

## INTERNAL CONTROL SYSTEM EVALUATION IN THE GOVERNMENT OF MALAKA REGENCY, INDONESIA

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### ABSTRACT

This study aims to analyze and describe the internal control system evaluation in the Government of Malaka Regency, especially in the control environment, through a case study with a qualitative approach. The results show that the internal control system evaluation in the Government of Malaka Regency, particularly in the control environment of *Organisasi Perangkat Daerah* (OPD) or the Regional Official Organization, and its eight sub-organizations, has varying risk levels. *Badan Kepegawaian dan Pengembangan Sumber Daya Manusia* (BKPSDM) or the Personnel and Human Resources Development Agency, *Dinas Pekerjaan Umum, Perumahan Rakyat dan Kawasan Permukiman* (DPUPRKP) or the Public Works, Public Housing, and Settlement Areas Department, and *Bank Karya Produksi Desa* (BKPD)<sup>1</sup> are one of the OPDs in Malaka Regency that have a low-risk level, a moderate-risk level, and a high-risk level consecutively. The risk levels of each OPD are determined based on the risk cases. It is found that several OPDs can determine their risk level and describe the risk cases, including causes, impact, guidance, and work program to improve the control environment. On the other hand, some OPDs can provide a risk level without being able to describe the risk cases. In contrast, some OPDs can only describe their risk cases without being able to determine the risk level. Risk cases can be categorized into two concepts: competence and integrity. This study points out that OPD employees' competence and integrity at Malaka Regency are not ideal, so based on *Sistem Pengendalian Intern Pemerintah* (SPIP), or the Government Internal Control System, the risk level of those OPD employees are assumed to be high.

### KEY WORDS

Evaluation, internal control system, government.

Based on Presidential Regulation Number 60 of 2008 concerning the Government Internal Control System and Presidential Regulation number 192 of 2014 concerning the Financial and Development Supervisory Agency *Badan Pengawasan Keuangan dan Pembangunan* (BPKP), BPKP of East Nusa Tenggara Province has carried out an assessment of SPIP maturity level in the Government of Malaka Regency in 2016. The assessment is registered in a report number LAP 52/PW24/3/2017 dated March 30, 2017, containing the following issues.

SPIP was focused on 25 aspects at the entity level and main activities level. The results elaborate that the SPIP is at the developing level with a score of 2.0844. The SPIP maturity level is on level 2 of 5.

Table 1 – Results of 2016 SPIP Evaluation at Malaka Regency

No	SPIP Aspects	Maturity Level	Weight	Score
1	Control environment	2.7500	30.00%	0.8625
2	Risk Assessment	0.0000	20.00%	0.0000
3	Control Activities	2.6376	25.00%	0.6594
4	Information & Communication System	3.0000	10.00%	0.3000
5	Monitoring	2.0000	15.00%	0.3000
			100.00%	2.0844

<sup>1</sup> BKPD is a village-level business entity that serves to increase the production and exchange power of the village community products.

Source: BPKP, 2017.

The internal control implementation can be said to be competent in the control environment, control activities, and information and communication system. Nevertheless, the risk assessment and monitoring are not yet adequate because the Government of Malaka Regency does not have risk assessment guidelines, documentation of internal control system, or any Standard Operating Procedures, human resources empowerment programs, and optimal role of the inspectorate.

The assessment of the control environment based on the Implementation of SPIP at the Government of Malaka Regency in 2016 focused on eight aspects as follows:

