

## The Role of the Government Internal Supervisory Apparatus (APIP) in Improving the Quality of Local Government Financial Reports (a Case Study of the Tebing Tinggi City Inspectorate)

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### Abstract

*This study examines the role of the Government Internal Supervisory Apparatus (APIP) in improving the quality of local government financial reports, focusing on the Tebing Tinggi City Inspectorate. A qualitative case study approach was used, involving seven informants from the Tebing Tinggi City Inspectorate, including auditors and senior officials involved in the financial report review process. Data collection methods included interviews, observations, and document reviews. The findings reveal that APIP plays a pivotal role in enhancing the quality of financial reports by conducting thorough reviews, implementing the Government Internal Control System (SPIP), and following up on audit recommendations. These actions have led to the Tebing Tinggi City Government receiving an unqualified opinion (WTP) from the Supreme Audit Agency (BPK) for seven consecutive years. The study further highlights the importance of continuous internal supervision, particularly in detecting and addressing financial irregularities such as overpayments. Despite the success, challenges like limited human resources and the need for further training in risk-based auditing were identified. This research underscores the effectiveness of APIP's role in strengthening accountability, transparency, and the overall quality of regional government financial management. Recommendations include enhancing coordination with the BPK, improving auditor competence, and ensuring ongoing capacity-building initiatives to address existing gaps and future challenges in local government financial oversight.*

**keywords:** APIP; Financial Report; Audit

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### INTRODUCTION

Financial reports are a form of accountability for state financial management in a period as stated in Government Regulation No. 8 of 2006. Financial reports are a form of accountability for government financial performance to the public which must be presented in a quality manner in order to provide financial report information according to the qualitative characteristics of Government Regulation No. 71 of 2010 (Mubarok et al., 2022; Safkaur et al., 2025; Wijaya & Solikhi, 2022; Zamzami & Rakhman, 2023).

Quality financial reports are very necessary for interested parties as a basis for decision making and to demonstrate the accountability of local governments in carrying out their authority and responsibilities in managing the organization (Alhazmi et al., 2025; Anto & Yusran, 2023; Nhung Dao Thi & Dao Thi, 2022). In order for the resulting financial reports to have good quality, an effective internal control system is needed. The party that conducts the audit of the Regional Government Financial Report (LKPD) is the Supreme Audit Agency (BPK) which has the aim of providing an opinion which is a professional statement of the audit of the fairness of the financial information presented in the financial report (D. A. D. Nasution, 2024; S. M. Nasution et al., 2024; Pangemanan et al., 2023; Yuandina, 2024).

An Unqualified Opinion (WTP) is a reflection of the success of a local government's performance in managing regional finances. When the Supreme Audit Agency issues an unqualified opinion, it means that the financial statements are presented and disclosed fairly and with quality. The better the implementation of Government Accounting Standards, the better the quality of the financial reports produced by local governments.

In the context of government, the internal oversight function is carried out by the Government Internal Supervisory Apparatus (APIP), which acts as an internal auditor within government agencies. This is explained in Government Regulation Number 60 of 2008 concerning the Government Internal Control System (SPIP). The APIP has the important task of providing adequate assurance regarding the compliance, economy, efficiency, and effectiveness of the implementation of government agencies' duties and functions (Pratiwi et al., 2022; Wihatmono et al., 2025; Winarna et al., 2021).

The Internal Supervisory Apparatus of Regional Governments plays a crucial role in determining the quality of Regional Government Financial Reports and providing opinions from the Supreme Audit Agency. In terms of assessing the implementation of organizational policies and taking corrective action against deviations, the supervisory role is essential to ensure the organization achieves its goals efficiently and effectively, particularly those related to financial reporting in regional government agencies. An optimal supervisory role also determines the success of achieving the principles of good and clean governance in government agencies, particularly in expediting follow-up on audit results.

Regional government financial reports must be reviewed by the Regional Inspectorate before being submitted to the Supreme Audit Agency (BPK). This review aims to ensure that the financial reports comply with the SAP and provide limited assurance regarding the reliability of the information presented. The review report serves as the basis for the Government Internal Supervisory Apparatus to issue a statement of review, which serves as a supporting document for the signing of the statement of responsibility by the Regional Head. The statement of responsibility of the Regional Head is attached to the financial reports submitted to the Supreme Audit Agency (Minister of Home Affairs Regulation No. 4 of 2018).

