150.000,00** |
|  |  |  |  | **IDR 7.525.000,00** |

**5.2 Research schedule**

|  |  |
| --- | --- |
| **Activities** | **Month** |
| **February 2020** | **March 2020** |
| **Collecting References** |  |  |
| **Submission of Title** |  |  |
| **Proposal Making** |  |  |
| **Proposal Seminar** |  |  |
| **Proposal Improvement** |  |  |
| **Data collection** |  |  |
| **Data analysis** |  |  |
| **Preparation of reports** |  |  |
| **Results Seminar** |  |  |
| **Repair Report** |  |  |

**Closing**

Based on the result of data analysis and discussion, some conclusions are as follows:

1. Assurance does not have a significant influence in the Internal Control System.
2. Consulting has a significant influence in the Internal Control System.
3. Auditor Expertise has a significant influence in the Internal Control System.
4. Assurance does not have a significant influence in the Financial Audit Opinion.
5. Consulting has a significant influence in the Financial Audit Opinion.
6. Auditor Expertise has a significant influence in the Financial Audit Opinion.
7. Internal Control System has a significant influence in the Financial Audit Opinion.
8. Assurance does not have a significant influence with Internal Control System in the Financial Audit Opinion.
9. Consulting has a significant influence with Internal Control System in the Financial Audit Opinion.
10. Auditor Expertise has a significant influence with Internal Control System in the Financial Audit Opinion.

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