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EVALUATION OF THE IMPLEMENTATION OF GOVERNMENT INTERNAL CONTROL SYSTEM (CASE STUDY ON CONSULATE GENERAL OF THE REPUBLIC OF INDONESIA “X”)

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EVALUATION OF THE IMPLEMENTATION OF GOVERNMENT INTERNAL CONTROL SYSTEM (CASE STUDY ON CONSULATE GENERAL OF THE REPUBLIC OF INDONESIA “X”)

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ABSTRACT

This paper aims to evaluate the implementation of the Government Internal Control System carried out by the Consulate General of the Republic of Indonesia X and whether it follows the provisions of the Government Internal Control System regulated in Government Regulation No. 60 of 2008. The study results are based on observations, in-depth interviews, and the analysis of documentation owned by the Consulate General of the Republic of Indonesia X. Key study findings include the evaluation of each element of the Government Internal Control System such as the control environment, risk assessment, control activities, information and communication, and monitoring activities. This research demonstrates that while all elements of the Government Internal Control System currently exist, several aspects require improvement to minimize the risk of misstatement in financial statements, the unfairness of nominal quotes, inaccuracies in report results from the application system, and employees' inability to exert authority over their duties and functions. This study makes several contributions to the literature by providing financial knowledge in a transparent and accountable manner within the Consulate General of the Republic of Indonesia X. Additionally, the study contributes to the institution to ensure a dynamic working system and support decision-making to achieve the institution's goal. Moreover, in focusing on accounting transactions at the Consulate General of the Republic of Indonesia, this study explores a previously unresearched area, thereby expanding the scope of the extant research.

Keywords: Consulate General of the Republic of Indonesia; Evaluation; Government Internal Control System

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1. INTRODUCTION

1.1. BACKGROUND

In running the wheels of government, the government must be able to enforce the principles of good governance. One manifestation of this concern is the implementation of internal controls regulated in Government Regulation Number 60 of 2008 concerning the Government's Internal Control System. This regulation is a step by the government to provide adequate assurance for the effectiveness and efficiency of achieving the objectives of financial reporting reliability, state administration, compliance with laws and regulations, and the safeguarding of state assets (Gustina, 2016).

The principles of good governance in managing accountability and preparing financial reports are also realized by the Ministry of XYZ, which includes Indonesian Representatives, namely the Embassy of the Republic of Indonesia (KBRI) and the Consulate General of the Republic of Indonesia (KJRI). The financial reports of the Indonesian Representatives for each fiscal year are consolidated with the financial statements of the Secretariat General, which are then audited by the Supreme Audit Agency (BPK). BPK conducts its examination to obtain reasonable assurance concerning whether or not the financial statements are free from material misstatement and to test the effectiveness of the internal control system and compliance with the provisions of the laws and regulations that directly affect the financial statements. The implementation of good internal control in the management of state assets is expected to protect public assets from damage, loss, or misuse by irresponsible persons. Comprehensive internal control can also increase government accountability, which is reflected in the quality of good audit opinions to support the creation of good governance. The Ministry of XYZ has received an unqualified opinion from BPK for five consecutive years since 2017. This is a tangible manifestation of the consistency of the efforts and hard work of the Ministry of XYZ in achieving its commitment to accountable state financial management.

The Ministry of XYZ is responsible for the handling of government affairs in foreign relations and foreign policy. Based on Law Number 37 of 1999 concerning Foreign Relations, the Ministry of XYZ acts as a consultant and coordinator in implementing foreign policy and the implementation of foreign relations supported by the Indonesian Representative as the spearhead. Ministry of XYZ's reports of recording and financial transactions are unique. Various financial and budgeting activities are unique to this ministry since it has

representatives located abroad. In its financial activities, the Ministry of XYZ uses three types of currency, namely local currency (VS), which is converted into US dollars (USD), then converted back into rupiahs (Rp) as a form of accountability report to the Secretariat General, Ministry of XYZ.

The uniqueness of recording these transactions carries the risk of introducing errors. The BPK Examination Results Report 2020 found that weaknesses remained in the internal control system for the financial statements of the Ministry of XYZ, with one case in the Consulate General of the Republic of Indonesia X. These findings from BPK indicate the potential for inappropriate governance and control. Internal control will thus be an effective early warning system for institutions concerning indications of mismanagement or irregularities since their position directly intersects with the entire institutional body (Zamzami & Faiz, 2015). The findings on internal control at the Consulate General of the Republic of Indonesia X include:

1. Non-Tax State Revenue (PNBP)

The XYZ Ministry manages PNBP funds originating from services, state property management, fund management, and other state rights. The Consulate General of the Republic of Indonesia X presented the realization of PNBP income in a Budget Realization Report (LRA) and Operational Report (LO) for the period ended December 31, 2020, amounting to Rp4,000,000,000 and Rp2,000,000,000, respectively.

