

Analysis of Weakness of the Internal Control System, Non Compliance with Statutory Provisions and Follow-Up Recommendations Results On the Audit Opinion of Bpk Ri

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ABSTRACT : *The research was conducted with background of phenomena that happened based on the results of BPK RI audit of Ministries / Institutions which still found many weaknesses of the Internal Control System, non-compliance with Statutory Provisions and many recommendations that were not yet appropriate and not followed up. This study aims to analyze the findings of the weaknesses of the Internal Control System, findings on non-compliance with legislation and follow-up to the recommendations of the audit results that affect the provision of opinions by the BPK. The sample in this study was conducted by purposive sampling method. The research was conducted by observation to Ministries / Institutions audit reports during year 2013-2017 and interview to informants from BPK RI.*

Based on the results of the study, it was concluded that the findings that were material to the weaknesses of the Internal Control System, non-compliance with the Laws and Regulations influenced the approval of opinion by the BPK RI. There are still many recommendations from BPK RI that have not yet been compliant and have not been followed up and repeated findings affect the opinions given by the BPK RI.

KEY WORD: *Opinion, Weakness of the Internal Control System, Non-compliance with Statutory Provisions, Follow-up Recommendations.*

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I. INTRODUCTION AND LITERATURE REVIEW

Management of State Finance regulated in Law Number 17 of 2003 concerning State Finance provides a logical consequence of making financial statements a form of accountability. Based on Law Number 17 of 2003, the government is required to realize good state financial governance. Good governance is expected to create transparency and accountability of public organizations for financial management to the community (Suhardjanto and Yulianingtyas, 2011). As the responsibility of the government unit in managing state finances, each leader is required to submit a budget accountability report in the form of financial statements.

The government is required to increase government financial transparency and accountability for the realization of good public governance (KNKG, 2008). Transparency is useful to minimize moral hazard problems by facilitating public control. Transparency is the most important tool for the community to monitor and evaluate the performance of people's representatives and government employees (Albalate, 2012). Transparency requires a condition that can be accounted for, because access to information is the initial stage of the process of accountability or accountability (Meijer, 2003).

According to Rutherford (2000), financial statements are a major mechanism in shaping public accountability. Mardiasmo (2006) states that the government must be the subject of information in the framework of public accountability as the fulfillment of public rights such as the right to know, the right to be informed, and the right to be heard of. So as to provide good transparency and accountability to the public, an examination of financial statements is required by an independent body to guarantee the credibility of the financial statements.

The report on the results of the examination of the government's financial statements contains opinions. BPK Opinion includes the examiner's professional statement regarding the fairness of financial information presented in the financial statements. Giving opinion is based on four criteria, namely conformity with government accounting standards, adequacy of disclosures in financial statements, compliance with laws and regulations, and effectiveness of internal control systems (BPK, 2016: 127).

In the 2014 IHPS stated the opinion issued by the CPC in general is inversely proportional to the findings obtained by the auditor. The fewer findings, the better the opinion and the more findings, the opinions tend to be less good (BPK RI, 2014). Willingness and the auditor's ability to report fraud in financial statements are important factors when the audit process takes place (Nurlita dan Agustin, 2019).

In the 2014 IHPS stated the opinion issued by the BPK in general is inversely proportional to the findings obtained by the auditor. The fewer findings, the better the opinion and the more findings, the opinions tend to be less good (BPK RI, 2014). Weaknesses of the Internal Control System and non-compliance with statutory provisions affect audit opinion (Hari, 2016).

Giving opinion is a form of appreciation from the BPK for the management of state finances. Top Ministries / Institutions that have not obtained WTP opinions are generally caused by the weakness of financial statements. The three biggest accounts and the problems that affect the opinion of Ministries / Institutions not obtaining WTP opinion are those whose responsibilities are not fully in accordance with the provisions, inventories that are not yet orderly and fixed assets that are not presented (IHPS I Year 2016: 26).

In addition to providing opinions, a financial audit by the BPK reveals findings related to the Internal Control System. Internal control in the government including Ministries / Institutions and local government is designed based on Government Regulation Number 60 of 2008 concerning the Government Internal Control System (SPIP). The Internal Control System is very important to produce reliable information. If there is a weakness in the Internal Control System in financial reporting in an agency, it will make the findings by the BPK auditor. This is what the auditor will use as a consideration in giving opinions on the financial statements

Based on data from the Ministry / Institution Examination Results Report 2017 shows that there are Ministries / Agencies that have not obtained WTP opinions for the past 5 years (2013-2017). In giving opinions, the auditor pays attention to the level of materiality. The auditor's consideration of the level of materiality at the time of audit will affect the audit opinion produced. The greater the level of materiality the more the auditor tends to give an opinion that does not state income or disclaimer. An error that is not material may not affect the opinion that will be given by the auditor. A material error can also affect the type of opinion that will be given outside of unqualified opinions. Materiality itself is interpreted as the magnitude of a neglect or misstatement of accounting information that is outside the surrounding conditions, allowing that consideration of someone who depends on that information will change or be affected by the neglect or misstatement (FASB, 1980).