However, in practice, the quality of local government financial reports still frequently faces various problems. The results of audits by the Supreme Audit Agency (BPK) on the financial reports of several local governments still show findings such as weaknesses in internal control systems, non-compliance with laws and regulations, and misrepresentations in the financial reports. This indicates that the role of APIP in providing guidance, supervision, and internal audits is not yet optimal. Furthermore, in the field, the Supreme Audit Agency (BPK) issued an Unqualified Opinion (AQI) for the Tebing Tinggi City Government's financial reports for 7 (seven) consecutive years from 2018 to 2024 (IHPS II BPK RI 2024).

Although the Tebing Tinggi City Government was able to achieve an Unqualified Opinion for 7 (seven) consecutive years, if examined more deeply there are still a number of notes from the Audit Board of Indonesia regarding the Unqualified Opinion obtained by the Tebing Tinggi City Government as recommendations for immediate improvement (Report of the North Sumatra Audit Board on the Financial Report of the Tebing Tinggi City Government). There are still findings of overpayments for official travel expenses and payments for fuel expenditures that do not comply with the provisions, which is one example that there are still weaknesses and suboptimal control and supervision carried out by the Government Internal Supervisory Apparatus.

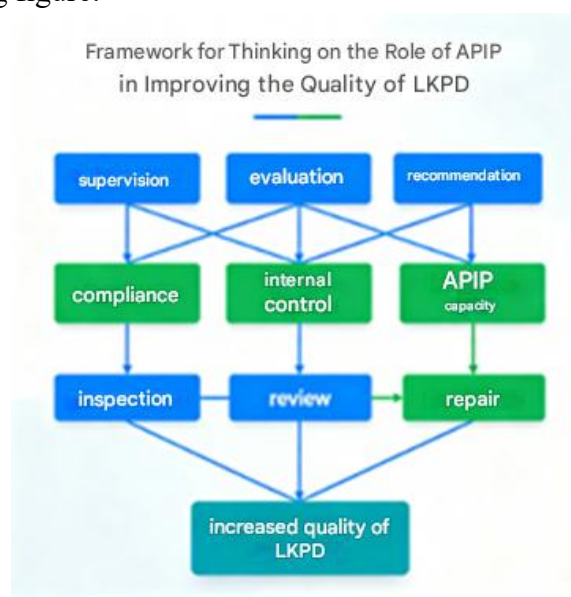
Based on the description above, this study aims to analyze the role of the Government Internal Supervisory Apparatus (APIP) in improving the quality of local government financial reports, by conducting a case study of the Tebing Tinggi City Inspectorate. The results are expected to contribute to efforts to strengthen internal oversight functions and improve accountability in regional financial management in the future.

## METHOD

This research used a case study approach. The case study approach allows researchers to gain a comprehensive understanding of the process, communication dynamics, internal policies, supporting and inhibiting factors that influence the effectiveness of the APIP role as well as strategic recommendations in strengthening the role of internal supervision. This research was conducted at the Tebing Tinggi City Inspectorate starting from October to November 2025. The research informants were APIP members who were included in the 2024 LKPD review team selected using Purposive Sampling Technique.

There were 7 (seven) informants consisting of 1 (one) structural official as Assistant Inspector for Government Affairs I and deputy person in charge of the team, 1 (one) middle auditor as the team's technical controller, 1 (one) junior auditor as the team leader, and 4 (four) first auditors as team members including the researcher. These seven informants were considered the most relevant to provide information in accordance with the title of this research because they were directly involved in the implementation of the LKPD review.

Researchers can also explore information from the perspectives and experiences of informants at different levels. Data collection was conducted through literature as a means of obtaining initial information before conducting the research. Furthermore, data collection was conducted through in-depth interviews, documentation, and participant observation, aimed at the review team for the 2024 Tebing Tinggi City Regional Government Financial Report. Data analysis was carried out using data reduction, data presentation, and conclusion drawing techniques as described by Miles & Huberman (1994). The research framework is shown in the following figure:



**Figure 1.** Framework of Thought

## RESULT AND DISCUSSION

This research was conducted at the Tebing Tinggi City Inspectorate, which is the supervisory element for the implementation of regional government. The Inspectorate's primary function is to provide guidance and supervision of the implementation of government affairs within the Tebing Tinggi City Government, including ensuring the accountability and quality of regional government financial reports.

