Government policy in the field of audit and financial audit infrastructure on the smoothness of the supply chain and its implications on financial management compliance

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A B S T R A C T

The aim of this research is to analyze the influence of government policies in the field of audit and financial audit infrastructure in improving the smoothness of the supply chain and its implications for financial management compliance in regional apparatus organizations (OPD) within the Serang City Government, Banten Province, Indonesia. The sample in this study was 225 respondents consisting of 19 from Regional Apparatus Organizations (OPD) within the Serang City Government. Sampling technique using technique purposive sampling. Data collected through questionnaires was then analyzed using SEM-PLS. The results of research and data analysis show that: Government Policy in the Audit Sector directly has a positive and significant effect on the smoothness of the Supply Chain; Financial Audit Infrastructure directly has a positive and significant effect on the smooth running of the Supply Chain; Government Policy in the Audit Sector directly has a positive and significant effect on Financial Management Compliance; The government's Financial Audit Infrastructure directly has a positive and significant effect on Financial Management Compliance; The smoothness of the Supply Chain directly has a positive and significant effect on Financial Management Compliance in Regional Apparatus Organizations (OPD) within the Serang City Government, Banten Province, Indonesia. The smoothness of the Supply Chain is able to partially mediate Government Policy in the Field of Audit and Financial Audit Infrastructure on Management Compliance in Regional Apparatus Organizations (OPD) within the Serang City Government, Banten Province, Indonesia.

1. Introduction

Good governance is a dream for every country (Franks et al., 1997), including Indonesia. One of the main pillars of good governance is principled and accountable financial management. Good and principled financial management will minimize the potential for irregularities and misuse of state finances (Sathye, 2008). Good financial management is one of the main pillars in realizing accountable and transparent government (Harvey, 2004). This is important because state finances are a people's trust which must be used for the greatest prosperity of the people (Allen & Koshima, 2018).

Good and accountable financial management is one of the main pillars in realizing a clean and authoritative government (Sellami & Gafsi, 2020). This becomes increasingly important in the context of state financial management, where the use of public funds must be carried out transparently and responsibly. The Serang City Government as one of the government administrators at the regional level has the responsibility to manage regional finances effectively, efficiently, transparency and accountability (Anggraini & Riharjo, 2017). To achieve this goal, the government has issued various policies in the field of audit and financial audit infrastructure (Pebrianti & Aziza, 2019).

These policies are expected to increase accountability and transparency in regional financial management (Liang et al., 2023). However, in reality, there are still several problems in financial management in the Serang City Government, such as BPK audit findings which still show irregularities and weaknesses in financial management, the level of compliance with regulations and legislation is still low, and the quality of reports is still low Finance (Anggraini & Riharjo, 2017).

These problems can be caused by several factors, one of which is the lack of optimal government policies in the field of audit and financial audit infrastructure (Pebrianti & Aziza, 2019). Government policies in the field of audit and financial audit infrastructure have a strategic role in ensuring the smooth supply chain and compliance with financial management in Serang City government agencies (Anasta & Ambarwati, 2023).By understanding the importance of financial audits and audit infrastructure, as well as their impact on supply chains and financial management, this research aims to provide relevant policy recommendations for local governments in optimizing financial performance and transparency (Meissner, 2018).

Compliance with financial management within Serang City government agencies is an important factor in ensuring the effective and efficient use of public funds, achieving regional development goals and targets, preventing and eradicating corruption, and increasing public trust in the government (Anasta & Ambarwati, 2023). Apart from that, the government has an important role in creating good financial governance through establishing policies in the field of audit and financial audit infrastructure, strengthening the capacity of officials in managing finances, and increasing supervision and control over financial management (Fabozzi & Peterson, 2003).

Financial audit infrastructure is a framework that supports the implementation of financial audits, which includes: audit systems and processes, human resources, and facilities and infrastructure (Hallerberg et al., 2009). Based on the results of the BPK's examination of the Serang City LKPD for the 2021 Fiscal Year, there are several problems in financial management, including: Findings of irregularities and non-compliance with statutory regulations, weaknesses in the internal control system, and lack of apparatus discipline in financial management (Anasta & Ambarwati, 2023).

The Indonesian government has issued various policies in the field of audit and financial audit infrastructure to increase accountability and transparency in state financial management. These policies include: Law Number 15 of 2004 concerning Auditing of State Financial Management and Responsibility, Government Regulation Number 60 of 2008 concerning Procedures for Implementing Audits of State Financial Management and Responsibility, Presidential Decree Number 19 of 2014 concerning Reform Teams State Financial Governance, Minister of Finance Regulation Number 177/PMK.01/2008 concerning General Guidelines for Government Internal Audit (Anasta & Ambarwati, 2023).

These policies aim to: increase the effectiveness and efficiency of financial audits; strengthening financial audit infrastructure; improving the quality of auditors; increasing accountability and transparency in state financial management; smooth supply chain and compliance with financial management; A smooth supply chain is very important to ensure the effectiveness and efficiency of financial management in government services (Ramakrishna, 2015). A smooth supply chain can help government agencies to obtain the goods and services they need on time and at reasonable prices, avoid waste and financial leaks, increase accountability and transparency in financial management (Walter, 2011).

Compliance with financial management in government services is also very important to ensure accountability and transparency in the use of the state budget (Braun, 2019). Compliance with financial management can help government agencies to avoid budget irregularities, increase public trust in the government, and improve the quality of public services (Chan & Xiao, 2009). Compliance with financial management in government institutions is very important to create a clean and authoritative government (Aluchna & Kuszewski, 2020). Efforts to improve compliance with financial management must be carried out on an ongoing basis and involve all relevant parties (Keating et al., 2005).

Government agencies in Serang City still face several obstacles in terms of smooth supply chains and compliance with financial management, including: lack of coordination between agencies, lack of financial audit infrastructure, lack of quality auditors, and still high levels of budget irregularities (Anasta & Ambarwati, 2023). Government policies in the field of audit and financial audit infrastructure have a significant influence on the smooth supply chain and compliance with financial management in government services (Pillai et al., 2021). It is hoped that this research can contribute ideas to improve the smoothness of the supply chain and compliance with financial management in Serang City government agencies.

