

IMPLEMENTATION OF INTERNAL AUDIT FOLLOW-UP OF THE INDONESIAN GOVERNMENT INTERNAL AUDIT STANDARDS VERSION AT INSPECTORATE I OF CHIEF INSPECTORATE OF THE SECRETARIAT GENERAL OF THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA

Fabrina Mustika EKAWATI^{1*}, Jubery MARWAN², Franky FRANKY³, Zahera Mega UTAMA⁴
^{1,2,3,4}*Universitas Prof. Dr. Moestopo (Beragama), Jakarta*
**fabrina8g@gmail.com*

ABSTRACT

This research aims to determine the implementation of the follow-up internal audit recommendations of the Indonesian Government Internal Audit Standards version at Inspectorate I. Based on Attribution Theory by Fritz Heider (1958), human behavior is deviant and tends to benefit itself due to internal and external factors, so supervision and control are needed to achieve good, clear, and clean governance. This research uses a qualitative approach with data collection methods through interviews and documentation studies. This research concludes that Inspectorate I has implemented some of the follow-up internal audit recommendations according to the Indonesian Government's Internal Audit Standards version. The constraints found in mandatory assignments that have not been captured in the Annual Audit Internal Activities Program, absence of monitoring activities, lack of leadership commitment in completing audit internal recommendations, and lack of awareness from clients to complete audit internal recommendations. Therefore, it is necessary to share the mandatory assignments to Inspectorate II through the authority of The Chief Inspectorate, programming audit internal recommendations monitoring 2 (two) times a year, implement audit communication optimally, and cascade the follow-up of auditor internal recommendations to the clients/units Key Performance Indicators.

Keywords: audit standards, internal audit, follow-up, mandatory, commitment, findings, recommendations, monitoring.

1. INTRODUCTION

The Secretariat General of the DPR is specifically regulated through Presidential Regulation Number 26 of 2020. This regulation states that the Secretariat General of the DPR is a government apparatus which in carrying out its duties and functions is under and directly responsible to the Leadership of the House of Representatives. The Secretariat General of the DPR has the task of supporting the smooth implementation of the authority and duties of the People's Representative Council of the Republic of Indonesia in the areas of trials, administration, and expertise.

Government Regulation Number 60 of 2008 concerning the Government Internal Control System requires internal supervision in every implementation of the duties and functions of Government Agencies to strengthen and support the effectiveness of the Internal Control System. The Chief Inspectorate is the Government's Internal Oversight Apparatus within the Secretariat General which oversees Inspectorate I and Inspectorate II.

Internal audit follow-up with a target of 50% achievement. However, only 74.42% or 37.21% of 50% was realized. This is quite different from the realization of BPK's (Audit Board of the Republic of Indonesia) follow-up which reached 122.85% or 86% from 70% of the Performance Agreement. Regarding internal audit follow-up which has not reached the Key Performance Indicators target of 74.42%, this is the focus of monitoring activities carried out by Inspectorate I. Completion of internal audit follow-up in the form of returns to the state treasury and the Internal Control System in the form of policy recommendations. Even though many of the recommendations have been followed up, they have not been able to disprove the findings. For example, there were findings of financial returns to the state treasury for 10 third parties. Even though there have been returns by 9 third parties, they cannot overturn the findings because the resolution is not 100%. Regarding audit internal follow-up with recommendations in the form of policies such as regulations/guidelines/SOPs, they have not yet been resolved because they involve other units. Even though the findings and recommendations had been agreed upon during the exposure. Lack of experience, knowledge, and training for Inspectorate I auditors, especially in the fields of procurement of goods/services, information technology, and design (engineering, civil, building) is also an obstacle making it difficult to include in the working paper which is the source of the Audit Result Report so that findings and recommendations are incorrect or inappropriate. In addition, the large number of internal audit assignments reduces internal audit follow-up completion monitoring.

From this background, several problems were identified, including internal audits in the Inspectorate's Annual Supervision Work Program which had not been able to increase the completion of the internal audit follow-up, completion of the internal audit follow-up not achieved, the Annual Supervision Work Program was not implemented optimally, the number of assignments was not balanced with the number of resources. human resources, human resource competencies do not yet meet organizational needs

For the research to be more focused and directed, the problems to be studied are limited to the implementation of follow-up internal audits according to the Indonesian Government's Internal Audit Standards (SAIPI) version at Inspectorate I of the Chief Inspectorate of the Secretariat General of the DPR RI.