1. Integrity and ethical values enforcement. SPIP implementation focused on assessing the integrity and ethical values enforcement that meet the developing criteria. In this case, infrastructure completeness and implementation can be seen in: (a) Regent Regulation to arrange the behavior and ethical values of the Civil Servant of the Government of Malaka Regency that refers to Government Regulation Number 53 of 2010 concerning Civil Servant Discipline; and (b) the Secretariat of Malaka Regency who has issued a letter Kepeg. 870/362/V/2016 regarding the socialization of Government Regulation Number 53 of 2010; and (c) leaders of *Satuan Kerja Perangkat Daerah* (SKPD), or Local Government Working Unit, issued work culture guidelines. In its implementation, the Regent of Malaka issued a written warning to employees who violate Government Regulation Number 53 of 2010 but without financial sanctions.
2. Commitment to competence. The SPIP implementation was centered on assessing commitment to competence that meets the criteria of “developing”. In its implementation, the Government of Malaka Regency has not entirely carried out promotions and transfers of government officials, which refers to Regent’s Regulations and Decrees.
3. Facilitative leadership. The focus of SPIP implementation was on facilitative leadership assessment that meets the level of “defined”. The Regent of Malaka and *Dewan Perwakilan Rakyat Daerah* (DPRD), or the Regional People’s Representative Assembly, of Malaka Regency have issued *Rencana Pembangunan Jangka Menengah Daerah* (RPJMD), or a Regional Regulation for the Regional Medium-Term Development Plan, and Strategic Plan of Malaka Regency which were arranged in *Rencana Kerja Pemerintah Daerah* (RKPD), or the Annual Regional Government Work Plan. The Regent of Malaka’s performance agreement in 2016 was a combination of performance targets of each SKPD in charge of performance. Based on the performance targets, SKPD heads will use their budgets for the implementation of the activities.
4. Adequate organizational structure. The SPIP implementation was centralized on assessing organizational structures that meet the criteria of “Managed and Measured”. The infrastructure completeness and implementation are in the form of (a) Regional Regulation Number 19 of 2016, dated December 13, 2016, issued by the Regent and DPRD of Malaka concerning the formation and composition of Regional Officials, which refers to Government Regulation Number 18 of 2016; (b) a decree concerning the appointment of officials, the organizational structure, and the description of procedures in SKPD based on size and nature of the activities issued by Regent of Malaka; and (c) a circular letter issued by the Secretariat of Malaka Regency that calls the related parties to realize the Decree of the Regent. At the SKPD level, the Secretariat of Malaka Regency periodically evaluates the adequacy of the organizational structure.
5. Appropriate delegation of powers and responsibilities. This aspect regulates the delegation of Regent’s authority to the Head of SKPD to carry out mandatory and optional duties. At another implementation stage, the Regent of Malaka has managed the implementation of *Anggaran Pendapatan dan Belanja Daerah* (APBD), or Regional Revenues and Expenditures Budget, by delegating authority to *Unit Layanan Pengadaan* (ULP), or the Procurement Service Unit, *Panitia Pemilihan*

*Kecamatan* (PPK), or District-level Election Committee, as well as officials involved in the administration and recording of financial transactions.

6. Trusty formulation and implementation of Human Resources (HR) development. In this regard, the implementation of SPIP was centralized at the trusty formulation and implementation of HR development that meets the criteria of “defined”. The efforts included (a) the issuance of a Decree Number Kepeg. 820/419/Kep/V/2016 concerning HR development, starting from recruitment process to dismissal from the Regent of Malaka, and (b) the issuance of a circular letter enforcing the Regent Decree to the leaders and staff of each SKPD from the Secretariat of Malaka Regency. The District Head and Leaders of SKPD have carried out HR development following the Regent’s Decree, among others, the confirmation letter of the Regent number Kepeg. 870/380/V/2016, dated July 22, 2016, regarding the affirmation of authority to transfer Civil Servants.
7. The realization of the role of *Aparat Pengawasan Intern Pemerintah* (APIP), or the Government Internal Supervisory Officials, on the effectiveness of SPIP. The SPIP implementation emphasized evaluating the role of APIP on the effectiveness of SPIP to meet the criteria of “developing”. The Regent of Malaka has issued a Decree Number 248/HK/2016 concerning the charter of internal supervision within the Government of Malaka Regency to the Malaka Regency Inspectorate. The Malaka Regency Inspectorate has issued an official memo regarding the role of APIP on the effectiveness of SPIP. The charter also described the work pattern between the Government of Malaka Regency with Auditors, Supervisory Agencies, and other Law Enforcement Agencies. The Secretariat of Malaka Regency also published a notification letter regarding the internal supervision charter to SKPD leaders, supervisory agencies, and law enforcement agencies. The Malaka Regency Inspectorate has started to work with relevant government agencies following the Regent Decree. The Government of Malaka Regency, through SKPD, also built a partnership with the Central Government or DPRD to manage mandatory and optional affairs.