This research aims to analyze the influence of government policy in the field of audit and financial audit infrastructure on compliance with financial management in the Serang City Government Service.Based on several expert opinions and gap phenomena that have been found, researchers are interested in reviewing this research with the theme of Government Policy in the Field of Audit and Financial Audit Infrastructure on the Smoothness of the Supply Chain, and the Implications for Compliance with Financial Managementat Regional Apparatus Organizations (OPD) within the Serang City Government.

2. Literature Review

2.1 The Relationship between Government Policy in the Field of Audit and the Smoothness of the Supply Chain

Government policy in the field of audit is an important instrument for realizing good governance (Albersmeier et al., 2009). By carrying out effective and efficient audits, it is hoped that state and organizational financial management can become more

accountable, transparent and effective (Andersen & Skjoett-Larsen, 2009). Government policies in the field of auditing have an important role in increasing transparency, accountability, efficiency and effectiveness of supply chains in government institutions (Zu & Kaynak, 2012). This ultimately helps realize good governance and improve public services (Lee & Whang, 2005). An effective audit policy can increase accountability and transparency in the process of procuring goods and services (Sarpong, 2014). This can help minimize budget misuse and ensure that the procurement process runs well (Childerhouse & Towill, 2004). Audits can help prevent and detect fraud in the supply chain process, such as fraud, corruption and collusion (Childerhouse & Towill, 2003). This can help maintain a smooth supply chain and ensure that government agencies receive goods and services at reasonable prices and of high quality (Ul-Hameed et al., 2019).

An effective audit policy can help improve supply chain efficiency and effectiveness (Turker & Altuntas, 2014). This can be achieved by minimizing waste and budget leaks, increasing the speed and accuracy of the procurement process, and strengthening coordination between agencies involved in the supply chain (Sheu et al., 2006). Effective audit policies can increase public trust in government institutions (Andersen & Skjoett-Larsen, 2009). This is important because public trust is one of the key factors that supports the smooth running of the supply chain (Tong et al., 2022). In an effort to improve the smooth running of the supply chain, of course an important role that must be paid close attention to is government policy in the field of auditing, this is very crucial because to make the supply chain run smoothly, it needs support from government policy in the field of auditing which is good as a database in determining a decision for the agency Government (Tong et al., 2022). This is confirmed by research conducted by (Childerhouse & Towill, 2003, 2004; Sarpong, 2014; Ul-Hameed et al., 2019; Yadav & Singh, 2020) which states that Government Policy in the Audit Sector is able to significantly influence the Smoothness of the Supply Chain (Hamdan & Basrowi, 2024; Purwaningsih et al., 2024).

H₁: *Government policy in the audit sector influences the smooth running of the supply chain.*

2.2 The Relationship of Financial Audit Infrastructure to the Smoothness of the Supply Chain

Financial audit infrastructure and the smooth running of supply chains in government institutions have an interrelated and mutually reinforcing relationship (Angelucci & Conforti, 2010). An effective financial audit can reveal inefficiencies and abuse in the supply chain process (Gunasekaran & Ngai, 2005). This can encourage increased transparency and accountability in the management of funds and resources (Geary et al., 2006). High transparency and accountability increase the trust of stakeholders, including suppliers and contractors, which ultimately streamlines the supply chain process (L. Wang et al., 2022). Financial audits can identify and assess risks related to the supply chain, such as the risk of fraud, delivery delays, and poor product quality (Neeraja et al., 2014). By knowing these risks, government agencies can take steps to mitigate them, thereby minimizing disruption to the smooth running of the supply chain (Singh et al., 2021). Financial audits can provide recommendations to improve the efficiency and effectiveness of supply chain processes (Wuttke et al., 2013). These recommendations may include streamlining processes, using technology, and developing better procurement systems (Dutta et al., 2020). Implementing these recommendations can speed up the process and reduce costs in the supply chain (Wuttke et al., 2013). Financial audits can assess the adequacy of internal controls in the supply chain process (Singh et al., 2021). Strong internal controls can prevent fraud and errors, thereby increasing the smoothness and reliability of the supply chain (Geary et al., 2006). Financial audits can ensure that government agencies comply with rules and regulations related to the supply chain (Neeraja et al., 2014). Compliance with regulations can avoid sanctions and fines, as well as maintain the reputation of government institutions (Angelucci & Conforti, 2010). This increases accountability, transparency, efficiency and effectiveness of financial management, as well as increasing stakeholder trust (Gunasekaran & Ngai, 2005). This is achieved through increasing transparency, accountability, risk mitigation, efficiency, effectiveness, internal control and compliance with regulations (Singh et al., 2021).

In the smooth running of the supply chain, of course an important role that must be paid close attention is the financial audit infrastructure, this is very crucial because to run the supply chain smoothly, the role of the financial audit infrastructure is needed to increase transparency for all parties (L. Wang et al., 2022). This is confirmed by research conducted by(Field & Meile, 2008; A. Kumar et al., 2020; R. Kumar et al., 2015; Quang et al., 2016; Silvestro & Lustrato, 2014) which states that the Financial Audit Infrastructure is able to significantly influence the smooth running of the Supply Chain (Hadi et al., 2019; Miar et al., 2024).

H₂: *Financial Audit Infrastructure influences the Smoothness of the Supply Chain.*

2.3 The Relationship between Government Policy in the Field of Audit and Compliance with Financial Management

Government policy in the field of audit has a close relationship with compliance with financial management in government institutions (Sawmar & Mohammed, 2021). This policy is an important instrument to ensure that state financial management is carried out in a transparent, accountable and accountable manner (Hardouin, 2011). Audit policies, such as Law Number 15 of 2004 concerning Auditing of Management and Responsibility of State Finances, require government institutions to carry out regular financial audits (Anasta & Ambarwati, 2023). The results of this audit become a control tool to ensure compliance with financial management regulations and standards (Hardouin, 2011). The audit process can find and identify potential irregularities and fraud in financial management (Peecher et al., 2013). This helps prevent misuse of public funds and increases accountability (Hodgdon et al., 2009). Audit findings and recommendations can be used as input for government institutions

to improve the quality of financial management (Cohen & Leventis, 2013). This encourages the creation of systems and procedures that are more transparent, effective and efficient (Liu & Lin, 2012). Effective and transparent audit policies can increase public trust in the government (Libby et al., 2015). The public will feel confident that public funds are used responsibly and accountability (Gao & Kling, 2012).