An examination of the monthly functional PNBP deposit recapitulation held by the Treasurer during 2020 showed that the realization of Functional PNBP deposits to the state treasurer amounted to USD145,000. Meanwhile, based on the PNBP Payment/Deposit Report from the Online PNBP Information System (SIMPONI) application as the basis for PNBP recognition in the Budget Realization Report, Functional PNBP deposits during 2020 amounted to USD170,000. Thus, there was a difference in recognition of PNBP deposits to the state treasurer of USD25,000 (USD170,000 – USD145,000).

2. Goods Expenditure

Goods expenditure is spending to accommodate the purchase of goods and services used to produce other goods and services that are both marketed and unmarketed, the maintenance and procurement of goods intended to be delivered or sold to the public, and travel expenditures. The results of the BPK examination indicated a realization of spending on goods at the Consulate General of the Republic of Indonesia X amounting to Rp144,000,000, which was used to acquire and increase the capacity/useful life of fixed or intangible assets.

3. Capital Expenditure

The examination results at the Consulate General of the Republic of Indonesia X showed that the realization of capital expenditure in 2020 was Rp107,000,000,000, of which Rp98,000,000,000 or 91.85% was realized for two work packages, as seen in Table 1.

Table 1. Realization of Capital Expenditures in 2020 for Two Work Packages at the Consulate General of the Republic of Indonesia X

No.	Description	Contract Value (USD)	Actual Spending on Contracts		
			USD	Rp	%
1.	Renovation of buildings and office buildings	6,250,000	6,250,000	92,000,000,000	100
2.	Artwork and office furniture purchases	400,000	400,000	5,000,000,000	100
	Total	6,650,000	6,650,000	98,000,000,000	100

The renovation of buildings and office buildings has not been completed 100% but the capital expenditure has been fully realized. The result of examining two work packages shows that the realization of expenditures preceded work performance by USD1,000,000, equivalent to Rp14,000,000,000.

1.2. RESEARCH PROBLEM

This study seeks to address two main research problems:

1. How is the implementation of the internal control system at the Consulate General of the Republic of Indonesia X based on the principles of internal control in the Government Internal Control System?
2. What are the appropriate recommendations to improve or maintain the existing internal control system?

1.3. RESEARCH PURPOSE

This research aims to evaluate the implementation of the internal control system carried out by the Consulate General of the Republic of Indonesia X following the Government Internal Control System provisions regulated in Government Regulation Number 60 of 2008. Institutions can employ the results of this research as a basis for evaluating the implementation of the control system. Internal management is conducted to ensure that the work system is more dynamic and able to support effective decision-making for the institution's progress.

The results of this study are also expected to provide an overview for other similar institutions in managing, compiling, and evaluating internal control

systems. Thus, the preparation of the internal control system and its implementation should be designed to support the effective and efficient operation of the current work system according to the demands of the Government Internal Control System. It is important that this research is conducted to improve good governance for the Indonesian Representatives, especially the Consulate General of the Republic of Indonesia X.

1.4. SYSTEMATIC RESEARCH

The systematic writing of this research involves six interrelated chapters. An outline of the chapters is given as follows:

1. Chapter 1 — Introduction
This chapter describes the overall content of this research and includes the background, research problem, purpose, and systematic research.
2. Chapter 2 — Literature Review
This chapter explains the theoretical framework, provisions, literature, and previous research relevant to public sector accounting. The chapter will also explain internal control systems including the Committee of Sponsoring Organizations (COSO) Framework and the Government Internal Control System.
3. Chapter 3 — Research Methods
This chapter describes the use of research methods, including the types of research, the research approaches, and the data sources.
4. Chapter 4 — Organization Profile
This chapter contains a brief overview of the company profile and organizational structure.
5. Chapter 5 — Result and Discussion
This chapter describes the research problem by presenting the data obtained from related parties.
6. Chapter 6 — Conclusion and Recommendation
This chapter contains conclusions based on the explanation from the previous chapter and also includes short- and long-term recommendations that are relevant and actionable concerning the topics raised in this study.