In carrying out its duties, the Inspectorate has several audit areas, each led by an Assistant Inspector (Irban). One of the units focused on in this research is Irban Pemerintahan I, which is responsible for the review and audit of the Regional Government Financial Report (LKPD). This study involved seven informants, selected purposively based on their roles and direct involvement in the financial report review and audit process. The informants were as follows:

**Table 1. Research Informants**

No	Position/Role	Informant Code	Description
1	Assistant Inspector for Government Affairs I (Deputy Team Leader)	A1	Structural Official
2	Middle Auditor (Technical Team Controller)	A2	Technical Controller for LKPD Review
3	Junior Auditor (Team Leader)	A3	Operational Audit Manager
4	First Auditor (Team Member)	A4	Review and Field Audit Implementer
5	First Auditor (Team Member)	A5	First Auditor (Team Member)
6	First Auditor (Team Member)	A6	First Auditor (Team Member)
7	First Auditor (Team Member Including Researcher)	A7	First Auditor (Team Member Including Researcher)
<b>Total</b>		7	

These informants were selected because they were considered to have a comprehensive understanding of internal oversight mechanisms, the financial report review process, and the interaction between the Internal Supervisory Apparatus (APIP) and the regional apparatus that prepares the financial reports. To obtain an in-depth picture of the role of the Internal Government Supervisory Apparatus (APIP) in improving the quality of local government financial reports, researchers conducted in-depth interviews with seven key informants directly involved in the review process of the Tebing Tinggi City LKPD. The results of the interviews with these informants are presented in Table 2 to facilitate readership and thematic analysis of the APIP's role within the Tebing Tinggi Inspectorate.

**Table 2. Research Interview Results**

No	Interview Theme/Focus	Informant Code	Statement
1	The Role of the APIP in Financial Report Reviews	A3 - Junior Auditor (Team Leader)	So, the APIP's role in the LKPD process includes various oversight functions, such as auditing, monitoring, and mentoring. At the Tebing Tinggi APIP, we also assist in the preparation of the LKPD, so we deploy two teams: one to assist as partners to ensure compliance with laws and

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No	Interview Theme/Focus	Informant Code	Statement
			regulations, and the other to evaluate the LKPD or LPPD established by the city government.
2		A2- Auditor Madya (Technical Controller)	This review is important as a quality control. We made many corrections in the early stages, especially for fixed assets and cash in the expense treasury. If not corrected, it can have an impact on the BPK's opinion
3	The Role of the APIP in Implementing the SPIP	A1 - Assistant Inspector	We believe that the SPIP is not just a formality. Now, each OPD has a risk identification and mitigation plan. We've been promoted to level 3 for several years, meaning the system is starting to be well-managed.
4		A5- First Auditor	Previously, many regional government agencies (OPDs) didn't have risk management documents. After our support, they began to realize the importance of SPIP (Standardized Risk Management Report) to prevent reporting errors.
5	Fraud Detection and Prevention	A4 - First Auditor	We focus on high-risk areas such as procurement. Last year, we discovered excessive payment transactions and immediately recommended action.
6		A6- First Auditor	We don't just look for errors, we also provide guidance. For example, if a document is incomplete, we will immediately guide the treasurer to be orderly and follow established SOPs.
7	Impact of Oversight on Audit Opinions and LKPD Quality	A1 - Assistant Inspector	We are proud that for the seventh consecutive year, the Supreme Audit Agency (BPK) has received an Unqualified Opinion (WTP) on the Tebing Tinggi LKPD. This is the result of collaborative efforts, but the oversight function of the Audit Agency (APIP) is crucial.
8	Obstacles to Oversight	A3 - Junior Auditor	The main obstacle is limited human resources and time. The number of auditors is not commensurate with the number of OPDs being reviewed. Not all auditors have received training in LKPD review. One auditor is not an accounting graduate. Budget efficiency concerns have limited the implementation of APIP training by the government.
9	APIP Capacity Building Efforts	A2 - Middle Auditor	We continue to participate in training on risk-based audits and technology-based financial reviews. With the support of the Financial and Development Supervisory Agency (BPKP) and the Supreme Audit Agency (BPK), APIP competencies are increasingly improving.