Government policy in the field of audit has an important role in ensuring compliance with financial management in government institutions (Rainsbury et al., 2009). This policy helps prevent and detect irregularities early, improve the quality of financial management, and strengthen public trust (Liu & Lin, 2012). Compliance with financial management is important for every organization to ensure that the organization's finances are used effectively, efficiently, transparency and accountability (Hodgdon et al., 2009). Compliance with Financial Management is a fundamental foundation for an organization to achieve its goals (Libby et al., 2015). Good financial management will help an organization achieve its vision, mission and goals (Cohen & Leventis, 2013).

In increasing compliance with financial management, of course an important role that must be paid close attention to is government policy in the field of auditing, this is very important considering that the two are interconnected in terms of agency accountability (Rainsbury et al., 2009). This is confirmed by research conducted by (Alzeban, 2018, 2019; Garcia-Blandon et al., 2018; Kabuye et al., 2018; Pamungkas et al., 2019) which states that Government Policy in the Audit Sector is able to significantly influence Financial Management Compliance (Alexandro & Basrowi, 2024a, 2024b; Mulyani & Basrowi, 2024).

H₃: *Government policy in the audit sector influences financial management compliance.*

2.4 The Relationship of Financial Audit Infrastructure to Financial Management Compliance

Financial audit infrastructure is a framework that supports the implementation of financial audits, which includes audit systems and processes, human resources, and facilities and infrastructure (Iyoha & Oyerinde, 2010). Financial management compliance refers to the level of compliance of an entity with statutory regulations and accounting standards in managing its finances (Graves & Dollery, 2009). A strong and effective financial audit infrastructure can help improve financial management compliance (Aluchna & Kuszewski, 2020). This is because good audit infrastructure can help detect and prevent irregularities and fraud (Mulyani & Basrowi, 2024; Yusuf et al., 2024), increase accountability and transparency in financial management, and increase apparatus discipline in managing finances (Allen & Koshima, 2018). On the other hand, weak financial audit infrastructure can cause low financial management compliance (Harvey, 2004). This is because weak audit infrastructure can facilitate the occurrence of irregularities and fraud, reduce accountability and transparency in financial management, and reduce apparatus discipline in managing finances (Walter, 2011). A strong and effective financial audit infrastructure is an important factor in increasing compliance with financial management in government institutions (Braun, 2019). Therefore, the government needs to continue to strive to improve its financial audit infrastructure so that state financial management can be carried out in a transparent, accountable and accountable manner (Pillai et al., 2021). In compliance with financial management, of course, an important role that must be paid close attention to is the financial audit infrastructure, this is also very important, because to comply with financial management, it is necessary to manage the financial audit infrastructure which is of course in accordance with the conditions of the agency (Meissner, 2018). This is confirmed by research conducted by (Aikins, 2011; Graves & Dollery, 2009; Iyoha & Oyerinde, 2010; Sunardi et al., 2022; Woodroof & Searcy, 2001) which states that the Financial Audit Infrastructure is able to significantly influence Financial Management Compliance.

H₄: *Financial Audit Infrastructure Influences Financial Management Compliance.*

2.5 The Relationship between a Smooth Supply Chain and Compliance with Financial Management

The smooth supply chain has a significant influence on financial management compliance (Pakurár et al., 2019). With a smooth Supply Chain, companies can save costs, increase profits, and improve compliance with regulations and accounting standards (Chen et al., 2019). The smoothness of the Supply Chain has a close relationship with the Compliance of Financial Management in government institutions (Jasmi & Fernando, 2018). A smooth Supply Chain minimizes the risk of shortages of raw materials or finished products, so that government agencies do not need to stockpile excessively (Cho et al., 2012). This helps save inventory costs (Pillai et al., 2021). Apart from that, a smooth supply chain ensures that the process of procuring goods and services runs efficiently, thereby minimizing waste and budget leaks (Gunasekaran et al., 2004). And a smooth supply chain makes it possible to choose optimal modes of transportation and distribution channels, thereby minimizing shipping costs (Grimm et al., 2014). Then a smooth supply chain ensures goods and services are available on time, so that government funds can be used efficiently and effectively (Tseng, 2011). A smooth Supply Chain minimizes the risk of delays in the procurement of goods and services, so that government projects can proceed according to plan (Moretto et al., 2019). A smooth Supply Chain ensures the availability of raw materials and work tools needed, thereby increasing the productivity of government officials (Jiang, 2009). The smooth supply chain can be optimized with information technology (Soenyono & Basrowi, 2020), thereby increasing transparency and accountability in the process of procuring goods and services (Y. Wang et al., 2008). A smooth Supply Chain minimizes opportunities for corruption in the process of procuring goods and services (Ramakrishna, 2015). A smooth supply chain increases public trust in government financial management (Gunasekaran et al., 2004). Therefore, a smooth supply chain is very important to improve financial management compliance

in government institutions (Grimm et al., 2014). With a smooth Supply Chain, government agencies can save costs, increase efficiency, and increase transparency and accountability in financial management (Gunasekaran et al., 2004).

In compliance with financial management, of course an important role that must be considered is the important role of the smooth running of the supply chain. This is confirmed by research conducted by (Chen et al., 2019; Cho et al., 2012; Jasmi & Fernando, 2018; Pakurár et al., 2019; Y. Wang et al., 2008) which states that a smooth supply chain can significantly influence financial management compliance (I Gusti Gede Heru Marwanto Basrowi, 2020; Marwanto et al., 2020; Suwarno Basrowi, 2020).

H₅: *Smooth Supply Chain on Financial Management Compliance.*

3. Research Methods

3.1 Research design

The research method used uses associative quantitative research methods by looking for relationships between variables, data collection is carried out using survey techniques using questionnaires distributed to respondents.

3.2 Types of research

The type of research used in this research is causality research, namely research that seeks explanations in the form of cause-effect relationships between several concepts or several variables or several strategies developed in management (Sugiyono, 2015). This research is directed at describing the existence of a causal relationship between several situations described in the variables, and on that basis a general conclusion is drawn (Ferdinand, 2014).

3.3 Place and time of research

The location of the research was Serang City, Banten Province, Indonesia. The research was conducted over a period of 3 months, starting from December 2023 to February 2024.