2. LITERATURE REVIEW

2.1. INTERNAL CONTROL SYSTEM

Based on the State Auditing Standards (2017), internal control is defined as a process designed, implemented, and monitored by the leadership and personnel responsible for an entity's governance, to provide reasonable assurance regarding the achievement of that entity's objectives. Aren et al. (2014) explained the notion of internal control as a set of procedures and regulations designed to provide adequate assurance for management to achieve the company's goals and objectives. COSO also defined internal control as a process influenced by the board of directors (BOD), management, and personnel of the company that is structured to provide reasonable assurance on the achievement of objectives (COSO, 2013). The Indonesian government officially adopted a definition of internal control theory from several sources through Government Regulation Number 6 of 2008 concerning Guidelines for Evaluation of Government Administration, where internal control is an integral process in the activities and actions carried out repeatedly by leaders and all employees to provide adequate feasibility for achieving organizational goals through efficient and effective activities, the safeguarding of state assets, compliance with laws and regulations, and ensuring the reliability of financial reporting.

2.2. COSO FRAMEWORK

The COSO Framework (2013) focuses on five integrated components of internal control. It is useful for codifying criteria that can be used in developing and evaluating the effectiveness of an internal control system. The framework comprises the following components: control environment, risk assessment, control activities, information and communication, and monitoring activities. The control environment comprises a set of standards, processes, and the basic structure for internal control. Risk assessment is needed to determine how risk within the company will be managed, where risk is defined as the possibility that an event will occur and affect the achievement of organizational goals. The control activities component refers to actions that help management mitigate risk so that the organization can achieve its goals. Control activities can be preventive or detective. The information and communication component, meanwhile, is needed to disseminate important information throughout and outside the organization. Monitoring activities are carried out as a form of

periodic or continuous evaluation to verify whether each component of internal control is in place and functioning properly.

Based on the American Institute of Certified Public Accountants (2001) and as given in Statement on Auditing Standard (SAS) No. 1, the purpose of internal control is to safeguard company assets by preventing/detecting acquisitions and improper use, ensuring the accurate recording of transactions by reporting the whole company assets accurately, compiling financial reports following predetermined criteria, providing accurate and reliable information to stakeholders, improving the effectiveness and efficiency of the company's operations, and complying with the applicable laws, management policies, and regulations. In contrast, Rommney et al. (2012) outlined three functions of internal control, namely as a preventive to curb errors due to checking, as an examiner to reveal problems as they emerge, and as a provider of feedback to management to facilitate error correction.

2.3. GOVERNMENT INTERNAL CONTROL SYSTEM

Implementation of the Government Internal Control System adopts the COSO Framework approach with several modifications to achieve the objectives of state administration effectively and efficiently, thus ensuring the reliability of financial reports, the safeguarding of state assets, and compliance with applicable laws and regulations. Referring to Government Regulation Number 60 of 2008, the Government Internal Control System consists of five interrelated elements, which are summarized in Table 2.

Table 2. Elements of the Government's Internal Control System

No	Article	Element	Sub-Element
1	Article 4	Control Environment	<ul style="list-style-type: none"> a) upholding integrity and ethical values; b) commitment to competence; c) conducive leadership; d) establishment of an organizational structure according to needs; e) proper delegation of authority and responsibility; f) formulation and implementation of sound policies regarding the development of human resources; g) embodiment of the role of an effective government internal control apparatus; and h) good working relationship with relevant government agencies.
2	Article 13	Risk Assessment	<ul style="list-style-type: none"> a) risk identification; and b) risk analysis.
3	Article 18	Control Activities	<ul style="list-style-type: none"> a) review of the performance of the relevant government agencies; b) development of human resources; c) control over the management of information systems; d) physical control over 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 their records; j) accountability for resources and records; and k) meticulous documentation of the internal control system and important transactions and events.
4	Article 41	Information and Communication	<ul style="list-style-type: none"> a) Instrument of communication; and b) information system management.
5	Article 43	Monitoring Activities	<ul style="list-style-type: none"> a) continuous monitoring; b) separate evaluation; and c) follow-up.

2.4. ACCOUNTING AT INDONESIAN REPRESENTATIVES

Reforms in Indonesia, which are increasingly developing, have opened a new perspective on the authority of financial management in government agencies from the regional to the central level. As a public servant, the government has a goal to provide the best services to the community. Therefore, a different accounting system is required from that used in commercial accounting in general.

The preparation and presentation of the financial statements of the Ministry of XYZ, including the Indonesian Representatives, refer to the Indonesian Accounting Standards. Accounting policies are the principles, conventions, rules, and specific practices chosen by a reporting entity in the preparation and presentation of financial statements. The accounting policy applied in this financial statement is the one set by the Ministry of XYZ. Its preparation also involved the principles of sound financial management in government. Table 3 outlines the accounting policies considered unique to the Indonesian Representatives.