Based on the descriptions, phenomena, and problems above, it is necessary to evaluate SPIP implementation in the Government of Malaka Regency through a study entitled “The Internal Control System Evaluation in Government of Malaka Regency”. This study is critical because, to date, previous researchers have never examined SPIP implementation in the Government of Malaka Regency. Therefore, it is hoped that with this study, researchers can appoint the weaknesses of SPIP implementation in the Government of Malaka Regency and provide solutions that can help the Government to realize fair and clean governance. This study aims to analyze and describe the internal control system evaluation in the Government of Malaka Regency, especially in terms of the control environment. The research objectives in this study are (1) integrity and ethical values enforcement; (2) commitment to competence; (3) facilitative leadership; (4) formation of adequate organizational structure; (5) appropriate delegation of powers and responsibilities; (6) trusty formulation and implementation of HR development; (7) realization of effective APIP; and (8) good coordination with related government agencies in the Government of Malaka Regency.

## LITERATURE REVIEW

### Definition of Control

Control is the fourth function and the end part of an activity. Griffin (in Nitisusastro, 2010) says that control is an observation of the goals achieved by a company. In other words, control is the process of making an organization achieve its goals (Suadi, 1995).

Several experts have expressed their opinion regarding the definition of control. Harold Koontz (in Hasibuan, 2006) mentions that control is the measurement and correction of subordinates’ performance to ensure that company’s plans to achieve goals can be done.

Suadi (1995) also believed that management control is an attempt to ensure that company resources are used effectively and efficiently to achieve company goals. Effective is different from efficient; effective is the ability to do the right things, while efficiency is the ability to do things in the right ways. Siswanto (2005) writes that management control is a systematic effort to obtain performance standards by planning, designing a feedback system, comparing the actual performance with the standards that have been established, determining the deviations, measuring the significance of the deviations, and performing a corrective action to ensure that all company resources are being used effectively and efficiently to achieve company goals.

### **Internal Control**

Libby, Libby, and Short (2008) identify internal control as a process used by companies to secure assets and provide adequate assurance related to the reliability of the company's financial reporting, the efficiency and effectiveness of company operations, and the suitability of company operations with the applicable rules and regulations. Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government Internal Control System states that the Internal Control System is an integral process of actions and activities established continuously by leaders and employees to provide adequate confidence in achieving organizational goals using effective and efficient activities, reliable financial reporting, safe assets, and compliance to laws and regulations.

Internal Control Systems, according to Government Regulation Number 60 of 2008, are "an integral process of actions and activities carried out continually by leaders and the subordinates to achieve organizational goals with the help of effective and efficient activities, trustworthy financial reporting, secured state assets, and fulfillment to laws and regulations". An internal control system is also defined as an integral process of actions and activities done by management (executives) and staffs to provide adequate assurance or confidence in achieving organizational goals through effective and efficient activities, reliable financial reporting, assets, and compliance to laws and regulations (Hasanah and Fauzi, 2016).

Apart from that, internal control is understood as policies, procedures, and information systems used to protect company assets from loss or corruption and to maintain financial data accuracy. The various explanations above give an understanding that an internal control system is an integrated process of an organization to ensure the achievement of organizational goals can be optimized using effective and efficient activities as well as coordinated and temporary methods and measures. This definition is then referred to as *Sistem Pengendalian Intern Pemerintah* (SPIP\_, or the Government Internal Control System. SPIP is an internal control system organized thoroughly by the Central Government and Local Governments (Widyatama and Novita, 2017).

### **SPIP and its Aspects**

SPIP is adopted from the concept of internal control issued by the COSO (The Committee of Sponsoring Organizations of the Treadway Commission), which seeks to improve the organizational performance and governance using Enterprise Risk Management, Internal Control, and Fraud Deterrence. COSO has a fundamental principle that good risk management and internal control are crucial for long-term success in all organizations.