3.4 Population and Sample

Population is a combination of all elements in the form of events, things or people who have similar characteristics which is the center of attention of a researcher because it is seen as a research universe (Ferdinand, 2014).

Table 1
Research Instruments

No	Variables	Indicators	Item No
1	Financial Management Compliance Financial Management Compliance is an obligation for every organization, both public and private sectors, to carry out financial management in accordance with applicable laws and regulations.	Percentage of budget that has been realized in accordance with regulations.	FMC1
		Number of audit findings and follow-up actions.	FMC2
		Level of compliance with accounting standards.	FMC3
		Level of waste and financial leakage.	FMC4
		Openness of financial information to the public.	FMC5
		Level of community participation in the budgeting process.	FMC6
		Timeliness of submission of financial reports.	FMC7
2	Smooth Supply Chain is a key factor that influences the success of a business, with a smooth Supply Chain, businesses can serve customers better, reduce costs and increase profits.	Measures how quickly inventory is sold and replaced.	SSC1
		High inventory turnover indicates a smooth flow of goods and efficiency in inventory management.	SSC2
		Measures the percentage of customer orders that can be fulfilled on time and accurately.	SSC3
		A high level of availability shows the Supply Chain's ability to meet customer demand effectively.	SSC4
		The time it takes to get goods from ordering until goods are received.	SSC5
		Short lead times indicate a smooth ordering, production and delivery process.	SSC6
		The accuracy of the company's inventory records compared to the actual physical inventory.	SSC7
		High inventory accuracy is important to ensure item availability and avoid unnecessary ordering of items.	SSC8
		The time required to complete one production cycle, from ordering raw materials until the finished product is sent to the customer.	SSC9
		Short cycle times indicate the overall efficiency of the Supply Chain.	SSC10
		Costs incurred for transportation, storage and delivery of goods.	SSC11
		Low logistics costs indicate efficiency in managing the flow of goods.	SSC12
		Measuring the percentage of delivery of goods received by customers on time and complete as ordered.	SSC13
		On-Time In Full/High (OTIF) indicates reliability and trust in the Supply Chain.	SSC14

Table 1

Research Instruments (Continued)

No	Variables	Indicators	Item No
3	Government Policy in the Field of Audit is a set of rules and regulations that regulate the implementation of audits in various sectors, both public and private.	Percentage of entities audited.	GPFA1
		Level of Unqualified Opinion (WTP) on audit results.	GPFA2
		Number of follow-up actions to audit recommendations.	GPFA3
		Level of public access to audit result information.	GPFA4
		Time required to complete the audit.	GPFA5
		Audit fees per entity.	GPFA6
		Level of user satisfaction with audit results.	GPFA7
		Number of audit findings indicating fraud and corruption.	GPFA8
		The level of auditor compliance with audit standards.	GPFA9
		Number of auditors who have professional certification.	GPFA10
		Auditor's level of success in detecting fraud and corruption.	GPFA11
		The level of satisfaction of the audited entity with the audit process.	GPFA12
		The existence and effectiveness of an internal audit quality control system.	GPFA13
		Level of auditor independence.	GPFA14
		Level of transparency of the audit process.	GPFA15
		Level of auditor accountability.	GPFA16
4	Financial Audit Infrastructure is a framework that supports the implementation of financial audits which includes the systems, processes and resources needed to carry out financial audits effectively and efficiently.	There are documented and standardized financial audit standards or guidelines.	FAI1
		There is an information system that supports the audit process, such as an audit document management system, an audit results reporting system, and an audit risk management system.	FAI2
		Implementation of an effective audit risk management process to identify, assess and mitigate audit risks.	FAI3
		There is a process of monitoring and evaluating audit quality periodically.	FAI4
		Availability of competent and experienced auditors, demonstrated by educational qualifications, audit certification, and work experience in the field of financial audit.	FAI5
		Use of the latest audit tools and techniques, such as the use of information technology to support the audit process.	FAI6
		There is a continuous professional training and development program for auditors to improve competency.	FAI7
		A conducive work environment for auditors, which includes a culture of integrity, independence and adequate support from leadership.	FAI8

The population in this study were employees at 19 Regional Apparatus Organizations (OPD) within the Serang City Government. A sample is a subset of a population, consisting of several members of the population (Moleong, 2021). This subset is taken because in many cases it is impossible for us to examine all members of the population, therefore we form a representative population called a sample (Ferdinand, 2014). The technique for determining the number of samples refers to the opinion of Ferdinand (2014), namely a minimum of 5 times the number of indicators. The number of indicators for the 4 variables is 45 indicators, so the total sample is 225 respondents. The sampling technique used is purposive sampling, namely sampling of population members is carried out randomly taking into account the conditions that exist in the population to be studied, each population has the same opportunity as the others to be selected as members of the sample (Ferdinand, 2014). Table 1 summarizes the data collection instruments (Grid).

3.5 Method of collecting data

The data used in this research uses secondary data and primary data. Secondary data was taken from BPS statistical data for Serang City, Banten Province and from other reliable sources. The research theory study was also taken from several references from relevant previous research, from electronic data references and from library references (Ghozali, 2015). Meanwhile, the primary research data uses data obtained from questionnaire data. The method for collecting data is to use accidental sampling techniques (Ghozali, 2018).

3.6 Data analysis method

The data analysis used in this research is quantitative analysis. Quantitative analysis is used to answer problems using Partial Least Square (PLS) analysis (Hair & Brunsveld, 2019). PLS as an alternative to Structural Equation Modeling, which has a weak theoretical basis, can be used as theory confirmation (Hair et al., 2017). PLS is a method that uses the SEM (Structural Equation Modeling) model which is used to overcome the problem of relationships between complex variables but the data sample size is small. The SEM method has a minimum data sample size of 100 (Ghozali & Latan, 2017).