Table 3. Accounting Policies at Indonesian Representatives

No	Account Classification	Sub-account Classification
1	Asset	<ul style="list-style-type: none"> a) Current Assets <ul style="list-style-type: none"> ○ Cash in the Expenditure Treasurer and the Receipt Treasurer ○ Prepaid expenses, in the form of house rent allowances and insurance policies for home staff stationed at the Indonesian Representatives b) Accounts Receivable <ul style="list-style-type: none"> ○ Claims for compensation ○ The expense of the official center of transportation (<i>BPPR</i>) c) Inventory → recording the cost of inventories in a local currency whose exchange rate is available at Bank Indonesia. These can be directly translated using the BI middle rate. Those not available at BI must be translated into USD and then decrypted using the BI middle rate. d) Other Assets <ul style="list-style-type: none"> ○ Cash for idle cash ○ Cash for <i>BPJ Minus</i> ○ Cash for <i>BPPR</i>
2	Income	Income from visas, passports, consular documents, and foreign exchange differences that have or have not been realized.

3. RESEARCH METHODS

This research is qualitative in its design and employs an evaluation case study approach. Faisal (1990) explained that the case study approach focuses on one particular case for which research is carried out more deeply, comprehensively, and intensively. According to Ellet (2018), an evaluation case study describes a situation in which a deep understanding exists of the individuals, divisions, companies, countries, strategies, or policies that are needed before making a decision and taking action. In general, it aims to provide a detailed description of the background, character, and nature and dig deeper into the phenomenon that occurs, namely the internal control system for accounting administration.

The data analysis steps are guided by Ellet (2018) with various modifications. The first step is to identify the subject of the evaluation case study, which can be an individual, a team, an agency's performance, or the effectiveness of a system or strategy. The subject in this study was identified as the Consulate General of the Republic of Indonesia X through an assessment of the effectiveness of its internal control system. The second step is to choose the criteria for evaluation. This study selected internal control system criteria based on the Government Internal Control System according to Government Regulation No. 60 of 2008. Third, the overall assessment should be determined based on the evaluation criteria by reducing the data to select important fundamental rights and presenting the data in the form of, among others, brief descriptions, charts, the relationships between categories, and flowcharts, or by presenting the data in conjunction with narrative text. Conclusions are drawn in the fourth step, while the fifth stage aims to provide short- and long-term recommendations to improve the effectiveness of the internal control system at the Consulate General of the Republic of Indonesia X.

The data and information used in this study were obtained from primary data sources, including in-depth interviews with five functional Treasurers (BPKRT) in the Ministry of XYZ, namely four functional Treasurer officers at the Financial Bureau and Secretariat General, and one functional Treasurer officer at the Consulate General of the Republic of Indonesia X (Appendix I). The presence of respondents in Indonesia made it easier for the researchers to dig deeper and obtain accurate information. The same questions were posed to each respondent, and the answers were collected and evaluated by descriptive analysis.

The interviews were conducted by visiting the research object directly to obtain precise, accurate, and detailed information. They comprised a total of 24

open-ended questions related to 17 effectiveness criteria principles from the Government Internal Control System that were divided based on their elements, as shown in Table 4.

Table 4. Effectiveness Criteria of Government Internal Control System

No.	Sub-Element	Effectiveness Criteria
Control Environment Elements		
1.	Enforcement of integrity and ethical values	<ul style="list-style-type: none"> a) develop and apply rules of conduct b) every level of the institution's leadership provides an example for the implementation of the rules of behavior c) enforce appropriate disciplinary action for deviations from policies and procedures, or violations of the rules of conduct
2.	Commitment to competence	<ul style="list-style-type: none"> a) identify and determine the activities needed to complete the tasks and functions in each position in the institution b) organize training or mentoring to help employees maintain and improve their job competencies
3.	Organizational structure	<ul style="list-style-type: none"> a) carry out periodic evaluations and adjustments to the organizational structure to reflect changes in the strategic environment b) determine the appropriate number of employees
4.	Appropriate delegation of authority and responsibility	<ul style="list-style-type: none"> a) authority is granted to the right employee based on the level of responsibility in the context of achieving goals b) the authorized employee understands that the authority and responsibility granted are related to other parties in the relevant institutions c) authorized employees understand that the work of authority and responsibility is related to the implementation of the Government Internal Control System
Elements of Risk Assessment		
1.	Risk identification	<ul style="list-style-type: none"> a) use a methodology appropriate for government agencies and objectives at the activity level in a comprehensive manner b) use adequate mechanisms to recognize risks from external and internal factors
2.	Risk analysis	<ul style="list-style-type: none"> a) establish formal and informal processes for analyzing risks based on day-to-day activities b) determine the classification of low, medium, and high risk
Control Activities		
1.	Control of the main activities of government agencies	<ul style="list-style-type: none"> a) performance review b) accountability for resources and records

