E-PROCEEDING

5th Comparative Asia Africa
Governmental Accounting Conference

"Fraud Detection with Big Data Analysis during the Pandemic"

Accounting Program
Universitas Trilogi
Jakarta
December 16th, 2020

Co-Host:

PROCEEDING BOOK OF

5th Comparative Asia Africa Governmental Accounting Conference

"Fraud Detection with Big Data Analysis during the Pandemic"

Accounting Program Universitas Trilogi

Indonesia, Jakarta, December 16th, 2020

Publisher:

Accounting Program of Universitas Trilogi

PROCEEDING BOOK OF

5th Comparative Asia Africa Governmental Accounting Conference

"Fraud Detection with Big Data Analysis during the Pandemic"

Accounting Program Universitas Trilogi

Editorial Staff:

Jl. TMP. Kalibata No.4 - Jakarta
email: akuntansi@trilogi.ac.id

Setting/Layout Design:

Afriliani, Universitas Trilogi
Mayang Puspita, Universitas Trilogi

Proceeding Website:

http://trilogi.ac.id/journal/ks/index.php/EPAKT/index

COMMITTEE MEMBERS

Committee from *Association of Public Sector Accounting Educators* (APSAE):

1	Moh. Mahsun, SE., M.Sc., Ak., CA., CPA., CFrA., Ph.D (Cand.).	Executive Director of Association of Public Sector Accounting Educators (APSAE)
2	Dr. Fachruzzaman.	Deputy Director APSAE, Universitas Bengkulu
3	Dr. Icuk Rangga Bawono, SE, SH, M.Si, M.Hum, Ak, CA.	Secretary General APSAE – Universitas Jenderal Soedirman
4	Heribertus Andre Purwanugraha, SE, MBA.	Treasurer APSAE, Universitas Atmajaya Yogyakarta
5	Prof. Dr. Erlina, SE, MSi, Ak.	Universitas Sumatera Utara
6	Prof. Dr. Ali Muktiyanto, S.E., M.Si.	Universitas Terbuka
7	Dr. Rida Perwita Sari, SE, M.Aks, Ak, CA, CPA.	Secretary SPI UPN Veteran Jawa Timur
8	Dr. Indrawati Yuhertiana, M.M., Ak.	UPN Surabaya
9	Dr. Dian Anita Nuswantara, Ak, M.Si, CA.	Head of Accounting Department, Universitas Negeri Surabaya
10	Johan Arifin, SE, M.Si, Ph.D.	Universitas Islam Indonesia
11	Dekar Urumsyah, S.Si, M.com, Ph.D.	Universitas Islam Indonesia
12	Sucahyo Heriningsih, SE., M.Si., Ak., CA.	UPN Veteran Yogyakarta
13	Oscar Rynandi, SE., M.Si, Ak.	Politeknik Negeri Pontianak

Committee from Forum Dosen Akuntansi Publik (FDAP):

1	Dr. Harnovinsah, SE., M.Si., Ak., CA., CIPSAS., CMA., CSRS.	Head of FDAP, Dean of FEB UMB
2	Dr. Ana Sopanah, SE., Ak., CA., CMA., CIBA.	Dean of FEB, Universitas Widyagama Malang

Committee from Universitas Trilogi:

1	Rector of Universitas Trilogi **Prof. Mudrajad Kuncoro, Ph.D**	Steering Commitee
2	Deputy Rector of Universitas Trilogi **Dr. Kabul Wahyu Utomo**	
3	Controller of Universitas Trilogi **Prof. Indra Bastian, MBA., Ph.D**	
4	Dean of Economic Business Faculty Universitas Trilogi **R. Dwi Sunu Kanto, M.Sc, Ph.D.**	
5	Head of Accounting Program, Universitas Trilogi **Sri Opti, SE. Ak., MM., CA**	
6	**Dr. Anies Lastiati SE. Ak. MHRM., M.Ed.St., CA**	Project Officer
7	**Dr. Nurul Aisyah Rachmawati, SE., M.S.Ak**	Vice Project Officer
8	Fitriah Kesuma Jelita (17102006)	Assistant
9	**Novita, SE. Ak., M.Ak., CSRS., CA**	Secretary
10	Anara Indrany (17102031)	Secretary Assistant
11	Zania A. (18102070)	
12	**Rizka Ramayanti, SE. M.Si**	Treasurer
13	Syanindita K. L. (17102003) – CAAGA	Treasurer Assistant
14	Widiyawati (18102054) – NCAFA	
15	**Husnul Khotimah, SE., M.Si**	Chair of Seminar
16	M. Reza Rachman (17102055) – CAAGA	Member of Seminar
17	Titania Auliansyah (17102085) – CAAGA	
18	Kurnia Syahlan (18102008) – CAAGA	
19	Meidina Aulia Savitri (17102089) – NCAFA	
20	Firdatul Jannah (17102058) – NCAFA	
21	Fitria Hana Tiara Ningrum (18102026) – NCAFA	
22	Ahmad Maulana Sandria (18102066) – NCAFA	
23	Muhammad Randy Ramadhan (20102016) - CAAGA	
24	Diva Cahyani Putri (20102022) - NCAFA	