This study aims to analyze how the findings of the weaknesses of the Internal Control System, non-compliance with legislation and follow-up to the recommendations of the audit results affect the provision of opinion by the BPK.

1.1 Literature

The grand theory underlying this research is attribution theory in essence learning the process of how one interprets an event, learns how one interprets the reason or cause of his behavior. This theory was developed by Fritz Heider who argues that a person's behavior is determined by a combination of internal forces, namely factors that originate in a person such as ability or effort and external strength, namely factors that come from outside, for example the difficulty of the task (Suartana, 2010: 181).

Attribution is the process of forming impressions. The attribution process is the process by which people determine whether the observed event or behavior tends to be caused by personal / internal or environmental factors / external factors (Kelley, 1972). Harlod Kelley in his theory explains how people draw conclusions about what is the cause, or what is the basis for someone doing an action or deciding to do it in certain ways

In this study, the aspects of the consequences / events that arise are the determination of WTP opinion by the Republic of Indonesia BPK auditor on the Ministry / Institution's financial statements. While the causes of the acquisition of WTP opinion can be explained by internal and external factors. Included in external factors include the weakness of the entity's SPI as well as the entity's level of compliance with legislation. While the internal factors in this study are described from the follow-up variable recommendations from the examination results, which affect the professional judgment of the auditor in consideration of giving opinion

Besides the theory used is the attitude and behavior theory (Theory of Attitudes and Behavior) developed by Triandis (1980), states that a person's behavior is determined by attitudes related to what people want to do and consists of beliefs about the consequences of doing behavior, social rules related to what they think, and habits related to what they usually do. Attitudes concerning the cognitive component are related to beliefs, while the affective attitude component has the connotation of likes or dislikes.

This theory of attitude and behavior can explain the auditor's independent attitude in appearance. An auditor who has an independent attitude will behave independently in his appearance, meaning that an auditor in carrying out his duties is not justified in favoring anyone's interests. Auditors have an obligation to be honest to both the management and other parties such as owners, creditors, investors.

1.2 Research Objectives

This research is a quantitative descriptive research that is research that aims to explain the existing phenomena by using numbers to describe the characteristics of individuals or groups of research assessing the nature of the conditions that appear (Syamsudin&Damiyanti: 2011).

The population in this study are Ministries / Institutions established before 2013 and audited during 2013-2017 by the Supreme Audit Board of the Republic of Indonesia. The sampling technique used in this study was purposive sampling, namely Ministries / Institutions that have not received WTP opinion (including PAP-DPP) during 2013-2017. There were 3 samples of Ministries / institutions namely the Republic of Indonesia Radio Public Broadcasting Institute, the Republic of Indonesia Television Public Broadcasting Agency, and the Ministry of Youth and Sports.

1.3 Research Methodology and Data Analysis

The data used in compiling research are primary data and secondary data. Primary data through in-depth interviews in the form of semi-structured interviews. Secondary data was obtained by researchers in the 2013-2017 Ministry / Institution Examination Results Report, Summary of the Audit Results of the Republic of Indonesia BPK for the first semester of 2013-2017. The data is obtained directly from the BPK RI Information and Communication Center Service.

The technique of determining informants used a purposive sampling technique, namely the Examining Team / State Financial Auditor III (AKN III). The State Finance Auditor III was chosen because the unit of this work unit was tasked with examining the management and responsibility of state finances for the Ministries / Institutions which were the samples in this study.

II. FINDINGS AND INTERPRETATION

Analysis of Findings on the Weaknesses of the Internal Control System Affecting Opinion by the BPK

Examination of the Internal Control System over the financial statements by the Examiner is one of the fundamental and fundamental things. This is because there is an obligation that must be carried out by the Ministry / Institution, namely compiling and carrying out effective internal controls that are useful for obtaining reliable information and ensuring the security of the assets managed.