Susanto (2008) underlines that the objectives of an internal control system are: (1) operational efficiency and effectiveness; (2) presentation of reliable financial statements; and (3) compliance with applicable laws and regulations. On the one hand, Mulyadi (2008) argues that the objectives of an effective internal control system include: (1) safeguarding the company assets and organizational records; (2) checking the accuracy and correctness of accounting data; (3) advancing company efficiency; and (4) ensuring that there are no deviations from the existing management policies. Akmal (2007), in another study, believes that the characteristics of effective internal control are: (1) clear; (2) Built for shared responsibility; (3) exact and accurate costs to achieve the goal; (4) well-documented; and (5) able to be inspected.

Whereas, the aspects of Internal Control System based on the Government Regulation of the Republic of Indonesia number 60 of 2008 concerning the Government Internal Control System are:

1. The control environment of government agencies' leaders. Leaders are required to create and maintain an environment that constructs positive and facilitative behavior for the application of Internal Control System in their work environment through (a) Integrity and ethical values enforcement; (b) Commitment to competence; (c) Facilitative leadership; (d) Formation of adequate organizational structure; (e) Appropriate delegation of powers and responsibilities; (f) Trusty formulation and implementation of human resource development; (g) Realization of effective government internal control officials; and (h) Good coordination with related Government Agencies.
2. The risk assessment of government agencies' leaders. Leaders are expected to; (a) Establish agency objectives in specific, measurable, achievable, realistic, and time-bound statements and directions; (b) Set the objectives at the activity level based on the objectives and strategic plans; (c) Identify risks; and (d) Conduct a risk analysis to determine its impact on the achievement of goals.
3. Control activities. This aspect consists of (a) reviews of the performance of the government agencies; (b) human resources development; (c) monitoring the management of information systems; (d) physical control on assets; (e) determination and review of performance indicators and measures; (f) separation of functions (g) Authorization of important transactions and events; (h) accurate and timely recording of transactions and events; (i) restrictions on access to resources and its records; (j) accountability to resources and its records; and (k) good documentation of the Internal Control System and significant transactions and events.
4. Information and communication. To have effective communication, leaders must at least (a) provide and utilize various forms and means of communication; and (b) manage, develop, and update information systems continuously.
5. Monitoring. Monitoring is established with the help of (a) routine management activities, supervision, comparison, reconciliation, and other actions related to the task implementation; (b) a separate evaluation that is conducted through self-assessment, review, and testing of internal control effectiveness; and (c) immediate follow-up based on recommendations from audits and other reviews.

## METHODS OF RESEARCH

This paper is a case study that was done using a qualitative approach. It took place in Malaka Regency, particularly at the Regional Official Organization (*Organisasi Perangkat Daerah* or OPD) of the Government of Malaka Regency. A purposive technique was used in this study to determine the informants and research location. Based on specific considerations, three OPDs with high, moderate, and low-risk levels were selected. The considerations were taken from the 2016 Technical Guidance Report on the Increasing Maturity of SPIP in the Government of Malaka Regency. This study focused on SPIP, and the sub-focus was on the control environment. The control environment is then outlined into (a) integrity and ethical values enforcement, (b) commitment to competence, (c) facilitative leadership, (d) formation of adequate organizational structure, (e) appropriate delegation of powers and responsibilities, (f) trusty formulation and implementation of human resource development, (g) realization of effective government internal control officials, and (h) good coordination with related government agencies. The data came from primary and secondary data collected through interviews, documentation, and observation. In this study, the data analysis adapted the technique of Miles and Huberman (2007), which include data reduction, data presentation, and conclusions or verification. Lastly, to validate the research results, the researchers used triangulation techniques.

## RESULTS AND DISCUSSION

### Research Results

This section will discuss the SPIP arranged by the OPDs in Malaka Regency in line with the research focus. The Internal Control System is a necessary process for actions and activities carried out continuously by Leaders and all employees to provide adequate confidence in achieving organizational goals through effective and efficient activities, reliable financial reporting, safe state assets, and compliance with laws and regulations. SPIP is an Internal Control System that is implemented by Central Government and Regional Governments comprehensively.