The formulation of the problem is how to implement the internal audit required to complete the internal audit follow-up, what are the obstacles and support for completing the internal audit follow-up at Inspectorate I, and what are the efforts to complete the internal audit follow-up at Inspectorate I.

2. METHOD

Grand Theory

According to Fritz Heider (1958), attribution theory is a theory that explains someone's behavior. Attribution theory states that individuals actively translate an event they experience using a form that makes sense and is consistent. Fritz Heider also stated that internal forces (personal attributes such as ability, effort and fatigue) and external forces (environmental attributes such as rules and weather) together determine human behavior. He emphasized that sensing indirectly is the most important determinant of behavior. Internal and external attributions have been stated to influence individual performance evaluations, for example in determining how superiors treat their subordinates, and influencing individual attitudes and satisfaction with performance. People will behave differently if they perceive their internal attributes more than their external attributes

Internal Audit Capability

Internal audit capability is internal audit ability to carry out supervisory activities supported by good supervision so that it can encourage quality supervision results in order to realize its role effectively.

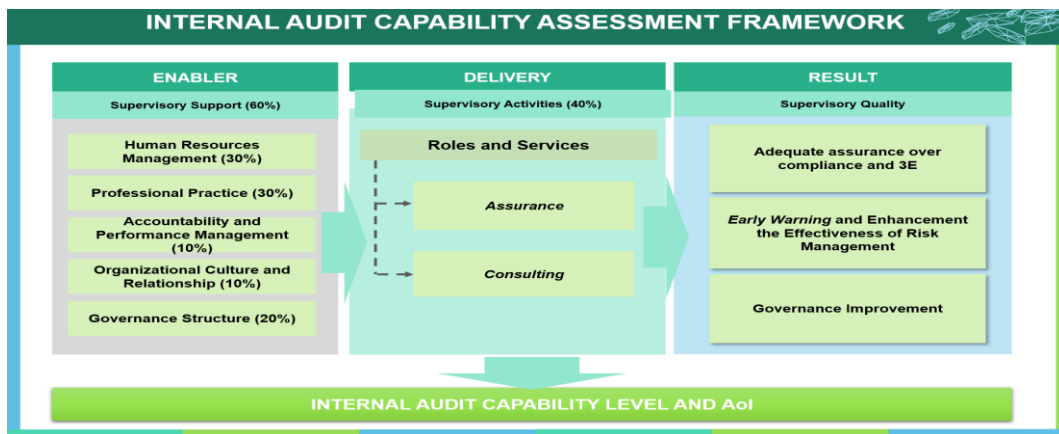


Figure 1. Internal Audit Capability Assessment Framework

The audit internal capability assessment framework consists of 3 (three) components, namely the supervisory support component (enabler), the supervision activity component (delivery), and the supervision quality component (result).