This shows that only material findings that influence the provision of opinion by the BPK. Based on the Results Report Examination of the findings is categorized based on:

Weaknesses of Accounting and Reporting Control Systems

1. Social donation that has been channeled to the Ministry of Youth and Sports in 2013 has not been reported to be used by beneficiaries.
2. Reporting on inventory value at Kemenpora in 2013 has not been entirely based on the inventory stock so that some of the inventory cannot be traced and some of the expired inventory is still recorded in the SIMAK BMN application.
3. Fixed Equipment and Machine Assets in Kemenpora in 2014 have not been inventoried, namely the code / number of inventory items that explains the type of BMN in detail and difficult to trace its physical existence.
4. There is a weakness in the recording and reporting of non-tax receivables, both jasinonsi receivables and installment sales bills for the disposal of assets in LPP RRI in 2013.
5. Recording of fixed assets in LPP RRI in 2013 is not believed to be reasonable. Work units in the RRI LPP environment have not all used the latest BMN SIMAK applications to accommodate changes in accounting policies for depreciation of fixed assets.
6. Reporting of inventory value in LPP RRI, the problem is caused by the absence of an inventory management SOP that is enforced throughout the satker.
7. Non-Tax Receivables from LPP TVRI in 2014 there are no supporting documents for the recognition of receivables and the confirmation of the receivables shows a different value.
8. Fixed assets in the form of land in LPP TVRI in 2014 is doubtful about the value of ownership. Fixed assets for equipment and machinery in 2015 cannot be believed to be reasonable because 206 units cannot be traced in value in SIMAK and 195 unit are unknown.
9. In LPP TVRI there are weaknesses in internal control in managing other cash and cash equivalents in 2015. This is because the administration of the general cash book by the Treasurer is not orderly, the management of petty cash by small cash holders in each work unit is not orderly and there are remaining spending advances that have not been deposited to other Cash.

Weaknesses of the Revenue and Expenditure Budget Implementation Control System

1. The realization of accountability for Goods Expenditure in the Household Section and 2015 Kemenpora Administration is not supported by evidence of complete accountability.
2. Realization of Expenditures for Facilitation of Funds Assistance in the context of Strengthening the Indonesia Gold Program (PRIMA) towards the Sea Games 2017 and the XVIII Asian Games In 2018 from

the Ministry of Youth and Sports to the Central KONI, has not been supported by evidence of accountability.

3. Internal control system for the management of the 6th Tafisa World Sport for All Games 2016 activities, facilitation for preparation of the XVIII Asian Games in 2018, pre-PON XIX West Java, KONI activities and KPMI activities are very weak.
4. Grant income for LPP RRI in 2013 which is not in accordance with the mechanism. This is due to the implementation of the grant activities and direct superiors do not comply with applicable regulations.
5. The management of broadcast and non-broadcast services for LPP RRI in 2013 and 2014 cannot be believed to be reasonable. This is because the Recipient Treasurer neglects to pay and ratify the bills submitted by the work unit. The BPK recommends that the Recipient Treasurer improve control.
6. The management of Jasinonsi's income to LPP TVRI in 2014 was not carried out through the APBN mechanism, is not remitted to the state treasury but is used to support the financing of LPP TVRI's operational and non-operational activities. The impact on Jasinonsi's revenue management mechanism, LPP TVRI cannot describe the state revenue and expenditure as it should.
7. LPP TVRI Goods and Services Expenditures in 2015 is not believed to be reasonable because of the weakness in recording APBN expenditure that previously used non-APBN funds.

Weakness of Internal Control Structure

1. There is no legal basis for the management of jasinonsi revenue, which has resulted in other cash balances and cash equivalents in LPP RRI in 2013 and 2014 whose value is not believed to be reasonable. The BPK recommends that the basic legal basis for the device is related to the management of acceptance at the LPP RRI.
2. The PNPB control system on LPP RRI is inadequate, among others, every employee at RRI may seek work partners and have extensive authority and responsibility, concurrent functions of the Business Development Services Section with PNPB Depositing Officers, broadcasting service agreements with disorderly Partners / Clients.
3. In 2013, LPP TVRI still managed Non-APBN revenues directly in the amount of Rp.218.16 billion as the implementation of Government Regulation Number 13 of 2005 concerning the Republic of Indonesia Television Public Broadcasting Institute. However, the management of PNPB from LPP TVRI's operational and non-operational activities has not been supported by a Government Regulation as its legal basis. The impact of not being managed by Non-APBN revenues in accordance with the APBN mechanism, LRA LPP TVRI does not describe the state revenues and expenditures as they should.