No.	Sub-Element	Effectiveness Criteria
		c) good documentation of internal control system as well as important transactions and events
Information and Communication		
1.	Communication tools	Provide and utilize various forms and means of communication.
2.	Information system management	Manage, develop, and update information systems continuously.
Monitoring Activities		
1.	Continuous monitoring	Organized through routine management activities, supervision, comparison, reconciliation, and other related actions in implementing tasks.
2.	Separate evaluation	Consists of self-assessment, review, and testing of the effectiveness of the internal control system. The assessment can be carried out by the government's internal supervisory apparatus or external government parties.
3.	Follow-up	Follow up on whether recommendations from the audit result are being or have been completed through the mechanism for resolving the recommendations from the audit result.

Secondary data were also used in the form of relevant documents obtained indirectly from the Ministry of XYZ. These data comprised financial reports, annual reports, performance accountability reports, BPK audit reports, applicable regulations, and information available in both print form and via social and electronic media.

4. ORGANIZATION PROFILE

Ministry of XYZ conducts government affairs in the field of foreign relations. As explicitly mentioned in the 1945 Constitution, the Ministry of XYZ cannot be changed or dissolved by the President due to its vital role, especially in dealing with global and regional issues. Ministry of XYZ is actively involved in cooperation and diplomacy with many countries, including with international organizations such as the United Nations and ASEAN. In carrying out its duties, the Ministry of XYZ has 132 (one hundred and thirty-two) Work Units located abroad, referred to as Indonesian Representatives, including 95 Embassies of the Republic of Indonesia, 31 Consulate Generals of the Republic of Indonesia, 3 Consulates of the Republic of Indonesia, and 3 Permanent Missions of the Republic of Indonesia for ASEAN, the United Nations in Geneva, and the United Nations in New York. Indonesian

representatives abroad are state representatives charged with advocating for the interests of the Indonesian nation and state. They comprise both consular representatives and Indonesian diplomatic representatives in international organizations and receiving countries.

The Secretariat General is under and responsible to the Minister. Headed by the Secretary General, the Secretariat General is responsible for coordinating the implementation of tasks and fostering and providing administrative support to all organizational elements within the Ministry of XYZ. Its tasks also include coordinating activities, coordinating and preparing budget plans, coordinating laws and regulations and establishing legal advocacy, and fostering and structuring the organization of the Ministry of XYZ and the Indonesian Representatives. Its organizational structure consists of the Leadership Strategic Support Bureau, Legal and Administrative Bureau of the Ministry and Representatives, Bureau of Planning and Organization, Bureau of Human Resources, Financial Bureau, and General Bureau. The Financial Bureau contains the following divisions:

1. Budget execution division, responsible for the authorization and financial accountability of the Secretariat General and Indonesian Representatives, non-tax state revenues, the disbursement of payments, and accountability for personnel expenditures and the official travel expenditures of all employees of the Secretariat General unit.
2. Budget control division, responsible for budgetary control and the testing of Inventory Reimbursement Payment Letters (SPP-GUP) that become an Inventory Payment Payment Order (SPM-GUP) and ultimately lead to the issuance of an Indonesia Representative's Disbursement of Funds Order (SP2D).
3. Budget verification division, which reviews and verifies budget accountability as well as debt and receivable affairs for the Indonesian Representatives.
4. Accounting and financial reporting division, which is responsible for collecting, accounting, and reviewing data for the financial statements of the Indonesian Representatives and consolidating the financial statements of the Ministry of XYZ.
5. Treasurer division, which conducts the treasurer duties of the Indonesian Representatives and the administrative affairs of the bureau.

5. RESULT AND DISCUSSION

5.1. IMPLEMENTATION OF THE INTERNAL CONTROL SYSTEM

In detail, the analysis of the interview results regarding the implementation of the internal control system at the Consulate General of the Republic of Indonesia X is presented as follows:

1. Control Environment

The control environment based on the COSO Framework (2013) contains the appropriate sub-elements of delegation of authority and responsibility. Authority and responsibility are granted to the appropriate employee based on the level of responsibility to achieve the goals. The authorized employee understands that the authority and responsibility granted to them are related to the implementation of the Government Internal Control System and are in line with the enforcement of integrity and ethical values, as well as employee commitment to competence.