In Malaka Regency, not all OPDs have been evaluated by the Internal Control System. Table 2 presents the list of OPDs evaluated and evaluated for their SPIP:

Table 2 – OPDs that have been evaluated and OPDs that have not been evaluated for SPIP

Name of OPD			
No	Completed the SPIP Evaluation	No	Have not Completed the SPIP Evaluation
1	Regional Inspectorate	1	General Affairs
2	Personnel and Human Resources Development Agency	2	Governance and Regional Autonomy Affairs
3	Regional Development and Planning Agency	3	Law Affairs
4	Regional Financial and Revenue Management Agency	4	Public Relation and Master of Ceremony Affairs
5	Food Crops, Horticulture, and Plantation Department	5	Economic and Natural Resources Affairs
6	Education, Culture, Youth and Sports Department	6	Development Administration Affairs
7	Public Works, Public Housing, and Settlement Areas Department	7	Public Welfare Affairs
8	Investment and Integrated One-Stop Services Agency	8	Organizational Affairs
9	Public Health Service	9	Goods/Service Procurement Affairs
		10	DPRD Secretariat
		11	Social Service
		12	Human Resources and Transmigration Agency
		13	Population Control, Family Planning, Women's Empowerment, and Child Protection Agency
		14	Transportation and Environment Agency
		15	Information and Communication Agency
		16	Population and Civil Registration Agency
		17	Community and Village Empowerment Agency
		18	Industry, Cooperatives, Small and Medium Enterprises Agency
		19	Food Security and Fisheries Agency
		20	Tourism Agency
		21	Library and Archives Agency
		22	Municipal Police
		23	Regional Disaster Management Agency
		24	Border Management Agency
		25	National Unity and Politics Agency

Source: Findings Analyzed.

Table 2 confirms that out of 34 OPDs in Malaka Regency, nine OPDs had been evaluated for their SPIP in 2016. According to Government Regulation Number 60 of 2008 Concerning SPIP, SPIP evaluation is carried out periodically for one year for all OPDs. However, the reality is different.

Based on the SPIP evaluation on several OPDs mentioned above, the researchers found some risks in the SPIP sub-aspects. Risk itself is the possibility of an incident that will impact the goals or an event that threatens the achievement of the goals and objectives. In

this study, the risk refers to the number of SPIP control environment sub-aspects that cannot be fulfilled, as presented in Table 3.

Table 3 – Levels of SPIP Risk

No.	Sub-Aspects	Evaluated Risk Level of Each OPD*						
		BKPSDM <sup>2</sup>	DTPHP <sup>3</sup>	DPKPKO <sup>4</sup>	BP4D <sup>5</sup>	DPUPRPRKP <sup>6</sup>	DPMPTSP <sup>7</sup>	BPKPD <sup>8</sup>
1	Integrity and ethical values enforcement	-	-	-	-	-	-	-
2	Commitment to competence	-	-	-	-	-	-	-
3	Facilitative leadership	1	-	1	-	2	1	1
4	The formation of adequate organizational structure	1	-	2	3	-	1	5
5	Appropriate delegation of powers and responsibilities	1	-	-	1	-	-	-
6	Trusty formulation and implementation of human resource development	-	2	1	3	1	-	1
7	Realization of effective government internal control officials	1	2	1	1	2	3	6
8	Good coordination with related government agencies	-	-	-	-	2	-	1
	Risk Level	4	4	5	8	7	5	14

Source: Findings Analyzed.

Based on the data in Table 3, the highest total risk occurs on BPKPD with 14 points. Meanwhile, DPUPRPRKP has a moderate-risk level (7 points). In contrast, BKPSDM and DTPHP hold the lowest risk level (4 points). The data also show no risks found at the sub-aspects of integrity and ethical values enforcement and commitment to competence. On the other hand, the aspect of effective government internal control officials shows a high total risk level.

The realization of effective government internal control officials in BPKPD shows the highest risk level of 6 points because the sub-aspect is at a “developing” level. Nevertheless, even though the level of risk is relatively high, this sub-aspect can be said to be well-implemented. During the evaluation process, the Regent of Malaka issued a Decree number 248/HK/2016 concerning the Internal Control Charter within the Government of Malaka Regency. As a follow-up to the Decree above, the Regional Inspectorate of Malaka Regency issued a memo regarding the Internal Control Charter to serve as a guideline. The researchers concluded that an evaluation of several existing regulations was needed to be

<sup>2</sup> Personnel and Human Resources Development Agency.

<sup>3</sup> Food Crops, Horticulture, and Plantation Department.