The informant stated that:

Opinion is the opinion of the auditor so it must be carefully formulated. The consideration of giving this opinion to the findings is 4 (four), namely material or not, significant or not, complexity or not and inadequate or not disclosure. So violations of these four elements are seen again as pervasive. Perpasif is one to maintain the professionalism and caution of the auditor. The passive nature (overall effect) can be determined from three indicators, namely whether the account has an effect on other accounts, the value of misstatement / scope limitation on the total value of all audited accounts and whether there are indications of fraud.

Analysis of findings on non-compliance with legislation affecting the acceptance of opinion by the BPK

Findings of weaknesses in the Internal Control System, findings are expressed as findings of compliance in the event of violations of SOPs / provisions stipulated by regulators and apply generally in all Ministries / Institutions.

Findings of State Losses

1. The use of social assistance funds in Kemenpora in 2013 was overpaid, the remaining funds that had not been deposited to the State Treasury amounted to and expenditure has not been accounted.
2. Preparation for the Organizing of the XVIII Asian Games in Kemenpora in 2016 there is an overpayment, the remaining funds that have not been deposited to the State Treasury amounting which cannot be tested further.
3. The advantages of Kemenpora official travel in 2016 for excess payment of daily money and finalization of official travel tickets. This condition is not in accordance with the Minister of Finance Regulation Number 164 / PMK.05 / 2015 concerning Procedures for the Implementation of Foreign Service Travel.
4. The remaining funds for the Santri League's activities in 2017 which have not been accounted for by the Minister of Finance Regulation No. I 68 / PMK.05 / 2015 concerning Government Aid Budget Implementation Mechanism in State Ministries / Institutions.

5. The accountability of several satker in LPP RRI in 2013 was not complete. The 2016 material expenditure and professional service expenditure accountability is not supported by sufficient evidence.
6. The breakdown of the server maintenance contract at LPP RRI in 2014.
7. The excess payment of goods expenditure at LPP RRI in 2017 amounted.
8. LPP TVRI Expenditures for 2015 not in accordance with the provisions of the Minister of Finance Regulation Number 190 / PMK.05 / 2012 concerning Payment Procedures in the context of APBN Implementation Article 10 paragraph (1) states that KPA is responsible for the implementation of activities and budgets that are in control of PA.
9. Exploiting the price of the procurement contract for LPP TVRI in 2015 and 2016 which results in state losses.
10. The realization of vehicle maintenance expenditure on LPP TVRI exceeds the 2016 Input Cost Standard (SBM).

Findings of Potential State Losses

1. Lack of volume in 2014 Kemenpora jobs, procurement of sports equipment facilitation for the 2016 PON XIX, and lack of volume for physical work in 2017. This is not in accordance with Presidential Regulation Number 54 of 2010 concerning Procurement of Government Goods and Services.
2. Management of unregulated land does not yet have formal legal evidence as an asset of LPP RRI in 2014 potentially to become a dispute in the future.
3. The application of advertising rates in LPP TVRI in 2013 that do not comply with the provisions and have not imposed a minimum fine which has the potential for state losses. This is not in accordance with Presidential Decree No. 42 of 2002 article 8 paragraph 1 which states that the status of TVRI as an institution that manages state revenues must intensify the collection and collection of state receivables.

Findings of Lack of State Revenues

1. Non-Tax State Income (PNBP) for LPP RRI in 2017 was not paid. This is not in accordance with Government Regulation Number 39 of 2007 concerning Management of State / Regional Money Article 20 paragraph (1).
2. The receipt of funds from training activities at LPP TVRI in 2014 not deposited in the State Treasury is used directly for operations.
3. Late fees for asset lease payments and the implementation of broadcast services for LPP TVRI in 2017 have not been charged to Partners causing a lack of state revenues.

It is concluded that material findings of non-compliance with the Laws which caused the state's loss, had potential for state losses and led to a lack of state revenue affecting the giving of opinion by BPK.

Follow-up Analysis of Recommended Examination Results Affecting BPK Opinion

Follow-up of the results of the audit is the obligation of the entity to follow up in accordance with the applicable provisions for all BPK audit results. BPK periodically monitors the follow-up of audit results and submits the results of its monitoring to representative institutions and responsible parties. The purpose of monitoring the follow-up of audit results is to increase the effectiveness of the reporting of audit results and to help representative institutions and the government improve governance.

Furthermore, the informant added that BPK recommendations could be followed up by depositing money / assets to the state / company or completing work / goods, and administrative actions in the form of giving warnings, reprimand, and / or sanctions to the responsible and / or implementing activities.