An appropriate organizational structure supports a good control environment. Representatives of the Republic of Indonesia, especially the Consulate General of the Republic of Indonesia X, already have a form of organizational structure following the size and nature of their activities. At times, however, multiple positions remain. There is an adequate number of Indonesian Representatives, including the Ambassador, Treasurer, consular function officials, economic function officials, security law political function officials, cultural-tourism-social function officials, protocol and public communication function officials, and diplomatic information institutions. The organizational structure has been guided by the laws and regulations, namely Ministerial Regulation XXX No. 2 of 2020 concerning Ministry X's Organization and Work Procedure.

Aside from optimizing the organizational structure at the Consulate General of the Republic of Indonesia X, there are several weaknesses in the implementation of the control environment. Every institution at least has written policies and procedures and accurate and timely recording of transactions and events (COSO, 2013); however, this contrasts with the Consulate General of the Republic of Indonesia X, where no Standard Operational Procedures existed for non-tax revenue reconciliation between the service division and the Treasurer of the Consulate General of the Republic of Indonesia X. This created the risk of misstatement in the financial statements of the Consulate General of the Republic of Indonesia X and occurred because the Head of the Consulate General of the Republic

of Indonesia X did not optimally control and supervise the administration and reporting of non-tax revenue by the Treasurer. Meanwhile, the Treasurer of the Consulate General of the Republic of Indonesia X did not exercise sufficient care in his responsibility to administer non-tax revenue.

2. Risk Assessment

Risk assessment involves a dynamic and iterative process to identify and analyze risks to achieve organizational goals (COSO, 2013). Based on the interview, the risk assessment conducted at the Consulate General of the Republic of Indonesia X is carried out solely by the local Treasurer personally based on their common sense and guided by the Risk Register and the procedure from the previous year. While there is a Risk Register to identify risks from external and internal factors, it tends to exist only as a formality and is not fully imitated by employees at the Consulate General of the Republic of Indonesia X. The weakness of the risk assessment within the Consulate General raises the potential for financial reporting errors to occur in the current period due to the failure to identify and predict future dangers.

3. Control Activities

Based on Government Regulation No. 60 of 2008 concerning the Government Internal Control System, control activities include the approval, ratification, authority, verification, reconciliation, asset security, performance review, and segregation of duties. However, the control activities at the Consulate General of the Republic of Indonesia X remain inadequate. They should include the leadership of the Ministry, who performs the control activities in line with the size, complexity, and nature of the duties and functions of the agency.

Several conditions could improve the risk of misstatement in the financial statements of the Consulate General of the Republic of Indonesia X, as follows:

- a) The Head of the Chancellery, the Head of the Finance Section/Subsection, and the Treasurer failed to provide an allocation and did not immediately revise or charge the budget according to the substance of the expenditure. The detail of this can be seen in Table 5.

Table 5. Misallocation of Realized Goods and Capital Expenditures

No	Period	Description	Value in IDR	COA Recorded	COA Supposed to
a Misallocation of Realized Goods Expenditures					
1	July	Cleaning service fee	18.000.000,00	523111	521111
2	December	Cleaning service fee	51.000.000,00	523111	521111
3	November	Social assistance due to Covid-19	35.000.000,00	521241	526321
4	March	Cleaning service fee	18.000.000,00	523111	521111
5	March	Cleaning service fee (for 2 nd floor)	13.000.000,00	523111	521111
6	April	Cleaning service fee	365.000.000,00	523111	521111
7	May	Cleaning service fee	78.000.000,00	523111	521111
8	June	Building maintenance	79.000.000,00	523111	521111
9	October	Cleaning service fee	60.000.000,00	523111	521111
10	December	Overtime cleaning service fee	9.000.000,00	523111	521111
11	December	Cleaning service fee	87.000.000,00	523111	521111
12	December	Cleaning service fee	72.000.000,00	523111	521111
13	December	Cleaning service fee	82.000.000,00	523111	521111
14	December	Cleaning service fee	45.000.000,00	523111	521111
15	December	Cleaning service fee	73.000.000,00	523111	521111
16	December	Cleaning service fee	15.000.000,00	523111	521111
Total a			1.100.000.000		
b Misallocation of Realized Capital Expenditures					
1	December	Additional PABX channels	44.000.000,00	133111	132111
2	December	Pinhole Camera (4 unit)	21.000.000,00	133111	132111
3	December	Speaker	135.000.000,00	133111	132111
4	December	Heater	72.000.000,00	133111	132111
5	December	Sound System	98.000.000,00	133111	132111
Total b			370.000.000,00		
Total A (a+b)			1.470.000.000,00		