<sup>4</sup> Education, Culture, Youth and Sports Department.

<sup>5</sup> Regional Development and Planning Agency.

<sup>6</sup> Public Works, Public Housing, and Settlement Areas Department.

<sup>7</sup> Investment and Integrated One-Stop Services Agency.

<sup>8</sup> Regional Financial and Revenue Management Agency.

adjusted and adapted to developments in implementing the primary duties and functions of OPDs.

## Discussion

According to COSO, the control environment is the first element of an internal control structure. The control environment includes the management and employees' attitude to the importance of control in the organization. One of the factors that influence the control environment is the management philosophy (single management in a partnership or joint management in a company) and management operating style (progressive or conservative), organizational structure (centralized or decentralized), and personnel practices. This control environment is vital because it forms the basis for the effectiveness of other internal control aspects. Therefore, this research focuses on examining the internal control system in the aspects of the control environment.

Leaders of government agencies are obliged to create and maintain a control environment that creates positive and facilitative behavior for the application of internal control in their work environment through (1) integrity and ethical values enforcement; (2) commitment to competence; (3) facilitative leadership; (4) formation of adequate organizational structure; (5) appropriate delegation of powers and responsibilities; (6) trusty formulation and implementation of human resources development; (7) realization of effective government internal control officials; and (8) good coordination with related government agencies.

Some of the above sub-aspects can be included under administrative supervision, especially in terms of personnel affairs. Administrative supervision covers finance, personnel, and materials. In comparison, financial supervision concerns budget plans and budget execution which includes administrative and treasurer management. This supervision is related to the procedure for receiving and spending money (budget). Moreover, staffing supervision regulates personnel administration regarding their rights (salary, promotion, and other facilities) and obligations. There is also material supervision to determine whether the goods provided (purchased) are following the procurement plan or not (Simbolon, 2004).

SPIP, which is the focus of this study, refers to a control environment with eight sub-aspects. The research results show that the OPDs in 2016 have low to high-risk levels (BPKPSM, DPUPRKP, and BKPD).

No risk levels were found in the sub-aspects. However, it does not indicate that the sub-aspects have zero levels of risk. When evaluating the SPIP application, the interviewed subjects (OPD employees) could not identify the risks in the sub-aspects. It points out that not all OPDs in Malaka Regency have been evaluated for their SPIP because not all OPDs understand the application and evaluation of SPIP. The researchers argued that the lack of human resources to implement SPIP evaluation at each OPD causes this.

In response to that, several attempts have been made to overcome this problem. For example, the Government of Malaka Regency has increased the quantity and quality of OPDs evaluations by providing guidelines to carry out independent SPIP evaluations. The Government of Malaka Regency also issued a circular letter to conduct independent SPIP evaluation at each OPD. The finding signifies that not all OPDs understand how to carry out independent SPIP evaluation. Those OPDs also are not fully aware of the importance of independent SPIP evaluation.

The results highlight that the implementer must make additional SPIP efforts to increase the quantity and quality of OPD evaluations in the regency, such as scheduling assistance for independent SPIP evaluation and providing technical guidelines for annual SPIP evaluation. The findings illustrate that SPIP evaluation in Malaka has not been carried out seriously at all OPD units. It happens because there is no assistance and training schedule for implementing independent SPIP evaluation at each OPD.

We discovered the factors that influenced risk levels at each OPD: internal factors (strengths and weaknesses) and external factors (opportunities and threats). The strengths found in BKPD as the OPD with the highest level of risk were (1) joint commitment between leaders and staff to work following their primary duties and functions and (2) the availability of

staff review. Meanwhile, this OPD's weaknesses were (1) leaders' decisions that are not always based on inputs and suggestions from other OPDs, and (2) the failure to carry out self-evaluation. As for the opportunities, BPKPD had assistance from the assessment agency. The schedule of assistance that is not submitted early at the beginning of the year becomes a threat to BPKPD, and it may cause a time conflict.