In addition to presenting the results of individual interviews, researchers also conducted data reduction and grouping to obtain thematic patterns that more comprehensively illustrate the role of the APIP. This thematic analysis was conducted by reviewing all interview data, supporting documents, and observations obtained in the field. To provide a more comprehensive understanding, a summary of field findings based on key themes, supporting data, and their implications for the quality of local government financial reports is presented in the following table:

**Table 3. Summary of Field Findings Based on Main Themes**

<b>Main Themes</b>	<b>Field Findings</b>	<b>Data Support</b>	<b>Implications for Financial Report Quality</b>
<b>Financial Report Review</b>	Reviews of the Regional Financial Report (LKPD) are conducted routinely, and several administrative and significant findings were identified that were corrected before submission to the Supreme Audit Agency (BPK).	Review Report (LHR) of the 2024 LKPD	Reducing the risk of material errors and improving report accuracy
<b>SPIP Implementation</b>	SPIP maturity has increased from level 2 to level 3 in recent years.	SPIP Evaluation Report 2020-2024	Improving the effectiveness of internal control
<b>Fraud Detection and Prevention</b>	Several cases of administrative irregularities, including overpayments, were discovered, all of which have been followed up.	2024 routine audit report	Strengthening accountability and transparency in financial management
<b>BPK Opinion Improvement</b>	The opinion has increased from Unqualified to Unqualified (WDP) for the past seven years.	This is the audit report (LHP) from the North Sumatra representative office of the Supreme Audit Agency (BPK RI).	Demonstrates the effectiveness of APIP supervision of the quality of the Regional Public Accountants' Report (LKPD).
<b>Internal Constraints</b>	Limited number of auditors and timeframe for conducting reviews	Interview results and internal inspectorate reports	Strategies to strengthen human resources and audit technology are needed

Based on the recapitulation results in Table 3, it can be concluded that the role of the Government Internal Supervisory Apparatus (APIP) at the Tebing Tinggi City Inspectorate has been effective in supporting the improvement of the quality of local government financial reports. Through financial report reviews, SPIP maturity assessments, and the implementation of risk-based audits, APIP has been able to strengthen internal control and ensure regional apparatus compliance with Government Accounting Standards (SAP). Furthermore, field findings indicate a strong correlation between the intensity of internal supervision and the improvement of audit opinions from the Supreme Audit Agency (BPK). This demonstrates that a consistent and professional internal supervisory function has a direct impact on regional financial transparency and accountability.

The research results show that the internal oversight function carried out by the Tebing Tinggi City Inspectorate through the Government Internal Supervisory Apparatus (APIP) is able to strengthen the quality of local government financial reports by: (1) conducting reviews before submitting reports to external auditors; (2) increasing the maturity of the internal control system (SPIP); and (3) implementing risk-based audits to detect potential irregularities.

These findings are consistent with national studies showing that APIP capability, SPIP maturity, and follow-up on audit recommendations have a positive effect on the quality of local government financial reports. For example, research by Analysis of Government Internal Supervisory Apparatus on the Quality of Local Government Financial Reports Throughout Indonesia found that "APIP capability, SPIP Maturity, and follow-up on audit recommendations also have a positive effect on the quality of local government financial reports" (Ramadhan & Wijaya, 2023). In accordance with the Minister of Home Affairs Regulation (Permendagri) Number 48 of 2021, which regulates the obligation of a minimum of 120 hours per year for an activity, this Permendagri also regulates the Planning, Guidance, and Supervision of Regional Government Implementation in 2022.

Furthermore, another study by Financial Statement Quality in the Public Sector: Internal Control Over Reporting as a Moderating Factor shows that the internal control system has an important moderating function in determining the quality of financial reports in the public sector (Putri et al., 2025). However, this study also found obstacles such as limited auditor human resources and high workloads, which is in line with the results of the study by Determinants of Government Internal Audit Quality, which confirmed that auditor competence and independence significantly influence internal audit quality (Sitorus, 2025).

## CONCLUSION

This research, based on in-depth interviews, observations, and documentation from seven Tebing Tinggi City Inspectorate informants, concludes that the Government Internal Supervisory Apparatus (APIP) plays a strategic role in enhancing regional financial report quality through reviews, monitoring audit follow-ups, and assessing Government Internal Control System (SPIP) maturity, thereby boosting accountability and transparency—as evidenced by the Supreme Audit Agency (BPK)'s consistent Unqualified Opinion on the city's LKPD for seven years. Recommendations emphasize improved APIP-BPK coordination for synergistic audit coaching, adherence to 120 annual training hours per Minister of Home Affairs Regulation Number 48 of 2021, and full government support for inspectorate activities. For future research, a comparative study across multiple regions could explore contextual factors influencing APIP effectiveness and scalable strategies for nationwide SPIP maturity.

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