Overall in 2012-2016, the BPK gave 1,312 recommendations worth Rp. 3,135,225,172,576. The results of monitoring follow-up recommendations are as follows:

- It has been in accordance with the recommendations of 555 recommendations (42.3%) worth Rp. 609,858,653,374, -
- Not yet in accordance with the recommendations as many as 639 recommendations (48.7%) worth Rp. 2,496,858,834,074.-
- Recommendations that have not been followed up are 118 recommendations (9%) worth Rp. 28,507,685,128, -

Regarding the progress of the follow-up of recommendations from the informants' examination revealed:

In the past five years it has not been fully resolved for loss-taking follow-up. Follow-up of the results of this audit is a very important part in the framework of improving financial management so that this follow-up is the obligation of the entity. Officials must follow up on the recommendations in the results of the examination

after the results of the examination are received in the form of answers or explanations for the implementation of follow-up that must be submitted to the BPK no later than 60 (sixty) days after the inspection report is received accompanied by supporting evidence

This follow-up effort has not been maximized, there are still many recommendations that are not yet in line and recommendations that have not been followed up. This indicates the lack of optimal support / involvement of all parties in the implementation of follow-up recommendations on audit results as a manifestation of accountability.

III. CONCLUSION AND SUGGESTION

3.1 Conclusion

Based on the results of the study, it can be concluded that:

- 1) There are material findings on the weaknesses of the Internal Control System that affect the provision of opinion by the BPK to Ministries / Institutions so that they do not obtain WTP opinions:
 - a. Weaknesses of the Accounting and Reporting Control System which include: weaknesses in recording and reporting of accounts receivable, inadequate inventory reporting, recording of fixed assets that have not been inventoried, and management of other cash and cash equivalents that are not orderly.
 - b. Weaknesses of the Revenue and Expenditure Budget Implementation Control System which include: management of income that is not in accordance with the mechanism and realization of accountability for goods expenditure that is not supported by evidence of complete accountability so that it cannot describe state revenues and expenditures properly.
 - c. Weaknesses of Internal Control Structure, namely the absence of government regulations as a legal basis for the management of Non-Tax State Revenues (PNBP).
- 2). The existence of material findings on non-compliance with legislation that affects the provision of opinion by the BPK to Ministries / Institutions so that they do not obtain WTP opinions
 - a. There are findings that result in state losses, namely overpayments, remaining funds that have not been deposited to the State Treasury, expenditures that have not been accounted for in accordance with the Minister of Finance Regulation on Payment Procedures in the Implementation of State Budget and State Budget 54 of 2010 concerning Procurement of Government Goods / Services
 - b. There are potential findings for state losses, namely the lack of volume for physical work not in accordance with Presidential Regulation Number 54 of 2010 concerning Government Procurement of Goods and Services, unregulated land management in accordance with Government Regulations on State / Regional Property Management, and the absence of advertising tariffs in accordance with the provisions of the Presidential Decree Number 42 of 2002.
 - c. The findings that cause a lack of state revenues, namely not all Tax Revenues have been deposited to the State Treasury in accordance with Government Regulations concerning Management of State / Regional Money and late leases of assets that have not been levied to Partners in accordance with Government Regulations for Implementation of the State Budget
- 3). There are still many recommendations from the BPK that are not yet appropriate and have not been followed up. This can be seen from recurring findings such as weaknesses in the management of fixed assets that are still found, inventories that are not adequately recorded, as well as many state losses and a lack of state revenues that have not been fully paid to the State Treasury, affecting the opinions given by the BPK.

3.2 Suggestion

1. Ministries / Institutions are expected to improve the quality of the Internal Control System through the improvement of Human Resources (HR), especially in the field of accounting and financial supervision by providing specialized training in the accounting and training accounting periodically.
2. Ministries / Agencies are expected to be more compliant with the laws and regulations regarding Payment Procedures in the Context of the Implementation of the State Revenue and Expenditure Budget, Management of State / Regional Property and Procurement of Government Goods and Services so that state financial management can be carried out accountably.
3. Ministries / Agencies are expected to continue to carry out follow-up recommendations on the results of examinations provided by the BPK. With the follow-up carried out, repeated audit findings can be minimized so that the opinions obtained will be better.
4. Future research is expected to be able to analyze other criteria that influence the giving of opinion.
5. Subsequent research can conduct research with a wider population and sample entities that experience changes in opinion from before obtaining WTP opinions into WTP opinions.

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