4. Results

4.1 Outer Model Testing

The PLS analysis carried out begins with the Outer Model which measures the validity test with loading factors (Hair & Brunsveld, 2019). For indicators of each variable that are less than 0.6, the loading factor value will be dropped from the model (Hair et al., 2014). The results of the convergent validity test after the invalid indicators were dropped from the complete model are in the following table:

Table 2
Outer Model

	Financial Audit Infrastructure	Financial Management Compliance	Government Policy in the Field of Audit	Smooth Supply Chain
FAI1	0.801			
FAI2	0.771			
FAI3	0.806			
FAI4	0.823			
FAI5	0.727			
FAI6	0.856			
FAI7	0.814			
FAI8	0.778			
FMC1		0.838		
FMC2		0.883		
FMC3		0.900		
FMC4		0.902		
FMC5		0.819		
FMC6		0.815		
FMC7		0.801		
GPFA1			0.722	
GPFA10			0.741	
GPFA11			0.776	
GPFA12			0.757	
GPFA13			0.745	
GPFA14			0.758	
GPFA15			0.779	
GPFA16			0.787	
GPFA2			0.791	
GPFA3			0.786	
GPFA4			0.765	
GPFA5			0.816	
GPFA6			0.762	
GPFA7			0.751	
GPFA8			0.812	
GPFA9			0.771	
SSC1				0.762
SSC10				0.754
SSC11				0.762
SSC12				0.769
SSC13				0.786
SSC14				0.791
SSC2				0.804
SSC3				0.756
SSC4				0.745
SSC5				0.823
SSC6				0.790
SSC7				0.756
SSC8				0.800
SSC9				0.773

Source: Processed data, 2024.

Then a discriminant validity test was carried out. The Financial Audit Infrastructure value was 0.918; Financial Management Compliance of 0.937; Government Policy in the Field of Audit was 0.949; and Smooth Supply Chain of 0.942. So it can be concluded that the model has met discriminant validity.

Table 3
Construct Validity and Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Audit Infrastructure	0.918	0.922	0.933	0.637
Financial Management Compliance	0.937	0.937	0.949	0.726
Government Policy in the Field of Audit	0.949	0.952	0.954	0.567
Smooth Supply Chain	0.942	0.946	0.949	0.572

Source: Processed data, 2024.

Based on the table, it can be seen that the Cronbach's Alpha value for all constructs is > 0.6, where the acceptable limit value for Cronbach's alpha is greater than 0.6 (Hair et al., 2011). Thus, all constructs have met construct reliability.

4.2 Inner Model Testing

Inner model describes the relationship between latent variables based on substantive theory. In assessing the model with PLS, start by looking at the R-squares for each dependent latent variable. The results of inner model testing can see the relationship between constructs by comparing the significance and R-square values of the research model (Ghozali & Latan, 2017).

Table 4

R-Squares Value

Endogenous Variables	R-Square
Smooth Supply Chain	0.836
Financial Management Compliance	0.812

Source: Processed data, 2024.

The R-square value of the Supply Chain Smoothness variable is 0.836 in Table 4, showing that 83.6 percent of the Supply Chain Smoothness variable is explained by the Government Policy variables in the Field of Audit and Social Media Utilization, while 16.4 percent is explained by variables outside the model. Likewise, the variable Financial Management Compliance with an R-Square value of 0.812 means that 81.2 percent of the variability is explained by the variables Government Policy in the Field of Audit, Financial Audit Infrastructure, and Smooth Supply Chain, while 18.8 percent is explained by the variable outside the model. The R-square value as shown in Table 4 is 0.836 and 0.812, which means moderate. The Q2 value of structural model testing is carried out by looking at the Q2 value (predictive relevance). To calculate Q2 you can use the formula:

$$Q2 = 1 - (1-R12)(1-R22) = 1 - (1-0.836)(1-0.812) = 0.969.$$

The results of Q2 calculations show that the Q2 value is 0.969. According to Hair et al., (2012), the Q2 value can be used to measure how good the observation values produced by the model and its parameter estimates are. The Q2 value>0 (zero) indicates that the model is said to be good enough, while the Q2 value<0 (zero) indicates that the model lacks predictive relevance. In this research model, the construct or endogenous latent variable has a value of Q2>0 (zero) so that the predictions made by the model are considered relevant.

4.3 Direct Effect Testing

Hypothesis testing regarding the influence of Government Policy variables in the Field of Audit, Financial Audit Infrastructure, Smooth Supply Chain, Compliance with Financial Management is presented in Fig. 1.
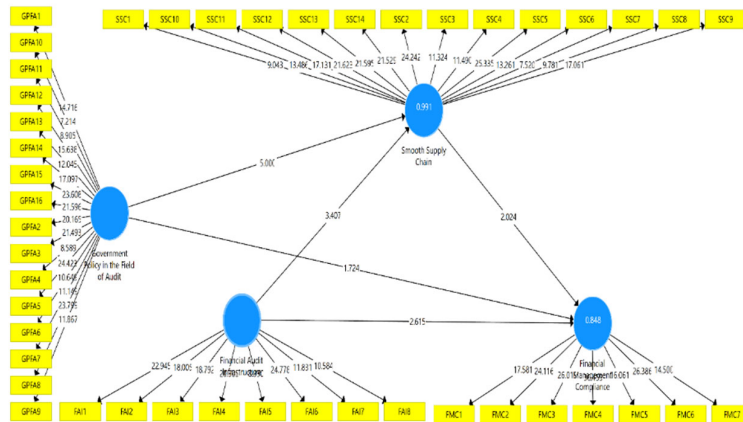

Fig. 1. Statistical t value of the Path Analysis Model
Source: Processed data, 2024

Testing of hypotheses in the PLS method is carried out using simulations for each hypothesized relationship, in this case the bootstrap method is carried out on the sample. The bootstrap method also functions to minimize the problem of non-normality of the research data used. In this study, the T-table value with a significance of 5% was previously determined to be 1.652. All path coefficients have statistical t values above 1.652.

Table 5

Direct Effect

	T Statistics	T Table	P Values	Information
Financial Audit Infrastructure → Financial Management Compliance	2.615	1.652	0.010	Positive and Significant
Financial Audit Infrastructure → Smooth Supply Chain	3.407	1.652	0.001	Positive and Significant
Government Policy in the Field of Audit → Financial Management Compliance	1.724	1.652	0.026	Positive and Significant
Government Policy in the Field of Audit → Smooth Supply Chain	5.000	1.652	0.000	Positive and Significant
Smooth Supply Chain → Financial Management Compliance	2.024	1.652	0.037	Positive and Significant

Source: Processed data, 2024.