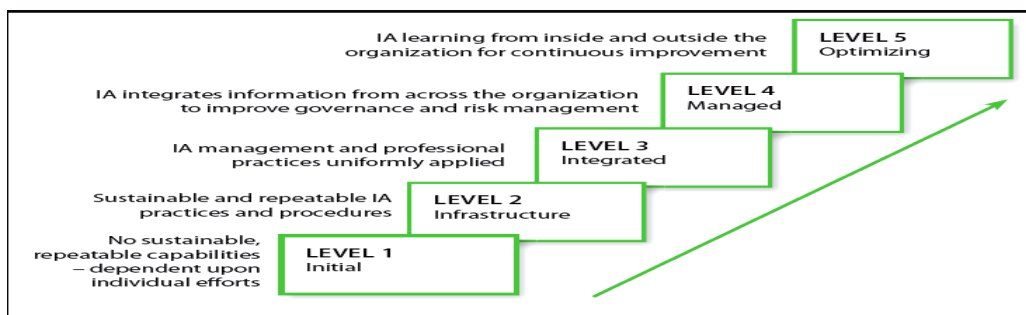


Figure 2. IACM Level

The IACM levels described by the IIA consist of five levels, namely Initial, Infrastructure, Integrated, Managed, and Optimizing. At Level 1 the capability level is called Initial, where the internal audit organization is still unstructured and is ad hoc. The activities carried out by auditors only carry out one limited audit technique or review documents and transactions for accuracy and compliance, audit results also depend on the skills of only a few people. In addition, there are no professional practices organized, and there is no infrastructure available and the institutions have not been developed (BPKP, 2011). Level 2 is called Infrastructure, where the internal audit organization has administrative and management infrastructure, and has guidelines, procedures, and process flows for each activity. The audit planning is determined based on management priorities. However, implementation of standards is still partial and still depends on the skills and competencies of certain people. Level 3, Integrated, where all policies, process flows and procedures have been established and documented, integrated with each other, and become the organization's infrastructure. Management and professional practices are well in place and applied uniformly throughout all internal audit activities. Internal audit activities are aligned with the organization's business processes and risks and are in accordance with standards. Level 4 is called Managed, where the existence of the internal audit organization is in line with the expectations of key stakeholders and is recognized as making a significant contribution to the organization. Level 5 is called Optimizing, where the internal audit organization becomes a learning organization through a process of continuous improvement and innovation and becomes a recommended/best practice/World-class organization (BPKP, 2011).

Indonesian Government Internal Audit Standards

The Indonesian Government's Internal Audit Standards consist of Attribute Standards and Internal Audit Implementation Standards. The Basic Principles contain the vision, mission, objectives of authority, responsibilities of APIP, also known as the Audit Charter, the values of independence and objectivity, and compliance with the auditor's code of ethics. In carrying out their duties, auditors are expected to apply and uphold ethical principles, namely Integrity, Objectivity, Confidentiality, Competence, Accountability, and Professional Behavior.

General Standards regarding Professional Competence and Due Care, internal audit assignments must be carried out with professional competence and due care. In this case, auditors must have the competencies required by the agency/institution where they work, such as education, knowledge, expertise and skills, experience, and other competencies needed to carry out their responsibilities. Apart from that, internal auditors must also have functional auditor position certification (JFA) and/or other certifications in the field of government internal supervision, and participate in ongoing education and training.

Regarding the auditor's obligations, the auditor must follow Audit Standards in all internal audit work that is considered material and increases competency.

Internal Audit at SAIPI, 2014 is defined as an independent and objective activity in the form of providing assurance (assurance activities) and consultancy (consulting activities), which are designed to provide added value and improve the operations of an organization (audit). This activity helps organizations (auditees) achieve their goals by using a systematic and regular approach to assess and improve the effectiveness of risk management, control and governance processes (public sector). Included in internal audit activities are audit, evaluation, review, monitoring. Meanwhile, consulting activities include providing consultancy, outreach, and assistance.

Sawyer (2003:10) defines internal audit as a systematic and objective assessment carried out by internal auditors on different operations and controls within an organization to determine whether (1) financial and operational information is accurate and reliable; (2) the risks faced by the company have been identified and minimized; (3) external regulations and acceptable internal policies and procedures have been followed; (4) satisfactory operating criteria have been met; (5) resources have been used efficiently and economically and (6) organizational goals have been achieved effectively, all done with the aim of consulting with management and assisting organizational members in carrying out their responsibilities effectively.

The definition of internal audit shows the role of internal audit in the organization and the scope of its work. The importance of the role of internal audit in an organization is demonstrated by the breadth of the internal auditor's scope of work which covers the entire organization's operations and governance.

Sawyer (2003:7) reveals that internal auditors provide the information managers need to carry out their responsibilities effectively so that internal auditors have an important role in all matters relating to organizational management and the risks related to running an organization. Providing information to managers using reports. Audit reports or supervisory reports have three main objectives, namely informing, influencing, and providing results.

The audit report contains conditions, criteria, causes, effects, findings, conclusions, and recommendations so that it is useful for leaders in terms of decision-making and improving organizational governance. Characteristics of action-oriented recommendations include being precisely directed, direct to the target, specific, convincing, significant, and with a positive tone and content.

The auditor must report any weaknesses in the auditee's internal control system. The reported weaknesses in the internal control system are those that have a significant influence. Meanwhile, weaknesses that are not significant can simply be conveyed to the auditee in the form of a letter (management letter). Apart from that, the auditor must report any non-compliance with laws and regulations, fraud, and abuse. If the final communication contains significant errors or omissions, APIP leadership must communicate the corrected information to all parties who received the original communication.

Internal audit communications must be made in writing to avoid the possibility of misinterpretation of the auditor's conclusions, facts and recommendations. Writing audit communications can be carried out periodically (interim) before completion of assignments/field work to meet the urgent needs for information on monitoring results for stakeholders.