- b) The Commitment-Maker Officer has not performed optimally in verifying and detecting the realization of goods expenditures that produce fixed assets and intangible assets or capital expenditures that do not create fixed assets and intangible assets.
- c) The Commitment-Maker Officer fail to prepare the self-estimated price (HPS), formulating and controlling contracts, and testing bills at the expense of the state budget.
- d) The state property administration officer has not been careful in administering assets. The officer concerned has not created an inventory stock card in the inventory warehouse, where the stock card serves as a control for recording the incoming and outgoing transactions for each inventory item.
- e) The inventory management officer does not immediately record the receipt and disbursement of inventory transactions into the inventory application. The inventory balance presented in the inventory application is not up-to-date and is recorded by its physical condition. This is contrary to the Central Government Accounting Policy, which stipulates that inventory is to be recorded using the perpetual method,

which should be performed every time a transaction occurs that affects inventory (acquisition and use).

- f) The Treasurer and Commitment-Maker Officer of the Consulate General of the Republic of Indonesia X do not follow the Regulation of the Minister of Finance Number 160/PMK.05/2015 in verifying invoices and making payments for work for which there is no physical achievement. This is evidenced by the full (100%) payment for the procurement of building renovation work and office buildings with contract number 009/KONTRAK/PL/01/2020 on January 29, 2020. The payment was made although the work was not completed, and the processing period was extended until August 31, 2021. Proof of the expenditure is shown in Figure 1.

Parwakilan Republik Indonesia KJRI X		Formulir 2 Nomor 57	
TANDA BUKTI PENGELUARAN			
Kas telah membayarkan	Terra Lumen Coastal		
Uang sebesar	US\$ 625.000,00	(Dijalar Amerika Serikat ENAM RATUS DUA PULUH LIMA RIBU)	
Ekivalensi	US\$ 625.000,00 Rp 9.228.750,000		
Uraian	Pembayaran Tamin VI Renovasi Gedung KJRI X TA 2020		
Pembayaran	Tunai US\$ 0,00	No Cek / Bank Order	
	Bank US\$ 625.000,0000	Wire Transfer	
Dibukukan	Kementerian / Lembaga :		
Program / Kegiatan	011 01 02 / 1306		
Output / BAS	951 / 533121		
		28 Desember 2020	Penerima
			(Terra Lumen Coastal)
Mengetahui / Menyetujui Kepala Kasaterra:			BPKR
_____ NIP. xxx		_____ NIP. xxx	

Figure 1. Building Renovation Expenditure

4. Information and Communication

Communication is needed to share critical information across the organization. This component of internal control supports all others because it deals with the internal data, events, information, and activities required for decision-making (COSO, 2013). According to Desriza (2016), best practices in communicating information can be applied through the latest technology, such as applications and websites, to assist the administrative process, minimize or detect errors, and help produce reports that comply with standards.

A weakness exists in the information system because it cannot ensure the accuracy and completeness of the information. The Ministry of XYZ provides various website and application-based platforms to support data and document recording for all work units. However, it is unfortunate that these applications are not connected, meaning there is a visible gap in the output of each application.

This is reflected in the case of the Consulate General of the Republic of Indonesia X. In administering immigration data and documents, it uses the Immigration Information System (SIMKIM) to report the number of uses of immigration documents up to a specific period. Meanwhile, the Treasurer uses the Inventory application to administer the immigration document inventory. The results of the examination show that the Treasurer and the Protocol and Consular/Immigration Consuls have not reconciled to compare the balance of the immigration document inventory from the Inventory application records with the data on SIMKIM, or with the results of the physical inventory as of December 31, 2020. The results of further testing are presented in Table 6, where the administration of the immigration document inventory at the Consulate General of the Republic of Indonesia X shows that there is a difference between the inventory application records and stock-taking carried out by the inventory officer as of December 31, 2020, with the data of the Immigration Consul.