The results of the path coefficient obtained in the first hypothesis between Government Policy in the Audit Sector and the Smoothness of the Supply Chain obtained the T Value$_{Statistics}$As big as5,000 ≥ 1.652 with a significant P-Value value of 0.000 ≤ 0.05, it is concluded that there is a significant influence between Government Policy in the Audit Sector on the Smoothness of the Supply Chain. A positive value on the path coefficient means that the better the Government Policy in the Audit Sector, the better the smoothness of the Supply Chain. The results of the path coefficient obtained in the second hypothesis between Financial Audit Infrastructure and the Smoothness of the Supply Chain obtained a T value$_{Statistics}$As big as3.407 ≥ 1.652 with a significant P-Value value of 0.001 ≤ 0.05, it is concluded that there is a significant influence between Financial Audit Infrastructure on the Smoothness of the Supply Chain. A positive value on the path coefficient means that the better the Financial Audit Infrastructure, the better the smoothness of the Supply Chain. The path coefficient results obtained in the third hypothesis are betweenGovernment Policy in the Audit Sector on Financial Management Compliance obtained a TStatistics value of 1.724 ≥ 1.652 with a significant P-Value value of 0.026 ≤ 0.05, it was concluded that there was a significant influence between Government Policy in the Audit Sector on Financial Management Compliance. A positive value on the path coefficient means that the better the Government Policy in the Audit Sector, the better the Compliance with Financial Management. The path coefficient results obtained in the fourth hypothesis between Financial Audit Infrastructure and Financial Management Compliance obtained the T value$_{Statistics}$As big as2.615 ≥ 1.652 with a significant P-Value value of 0.010 ≤ 0.05, it is concluded that there is a significant influence between Financial Audit Infrastructure on Financial Management Compliance. A positive value on the path coefficient means that the better the Financial Audit Infrastructure, the better the Financial Management Compliance. The results of the path coefficient obtained in the fifth hypothesis between Supply Chain Smoothness and Financial Management Compliance are obtained by the T value$_{Statistics}$As big as2.024 ≥ 1.652 with a significant P-Value value of 0.037 ≤ 0.05, it is concluded that there is a significant influence between the smooth supply chain on financial management compliance. A positive value on the path coefficient means that the better the supply chain, the better the financial management compliance.

Table 6
Direct Effect

	T Statistics	T Table	P Values	Information
Financial Audit Infrastructure → Smooth Supply Chain → Financial Management Compliance	3.880	1.652	0.000	Positive and Significant
Government Policy in the Field of Audit → Smooth Supply Chain → Financial Management Compliance	4.007	1.652	0.000	Positive and Significant

Source: Processed data, 2024.

From the results of the analysis of Specific Indirect Effects in the sixth hypothesis using SmartPLSV.3.2.9 as in Table 6 Specific Indirect Effects above, it was found that the relationship between Government Policy in the Audit Sector and Compliance with Financial Management through the mediation of a Smooth Supply Chain obtained a value of TStatistics = 4.007 ≥ 1.652, P-Value 0.000 ≤ 0.05 is positive. A positive value on the path coefficient means that the better the Government Policy in the Audit Sector, the better the Compliance with Financial Management through a Smooth Supply Chain. Apart from that, the results of the analysis of Specific Indirect Effects in the seventh hypothesis using SmartPLSV.3.2.9 as in table 6 Specific Indirect Effects above found that the relationship between Financial Audit Infrastructure and Compliance with Financial Management through the mediation of a Smooth Supply Chain obtained a value of TStatistics =3,880≥ 1.652, P-Value 0.000 ≤ 0.05 is positive. A positive value on the path coefficient means that the better the Financial Audit Infrastructure, the better the Compliance with Financial Management through a Smooth Supply Chain.

5. Discussion

The Influence of Government Policy in the Field of Audit on the Smoothness of the Supply Chain

Based on the findings from the research results, the first hypothesis can be interpreted as that Government Policy in the Audit Sector can have a positive and significant influence on the Smoothness of the Supply Chain in Regional Apparatus Organizations (OPD) within the Serang City Government. This means that the increasing Government Policy in the Audit Sector will increase the smoothness of the Supply Chain in Regional Apparatus Organizations (OPD) within the Serang City Government. This research is confirmed by research conducted by (Childerhouse & Towill, 2003, 2004; Sarpong, 2014; Ul-Hameed et al., 2019; Yadav & Singh, 2020) which states that Government Policy in the Audit Sector is able to significantly influence the Smoothness of the Supply Chain. Government policy in the field of audit is an important instrument for realizing good governance (Albersmeier et al., 2009). By carrying out effective and efficient audits, it is hoped that state and organizational financial management can become more accountable, transparent and effective (Andersen & Skjoett-Larsen, 2009). Government policies in the field of auditing have an important role in increasing transparency, accountability, efficiency and effectiveness of supply chains in government institutions (Zu & Kaynak, 2012). This ultimately helps realize good governance and improve public services (Lee & Whang, 2005). An effective audit policy can increase accountability and transparency in the process of procuring goods and services (Sarpong, 2014). This can help minimize budget misuse and ensure that the procurement process runs well (Childerhouse & Towill, 2004). Audits can help prevent and detect fraud in the supply chain process, such as fraud, corruption and collusion (Childerhouse & Towill, 2003). This can help maintain a smooth

supply chain and ensure that government agencies receive goods and services at reasonable prices and of high quality (Ul-Hameed et al., 2019). An effective audit policy can help improve supply chain efficiency and effectiveness (Turker & Altuntas, 2014). This can be achieved by minimizing waste and budget leaks, increasing the speed and accuracy of the procurement process, and strengthening coordination between agencies involved in the supply chain (Sheu et al., 2006). Effective audit policies can increase public trust in government institutions (Andersen & Skjoett-Larsen, 2009). This is important because public trust is one of the key factors that supports the smooth running of the supply chain (Tong et al., 2022). This research provides the meaning that in an effort to improve the smoothness of the Supply Chain, it is also necessary to improve Government Policy in the Field of Audit in Regional Apparatus Organizations (OPD) within the Serang City Government. If government policy in the field of auditing in companies can be improved, it will have a significant impact on the smooth running of the supply chain (Himmatul & Junaedi, 2024; Saeri et al., 2024; Shofwa et al., 2024).