The OPD with a low-risk level is also influenced by internal factors of strengths and weaknesses and external factors like opportunities and threats. BPKSDM was the OPD with the lowest risk level in this study. Two strengths influenced this OPD: (1) the readiness of OPD leaders and staff in preparing and evaluating programs and activities and (2) measurable programs and activities. The weakness was its struggles with the lack of understanding from OPD leaders and staff in evaluating its programs and activities. BPKSDM also had opportunities in the form of (1) planned programs and activities be carried out accordingly and (2) periodic evaluation of SPIP to minimize the risks for each program and activity. As for the threats, BPKSDM (1) was lack of assistance from assessment agencies, and (2) was not entirely understood by the parties it served related to the process of OPD programs and activities implementation.

Not only the internal and external factors that affect the risk level at each OPD, but the risk cases of those OPDs can also be found. Risk cases are used to determine the risk level of OPDs. In this study, risk cases can be seen in the sub-aspects of the control environment. However, not all sub-aspects have risk cases. It occurs because the sub-aspects concerned do not have a risk level. However, no risk levels do not mean that OPDs are free risks. It happens because the subjects being interviewed, or OPD employees, were able to identify the risks in those sub-aspects.

It leads to the findings that sub-aspects with no risk level are possible to have risk cases. Some sub-aspects had a risk level but did not have risk cases because the OPD could find the risk cases in the sub-aspects but could not determine the risk level. Vice versa, there were OPDs that could specify the amount of risk level but could not describe the risk cases in the sub-aspects.

For OPDs with high-risk levels, many risk cases were found in almost all sub-aspects. Some of the problems that arose in OPDs with a high level of risk included (1) inconsistency between planning and budgeting, (2) unqualified official, (3) unrealized targets; (4) lack of public awareness; (5) insufficient facilities and infrastructure; (6) missing data; and (7) executors' technical error.

On the one hand, for OPDs with a moderate-risk level, risk cases were not as high as OPDs with a high-risk level. The issues found in OPDs with moderate-risk levels were (1) slow responsiveness; (2) lack of synchronization; (3) lack of public awareness; (4) inconsistent commitment; and (4) lack of coordination.

The risk cases in OPDs with a low level of risk were not much compared to high-risk OPDs. The risk cases were (1) low HR competence, (2) employees' limited understanding, and (3) employees' low awareness.

By determining the level of risk that would arise, those OPDs had carried out preventive supervision. Preventive supervision is carried out before implementing plans. The purpose of this action is to prevent mistakes or errors in implementation. In the budget inspection system, this preventive supervision is called pre-audit. The following actions need to be completed to realize preventive supervision: (1) determine regulations related to SOPs, relations, and work procedures; (2) create guidelines or manuals following predetermined regulations; (3) specify the position, duties, authorities, and responsibilities; (4) organize all kinds of activities, placement of employees, and distribution of work; (5) establish a system of coordination, reporting, and inspection; and (6) set sanctions for officials who deviate from the regulations that have been stipulated by the Repressive Monitoring Agency (Simbolon, 2004 ). If each OPD does these things optimally during the SPIP at each OPD, it will reduce the risks and affect the OPD performance.

In this study, risk cases illustrate the level of risk in the sub-aspects of each OPD. However, several OPDs had risk cases without being able to determine the risk level from the sub-aspects. Risk cases can help OPDs determine the risk causes, occurrences, and

solutions to foster the sub-aspects in environmental control. Not all aspects could be fully described by OPDs, which becomes the research locus in this study.

From there, the risk cases found in this study were classified into two concepts: competence and integrity. Competence is a vital feature used to achieve organizational goals effectively and efficiently. Employees who have high competence will be able to carry out their tasks and duties properly. Competence indicates the characteristics of knowledge and skills possessed or required by each individual, enabling them to carry out their responsibilities effectively and raise the standards of professional quality in their work. Siswandy (2017 in Rani, Lambey, Pinatik, 2018) elaborated the characteristics of competencies such as knowledge, skills, self-concept, and values in detail.

High employee competence is essential for the continuity of an organization—the higher the employee competence, the better the ability to complete the work. Employees with high competence are confident not to make mistakes while working. In other words, they will be able to complete the job effectively and efficiently (Salwa, Away, and Tabrani, 2018). Moklas (2015 in Salwa, Away, and Tabrani 2018) mention that performance is a system used to assess and investigate whether an employee has carried out the job as a whole or the job is a combination of work results (things that someone has to achieve) and competence (the way someone reaches it).