Table 6. The difference in the Immigration Document Inventory Balance between the Inventory Application and the Immigration Consul Report of the Consulate General of the Republic of Indonesia X

No	Description	Inventory Application Data	Immigration Consul Data	Difference
1	Regular Visa Stickers	2,279	1,508	771
2	SPLP	3,576	3,512	64

5. Monitoring Activities

Routine management activities, supervision, comparison, reconciliation, and other related actions in implementing tasks should be carried out periodically to maximize the internal control system (COSO, 2013). This type of monitoring is useful to ensure that each component of the Government Internal Control System is in place and functioning properly. While monitoring is carried out at least once per month, the Head of the Consulate General of the Republic of Indonesia X, as the power user of the budget, has not been optimal in supervising and controlling the goods

and services procurement process or the implementation of budget realization. As a result, there is a risk of unfair price quotes from vendors, and the quality of work execution does not follow the standards in place.

5.2. RECOMMENDATIONS TO IMPROVE THE INTERNAL CONTROL SYSTEM

The recommendations that can be given to organizations are grouped according to their respective elements. The Consulate General of the Republic of Indonesia X needs to improve the control environment; as such, each employee must be careful in carrying out their duties and responsibilities. As an example, the Commitment-Maker Officer must be more careful in verifying and detecting goods expenditure realizations that produce fixed assets and/or intangible assets or capital expenditures that do not pay fixed and intangible assets. In addition, employees need to coordinate and synergize to minimize errors in the verification and validation of financial transactions, adhere to the applicable SOPs/rules/policies, allocate the budget according to the substance of the expenditure, and immediately revise the budget if they make any errors.

To improve the risk assessment element, the institution needs to implement the existing risk register, analyze risks, set risk criteria based on their level (low to high) so that the risk can be mitigated as early as possible, and analyze risk based on common sense or events.

The control environment could be improved by developing and establishing a standard mechanism or procedure so that its implementation can be guided and used as a reference in implementing compliance checks. In addition, the institution could establish reward and penalty methods for employees. Rewards could include career path improvement and overseas income, while penalties or punishment could be applied in cases where employees are proven to have acted illegally and produced state losses.

In terms of the information and communication element, the best recommendation for improvement could be to synergize existing application-based information systems and websites to produce the same output and prioritize quality over the number of applications. The recommendation for monitoring activities is to improve the control and supervision of financial administration and reporting, including non-tax state revenue transactions. The Consulate General of the Republic of Indonesia X could be synergized with the Inspectorate General to carry out supervision and control.

6. CONCLUSION AND RECOMMENDATION

Based on the previous chapter's analysis and discussion, and the interviews with the Treasurer, it is possible to conclude that an internal control system exists; however, it has not been implemented properly. The internal control system should help to ensure that bureaucratic reform can be carried out effectively. It should not exist simply as a formality to comply with a statutory provision but instead must be applied to the organization's internal work culture. Employing the Government Internal Control System as a whole will mean that the work program that has been prepared can be conducted according to the objectives set. The result will be more efficient, effective, transparent, and accountable performance and financial accountability.

The implementation of the five elements of the Government Internal Control System, namely the control environment, risk assessment, control activities, information and communication, and monitoring activities, at the Consulate General of the Republic of Indonesia X requires further improvement to minimize the risk of misstatements in financial statements, nominal irregularities of price quotes, inaccuracies in reporting from application systems, and employees' inability to exercise authority over their duties and functions.

The overarching recommendation of this research for the Ministry of XYZ, especially the Consulate General of the Republic of Indonesia X, is to improve the effectiveness of the internal control system by analyzing all of the components of internal control that have been implemented and identifying those components that have not been implemented effectively. The following recommendations are given for each element of the internal control system:

1. Control environment – create mechanisms and procedures that can be used as references and are guided by related parties, as well as establish reward and punishment mechanisms.
2. Risk assessment – to mitigate risks as early as possible, the institution must regularly analyze risks and establish risk criteria based on common sense.
3. Control activities – create synergy and coordination between parties to minimize errors, guide the applicable rules, and ensure employees carry out their duties more carefully.
4. Information and communication – prioritize the quality of applications over their quantity.
5. Monitoring activities – increase the control and supervision of financial reporting.

In terms of suggestions for future research, it is recommended that the number of respondents be increased to facilitate deeper excavation and analysis

of information. Respondents can include external parties related to the topic of discussion, such as KPPN and the Ministry of Finance. In addition, further research may seek to analyze other important aspects besides the financial aspect, such as analyzing risk based on the operational role of the Indonesian Consulate General/relevant agencies, or aspects of developing management accounting within the organization.

The current research also has some limitations, including the difficulty in obtaining primary data, which was due to the fact that several of the respondents were located abroad. As a result, only a relatively few respondents were involved and the research focused only on the Consulate General of the Republic of Indonesia X.

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APPENDIX

Appendix I. Illustration of the Organizational Structure and Respondent Profile