The Influence of Financial Audit Infrastructure on the Smoothness of the Supply Chain

Based on the findings from the research results, the second hypothesis means that the Financial Audit Infrastructure can have a positive and significant influence on the smoothness of the Supply Chain in Regional Apparatus Organizations (OPD) within the Serang City Government. This means that the increasing financial audit infrastructure will increase the smooth supply chain of regional apparatus organizations (OPD) within the Serang City Government. This research is confirmed by research conducted by (Field & Meile, 2008; A. Kumar et al., 2020; R. Kumar et al., 2015; Quang et al., 2016; Silvestro & Lustrato, 2014) which states that the Financial Audit Infrastructure is able to significantly influence the smooth running of the Supply Chain. Financial audit infrastructure and the smooth running of supply chains in government institutions have an interrelated and mutually reinforcing relationship (Angelucci & Conforti, 2010). An effective financial audit can reveal inefficiencies and abuse in the supply chain process (Gunasekaran & Ngai, 2005). This can encourage increased transparency and accountability in the management of funds and resources (Geary et al., 2006). High transparency and accountability increase the trust of stakeholders, including suppliers and contractors, which ultimately streamlines the supply chain process (L. Wang et al., 2022). Financial audits can identify and assess risks related to the supply chain, such as the risk of fraud, delivery delays, and poor product quality (Neeraja et al., 2014). By knowing these risks, government agencies can take steps to mitigate them, thereby minimizing disruption to the smooth running of the supply chain (Singh et al., 2021). Financial audits can provide recommendations to improve the efficiency and effectiveness of supply chain processes (Wuttke et al., 2013). These recommendations may include streamlining processes, using technology, and developing better procurement systems (Dutta et al., 2020). Implementing these recommendations can speed up the process and reduce costs in the supply chain (Wuttke et al., 2013). Financial audits can assess the adequacy of internal controls in the supply chain process (Singh et al., 2021). Strong internal controls can prevent fraud and errors, thereby increasing the smoothness and reliability of the supply chain (Geary et al., 2006). Financial audits can ensure that government agencies comply with rules and regulations related to the supply chain (Neeraja et al., 2014). Compliance with regulations can avoid sanctions and fines, as well as maintain the reputation of government institutions (Angelucci & Conforti, 2010). This increases accountability, transparency, efficiency and effectiveness of financial management, as well as increasing stakeholder trust (Gunasekaran & Ngai, 2005). This is achieved through increasing transparency, accountability, risk mitigation, efficiency, effectiveness, internal control and compliance with regulations (Singh et al., 2021). This research means that in an effort to improve the smoothness of the Supply Chain, it is also necessary to improve the Financial Audit Infrastructure in Regional Apparatus Organizations (OPD) within the Serang City Government. If the company's financial audit infrastructure can be improved, it will have a significant impact on the smooth running of the supply chain.

The Influence of Government Policy in the Audit Sector on Financial Management Compliance

Based on the findings from the research results, the third hypothesis can be interpreted that Government Policy in the Audit Sector can have a positive and significant influence on Financial Management Compliance in Regional Apparatus Organizations (OPD) within the Serang City Government. This means that the increasing Government Policy in the Audit Sector will increase Financial Management Compliance (Himmatul et al., 2024; Kharis et al., 2024; Lisaria et al., 2024). This research is confirmed by research conducted by (Alzeban, 2018, 2019; Garcia-Blandon et al., 2018; Kabuye et al., 2018; Pamungkas et al., 2019) which states that Government Policy in the Audit Sector is able to significantly influence Financial Management Compliance. Government policy in the field of audit has a close relationship with compliance with financial management in government institutions (Sawmar & Mohammed, 2021). This policy is an important instrument to ensure that state financial management is carried out in a transparent, accountable and accountable manner (Hardouin, 2011). Audit policies, such as Law Number 15 of 2004 concerning Auditing of Management and Responsibility of State Finances, require government institutions to carry out regular financial audits (Anasta & Ambarwati, 2023). The results of this audit become a control tool to ensure compliance with financial management regulations and standards (Hardouin, 2011). The audit process can find and identify potential irregularities and fraud in financial management (Peecher et al., 2013). This helps prevent misuse of public funds and increases accountability (Hodgdon et al., 2009). Audit findings and recommendations can be used as input for government institutions to improve the quality of financial management (Cohen & Leventis, 2013). This encourages the creation of systems and procedures that are more transparent, effective and efficient (Liu & Lin, 2012). Effective and transparent audit policies can increase public trust in the government (Libby et al., 2015).

The public will feel confident that public funds are used responsibly and accountably (Gao & Kling, 2012). Government policy in the field of audit has an important role in ensuring compliance with financial management in government institutions (Rainsbury et al., 2009). This policy helps prevent and detect irregularities early, improve the quality of financial management, and strengthen public trust (Liu & Lin, 2012). Compliance with financial management is important for every organization to ensure that the organization's finances are used effectively, efficiently, transparently and accountably (Hodgdon et al., 2009). Compliance with Financial Management is a fundamental foundation for an organization to achieve its goals (Libby et al., 2015). Good financial management will help an organization achieve its vision, mission and goals (Cohen & Leventis, 2013). This research provides the meaning that in an effort to improve Financial Management Compliance, it is also necessary to improve Government Policy in the Field of Audit in Regional Apparatus Organizations (OPD) within the Serang City Government. If Government Policy in the Audit Sector in companies can be improved, it will have a significant impact on Financial Management Compliance.

The Influence of Financial Audit Infrastructure on Financial Management Compliance