On the one hand, Zahra (2011 in Rani, Lambey, Pinatik, 2018) defines integrity as a commitment to do everything under correct and ethical principles (values and norms). Integrity means consistency and commitment at all times without even thinking to abandon principles.

Integrity is often understood in the context of behavior and in terms of ethical and moral values. Integrity requires individuals to adhere to technical and ethical standards that the organization owns. It is important to note that this feature is not just a matter of honesty or ethical and moral issues. Integrity is related to performance and achievement, obtained by upholding honesty and other moral values. The word integrity comes from the word “integrated”. “Integrated” means various parts of character and skills that play an active role in determining someone’s decisions and actions (Atosokhi, 2014 in Salwa, Away, and Tabrani, 2018). To produce a good workplace performance, someone must be honest, brave, hardworking, friendly, organized, and well planned. The form of self-integrity appears in the form of good performance or outputs.

After the concepts of competence and integrity are put into words, we categorized and confirmed the findings into these two concepts as follows:

Table 4 – Confirmation of Research Results

No.	Risk Cases	Competence	Integrity
1	Inconsistency between planning and budgeting	√	
2	Unqualified officials	√	
3	Unrealized targets	√	
4	Lack of public awareness		√
5	Inadequate facilities and infrastructure	√	
6	Missing data	√	
7	Executors’ technical error	√	
8	Slow responsiveness	√	√
9	Lack of sync	√	
10	Inconsistent commitment		√
11	No coordination	√	
12	Low HR competence	√	
13	Limited employees’ understanding	√	
14	Low employees’ awareness		√

Source: Processed research results.

Table 4 shows that the risk cases in this study are categorized into competence and integrity concepts. One of the risk cases put to the concept of competence is the low quality of HR. It indicates that the competence of OPDs’ human resources in Malaka is still lacking.

Meanwhile, one of the risk cases included in the concept of integrity is employee commitment and the community as service users. It points out that the integrity of OPD employees and the people of Malaka as service users is also low.

Suppose the competence and integrity of these OPD employees are low. In that case, the SPIP evaluation will generate a high level of risk, affecting the organizational achievement to be not optimal. It might happen if the two concepts are not balanced. If the OPD employees have high competence but low integrity or vice versa, the SPIP evaluation will result in a high level of risk. Therefore, OPD employees need to have high competence and high integrity so that the SPIP evaluation results will show a low level of risk.

## **CONCLUSION**

Based on the results and discussion explained in the previous section, it can be pulled into conclusion that:

1. The internal control system evaluation in the Government of Malaka Regency, especially the control environment and its eight sub-aspects in the OPDs, have varying risk levels. There are high-risk OPDs, moderate-risk OPDs, and low-risk OPDs. BKPSDM is an OPD in Malaka with a low-risk level. Meanwhile, DPUPRKP is an OPD with a moderate-risk level. Of all OPDs examined in this study, BKPD is the OPD with the highest risk level.
2. The level of risk at each OPD is determined based on the risk cases found in this study. Some OPDs are found to be able to decide on the level of risk and describe the risk cases, including their causes, occurrence, and efforts to guide OPDs. However, some OPDs can only provide the level of risk without being able to signify the risk cases. Some OPDs are also only capable of describing the findings of their risk cases without being able to determine the level of risk.
3. The risk cases found can be categorized into two concepts, namely competence and integrity. The results of this study clarify that the competence and integrity of OPD employees at Malaka Regency are not ideal or balanced, so that the results of the SPIP evaluation still show a high level of risk.

## **SUGGESTIONS**

1. OPDs with a low level of risk are suggested to maintain their achievements by minimalizing and controlling the causative factors of risks.
2. Moderate-risk OPDs need to keep finding the causative factors of the risk and control it. The officials in charge of SPIP evaluation require empowerment in terms of competence and integrity development and proportional sanction administration for those who neglect the tasks and duties at each OPD.
3. For OPD with a high level of risk, the officials who carry out SPIP evaluation need to be trained and assisted in increasing its competence and integrity. If they do not show an upgrade, then they need to be sanctioned proportionally. When sanctions do not improve their competence and integrity, it is necessary to transfer them to another position.

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