The auditor must request the auditee's response/opinion on conclusions, facts and recommendations, including planned corrective actions, in writing from the auditee official in charge. These responses must be evaluated and understood in a balanced and objective manner, and presented adequately in the internal audit report. In each report, the auditor is required to state in each report that its activities were "carried out in accordance with standards". Audit results reports must be communicated and the results distributed to the appropriate parties, in accordance with statutory provisions. However, in the case that what is being audited is a state secret, for security purposes or it is prohibited from being conveyed to certain parties based on statutory provisions, the auditor can limit the distribution of audit results.

The auditor must monitor and encourage follow-up on audit conclusions, facts and recommendations and document the facts for the purpose of monitoring follow-up and updating the facts according to information about the follow-up actions that have been carried out by the auditee.

Follow-up monitoring and assessment aims to ensure that appropriate actions have been implemented by auditees according to recommendations. If the auditee has followed up on recommendations in a way that is different from the recommendations given, the auditor must assess the effectiveness of completing the follow-up.

Research Method

This research uses a qualitative approach which is descriptive analytical, comparative, focuses on meaning, and the data obtained can be obtained through observations and document analysis.

3. RESULTS AND DISCUSSION

As for the results of the self-assessment and fulfillment of the evidence outlined in the Evaluation Worksheet (LKE), the following results were obtained:

Table 1. IACM Internal Assessment Results 2022

Element	Element Level Conclusion	Element Score
Supervisory Support (Enabler) (60%)		
Human Resources Management (30 %)	3	0,54
Professional Practice (30%)	4	0,72
Accountability and Performance Management (10%)	3	0,18
Organizational Culture and Relationship (10%)	4	0,24
Governance Structure (20%)	3	0,36
Supervisory Activities (Delivery) and Supervisory Quality (Result) (40%)		

Roles and Services	3	1,2
--------------------	---	-----

From the results of the independent assessment exposed to BPKP as of January 2023, the Chief Inspectorate's IACM is 3.24 where all elements at level 3 have been fulfilled and 2 elements at level 4 have been partially fulfilled. This means that the Chief Inspectorate's APIP is at Level 3 of Integrated IACM where risk management by compiling a risk register or risk map which will be a source of information and guidance in preparing the Annual Risk-Based Supervision Activity Program has been implemented. Professional practices have been implemented, satisfaction surveys have been carried out, and even the provision of consultancy services has been carried out through mentoring (Liaison Officer), provision of consultancy, external liaison or assistance, and so on. Apart from support for human resources, Inspectorate I is also supported by a fairly large budget to support Inspectorate I's supervisory activities as well as support for competency development through certification, education, and training, and even membership in the auditor profession.

From the data analysis, the following results were obtained: mandatory supervisory assignments of the Secretary General which were unpredictable and could not be rejected so that the audit internal follow-up monitoring activities that had been planned at the Annual Audit Internal Activities Program were delayed and not even implemented, data or supporting evidence was submitted to the team the audit is not relevant/sufficient/material or late (when the assignment has already been completed) so that the audit findings are biased and cannot be followed up. Audit findings were not communicated to units, auditors did not monitor and encourage completion of audit internal follow-up, the follow-up to previous internal audit recommendations was not monitored, and units were not willing to complete audit internal follow-up because they felt that audit internal follow-up recommendations were not part of their duties and functions or were duties and functions of other units, completion of the audit internal follow-up is not a Key Performance Indicator of the unit so they do not feel they have an obligation to complete it.

4. CONCLUSION

The results of the data analysis are in accordance with the Grand Theory of Attribution which was coined by Fritz Heider (1958) that human behavior is deviant and tends to benefit itself due to internal and external factors. Therefore, supervision and control are needed to ensure that organizational management or governance runs well, correctly, and cleanly so that organizational goals are achieved. Apart from that, basically, individuals have a tendency to only do work that is their main task in accordance with their position and the income they receive. When there is other work that is not an obligation and is not contracted for and the person concerned does not receive compensation from the additional work, the work tends to be ignored because it is deemed not to provide benefits for him.