Based on the findings from the research results, the fourth hypothesis means that Financial Audit Infrastructure can have a positive and significant influence on Financial Management Compliance in Regional Apparatus Organizations (OPD) within the Serang City Government. This means that the increasing financial audit infrastructure will increase financial management compliance. This research is confirmed by research conducted by (Aikins, 2011; Graves & Dollery, 2009; Iyoha & Oyerinde, 2010; Sunardi et al., 2022; Woodroof & Searcy, 2001) which states that the Financial Audit Infrastructure is able to significantly influence Financial Management Compliance. Financial audit infrastructure is a framework that supports the implementation of financial audits, which includes audit systems and processes, human resources, and facilities and infrastructure (Iyoha & Oyerinde, 2010). Financial management compliance refers to the level of compliance of an entity with statutory regulations and accounting standards in managing its finances (Graves & Dollery, 2009). A strong and effective financial audit infrastructure can help improve financial management compliance (Aluchna & Kuszewski, 2020). This is because good audit infrastructure can help detect and prevent irregularities and fraud, increase accountability and transparency in financial management, and increase apparatus discipline in managing finances (Allen & Koshima, 2018). On the other hand, weak financial audit infrastructure can cause low financial management compliance (Harvey, 2004). This is because weak audit infrastructure can facilitate the occurrence of irregularities and fraud, reduce accountability and transparency in financial management, and reduce apparatus discipline in managing finances (Walter, 2011). A strong and effective financial audit infrastructure is an important factor in increasing compliance with financial management in government institutions (Braun, 2019). Therefore, the government needs to continue to strive to improve its financial audit infrastructure so that state financial management can be carried out in a transparent, accountable and accountable manner (Pillai et al., 2021). This research provides the meaning that in an effort to improve Financial Management Compliance, it is also necessary to improve the Financial Audit Infrastructure in Regional Apparatus Organizations (OPD) within the Serang City Government. If the company's financial audit infrastructure can be improved, it will have a significant impact on financial management compliance.

The Influence of a Smooth Supply Chain on Financial Management Compliance

Based on the findings from the research results, the fifth hypothesis can be interpreted that the smoothness of the Supply Chain can have a positive and significant influence on Financial Management Compliance in Regional Apparatus Organizations (OPD) within the Serang City Government. This means that as the smoothness of the Supply Chain increases, financial management compliance will increase. This research is confirmed by research conducted by (Chen et al., 2019; Cho et al., 2012; Jasmi & Fernando, 2018; Pakurár et al., 2019; Y. Wang et al., 2008) which states that a smooth supply chain can significantly influence financial management compliance. The smooth supply chain has a significant influence on financial management compliance (Pakurár et al., 2019). With a smooth Supply Chain, companies can save costs, increase profits, and improve compliance with regulations and accounting standards (Chen et al., 2019). The smoothness of the Supply Chain has a close relationship with the Compliance of Financial Management in government institutions (Jasmi & Fernando, 2018). A smooth Supply Chain minimizes the risk of shortages of raw materials or finished products, so that government agencies do not need to stockpile excessively (Cho et al., 2012). This helps save inventory costs (Pillai et al., 2021). Apart from that, a smooth supply chain ensures that the process of procuring goods and services runs efficiently, thereby minimizing waste and budget leaks (Gunasekaran et al., 2004). And a smooth supply chain makes it possible to choose optimal modes of transportation and distribution channels, thereby minimizing shipping costs (Grimm et al., 2014). Then a smooth supply chain ensures goods and services are available on time, so that government funds can be used efficiently and effectively (Tseng, 2011). A smooth Supply Chain minimizes the risk of delays in the procurement of goods and services, so that government projects can proceed according to plan (Moretto et al., 2019). A smooth Supply Chain ensures the availability of raw materials and work tools needed, thereby increasing the productivity of government officials (Jiang, 2009). The smooth supply chain can be optimized with information technology, thereby increasing transparency and accountability in the process of procuring goods and services (Wang et al., 2008). A smooth Supply Chain minimizes opportunities for corruption in the process of procuring goods and services (Ramakrishna, 2015). A smooth supply chain increases public trust in government financial management (Gunasekaran et al., 2004). Therefore, a smooth supply chain is very important to improve financial management

compliance in government institutions (Grimm et al., 2014). With a smooth Supply Chain, government agencies can save costs, increase efficiency, and increase transparency and accountability in financial management (Gunasekaran et al., 2004). This research provides the meaning that to improve Financial Management Compliance, it is also necessary to improve the Smoothness of the Supply Chain in Regional Apparatus Organizations (OPD) within the Serang City Government. If the company's supply chain can be improved, it will have a significant impact on financial management compliance.

The Influence of Government Policy in the Field of Audit and Financial Audit Infrastructure on Financial Management Compliance through a Smooth Supply Chain

Based on the findings from the research results, the sixth and seventh hypotheses can be interpreted that Government Policy in the Field of Audit and Financial Audit Infrastructure can have a positive and significant influence on Financial Management Compliance through a Smooth Supply Chain in Regional Apparatus Organizations (OPD) within the Serang City Government. This means that through the mediation of a smooth supply chain in companies, government policy in the field of audit and financial audit infrastructure has had a significant positive impact on financial management compliance in regional apparatus organizations (OPD) within the Serang City Government. The findings of this research indicate that a smooth supply chain significantly increases financial management compliance by moderating the relationship between government policy in the field of audit and financial audit infrastructure on financial management compliance in regional apparatus organizations (OPD) within the Serang City Government. This also shows how the smoothness of the Supply Chain in Regional Apparatus Organizations (OPD) within the Serang City Government can significantly influence the relationship between Government Policy in the Audit Sector and Financial Audit Infrastructure on Financial Management Compliance, and the type of mediation carried out, namely partial mediation with the type Competitive partial mediation can have an impact both directly and indirectly on Financial Management Compliance in Regional Apparatus Organizations (OPD) within the Serang City Government. This shows that the independent variable has a strong ability both directly and indirectly on the dependent variable, and competitive partial mediation occurs if the coefficient is positive.

6. Conclusion

The aim of this research is to analyze the influence of government policy in the field of audit and financial audit infrastructure on the smooth running of the supply chain and its impact on financial management compliance in regional apparatus organizations (OPD) within the Serang City Government. Based on the discussion of the findings in this research, it can be concluded that Government Policy in the Field of Audit and Financial Audit Infrastructure directly has a positive and significant effect on the smoothness of the Supply Chain in Regional Apparatus Organizations (OPD) within the Serang City Government; Apart from that, Government Policy in the Audit Sector, Financial Audit Infrastructure and the Smoothness of the Supply Chain directly has a positive and significant effect on Financial Management Compliance in Regional Apparatus Organizations (OPD) within the Serang City Government; The smoothness of the Supply Chain is able to partially mediate the Government Policy in the Field of Audit and Financial Audit Infrastructure on Compliance with Financial Management in Regional Apparatus Organizations (OPD) within the Serang City Government, Banten Province, Indonesia. So it can be concluded that in an effort to improve Financial Management Compliance in Indonesia, important factors that must be improved include Government Policy in the Audit Sector, Financial Audit Infrastructure, and Smooth Supply Chain.

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