This analysis is also in accordance with the SWOT analysis that the weaknesses related to the implementation of follow-up internal audits according to the version of the Indonesian Government Internal Audit Standards at Inspectorate I of the Main Inspectorate of the Secretariat General are: The Annual Audit Internal Activity Program of Inspectorate I has not been able to be complied with and implemented optimally due to the large number of audit requests from clients or work units that cannot be rejected so that audit internal follow-up monitoring activities become neglected, the auditor does not monitor the audit recommendations so that it increases the balance of audit internal findings, the auditor does not communicate his findings to the client first so that no agreement is obtained thereby increasing the balance of findings because the client refused to follow up on the audit internal follow-up, the audit findings and recommendations could not be understood by the client so that the client could not follow up on the audit internal follow-up properly, the audit internal follow-up became Inspectorate I's Key Performance Indicator even though Inspectorate I only had the obligation to monitor audit internal follow-up, not to complete the follow-up. Apart from that, the audit internal follow-up is not the Key Performance Indicator of the unit so the work unit does not feel it has an obligation to complete the audit internal follow-up, the Commitment Officer in the unit does not plan the procurement of goods/services in the work unit properly. The company that is the subject of the audit internal follow-up settlement can no longer be found, and the owners of the company have already passed away.

Based on the results of the research and discussion described in the previous chapter, the following conclusions can be drawn:

- a. The implementation of internal audits required by Inspectorate I to complete the follow-up to inspection/supervision results is not yet optimal because the actual achievement of Inspectorate I's Main Performance Indicators related to the completion of audit internal follow-up is only 37.21% from 50%.
- b. Inspectorate I in implementing internal audit follow-up in accordance with the Indonesian Government Internal Audit Standards has obstacles and support for resolution, including:
 - 1) Mandatory activities from the Secretary-General that have not been accommodated in the Annual Audit Internal Activity Program.

- 2) Auditors did not monitor the audit recommendations, thereby adding to the balance of findings.
- 3) Findings and recommendations cannot be followed up due to different understandings and are not agreed upon by the client/work unit.
- 4) The obligation to resolve the audit internal follow-up lies with the unit. Inspectorate I only has the obligation to monitor.
- 5) The audit internal follow-up is not the Key Performance Indicator of the unit so the work unit does not feel it has an obligation to complete the audit internal follow-up.
- 6) Commitment Officials in work units do not plan the procurement of goods/services in their work units properly.
- 7) The company that is the subject of the audit internal follow-up settlement can no longer be found.
- 8) The owner of the company or party who is the subject of the audit internal follow-up settlement has passed away.

5. REFERENCES

- Association of Indonesian Government Internal Auditor. 2014. *Indonesian Government International Audit Standards*.
- Kumaat, V. G. (2011). *Internal Audit*. Jakarta: Erlangga Publishers.
- Mardiasmo. (2009). *Public Sector Accounting*. Yogyakarta: Andi Publishers.
- Mautz, R. K., & Sharaf, H. A. (1993). *The Philosophy of Auditing (17th Print)*. United States of America: American Accounting Association.
- Moleong, L.J. (2018). *Qualitative Research Methodology*. Bandung: Remaja Rosdakarya Company.
- Rai, I. G. A. (2011). *Performance Audit in the Public Sector*. Jakarta: Salemba Empat Publishers.
- Sawyer, L. B. (2003). *Internal Audit Essentials (Vol. 1)*. Florida: The Institute of Internal Auditors Research Foundation
- Sawyer, L. B. (2003). *Internal Audit Essentials (Vol. 2)*. Florida: The Institute of Internal Auditors Research Foundation
- Tewal, B, Adolfina, Pandowo, Merinda Ch.H., Tawas, Hendra, N. *Organizational Behavior*. Bandung: CV Patra Media Grafindo Publishers.
- The Institute of Internal Auditors Research Foundation. (2009). *Internal Audit Capability Model (IA-CM) For the Public Sector*. United States of America
- The Institute of Internal Auditors. (2012). *Supplemental Guidance: Value Propositions of Internal Auditing and The Internal Audit Capability Model*. United States of America

LEGISLATIONS

- Republic of Indonesia. (2005). Presidential Regulation Number 26 of 2020 concerning the Secretariat General of the People's Representative Council of the Republic of Indonesia. State Gazette of the Republic of Indonesia 2020, Number 39. Jakarta: State Secretariat
- Republic of Indonesia. (2008). Government Regulation Number 60 of 2008 concerning Government Internal Control Systems. State Gazette of the Republic of Indonesia 2008, No. 127. Jakarta: State Secretariat
- Republic of Indonesia. (2011). Financial and Development Supervisory Agency Regulation Number 8 of 2021 concerning Capability Assessment of Government Internal Oversight Apparatus. Jakarta: JFA BPKP Development Center
- Secretariat General of the People's Representative Council of the Republic of Indonesia. (2021). Secretary General Regulation Number 6 of 2021 concerning the Organization and Work Procedures of the Secretariat General of the People's Representative Council of the Republic of Indonesia. Jakarta