Committee from Universitas Trilogi:

25	**Lely Dahlia, SE., M. Ak**	Chair of Call for Papers
26	Efendri, SE. Ak., M.Si., CA	Member of Call for Paper
27	Wanda Maulida (18102036) - CAAGA	
28	Adinda Mauliddina (17102071) - CAAGA	
29	Husniyyatun Nida (18102053) – CAAGA	
30	Shafaranti Wandira (18102030) - NCAFA	
31	Muhammad Akmal Fadillah (20102044) - NCAFA	
32	Afifah Alwi Yusalia (20102009) - NCAFA	
33	Pingkan Salsabila (20102047) - NCAFA	
34	Siti Umahatur Rahmawati (18102067) – NCAFA	
35	Afifah Dhia U. (18102034) – NCAFA	
36	Mila Indah (18102021) – NCAFA	
37	**Ludwina Harahap, SE., M.Si**	Chair of Reviewer
38	Imam Nurcahyo Fambudi, SE. Ak., M.Ak., MBA., CA	Member of Reviewer
39	Meily Asfianti (18102033)	
40	Farhanah Febriani (18102010)	
41	**Afriliani (18102039)**	Design Coordinator
42	Mayang Puspita Sari (17102007)	
43	**Khoirina Farina, SE., M.Si**	Chair of Sponsorship
44	Sabrina Putri (18102022)	Member of Sponsorship
45	Carisa Yulianti (18102028)	
46	Dita Rahma Dani (19102012)	
47	Risky Rahmadani Gusti (18102076)	
48	Izati Mufida (19102005)	
49	Tiara Faradita (18102014)	
50	**Muyassaroh, SE. Ak., M.M., CA**	Chair of Co Host-University
51	Ananda Putri H. (18102019)	Member of Co Host - University
52	Vira Octaviany (18102018)	
53	Claudia Ananda (18102037)	

Committee from Universitas Trilogi:

54	Wanda Maulida (18102036) – CAAGA	WAG Admin for Call Paper
55	Mila Indah (18102021) – NCAFA	
56	Kurnia Syahlan (18102008)	WAG Admin for Seminar
57	Fitria Hana Tiara Ningrum (18102026)	

CONTENTS

REMARKS BY THE ORGANIZING COMMITTEE OF THE
5th COMPARATIVE ASIA AFRICA GOVERNMENTAL
ACCOUNTING CONFERENCE & 2nd NATIONAL CONFERENCE ON
ACCOUNTING AND FRAUD AUDITING

Professor Mudradjad Kuncoro Ph.D, Rector of Universitas Trilogi.

Dr Oluwatoyin Muse Johnson Popoola, CAAGA Board.

Bapak Moh. Mahsun, SE., M.Sc., Ak., CA., CPA., CFrA, Director of APSAE.

Bapak Gatot Trihargo, CFE, President of ACFE Indonesia Chapter.

Ibu Hani Karunia M.B.A., M.Sc, Country Head of ACCA.

Prof. Dr Ali Muktiyanto, S.E., M.Si, Universitas Terbuka – Indonesia.

Prof. Dr. Erlina., SE., M.Si.,Ak, Universitas Sumatera Utara – Indonesia.

Prof. Yuji Mori, University of Shizuoka, Japan.

Prof. Masatsugu Nemoto, Chungbuk National University, South Korea.

Prof. Nafsiah Mohamed, Accounting Research Institute, MARA Institute of Tecnology, Malaysia.

Dr. Pawan Adhikari, University of Essex, United Kingdom.

Prof Kelum Jayasinghe, University of Essex, UK.

Prof. Dr. Hassan Abdou Gomaa Ouda, The German University in Cairo (GUC).

Chamara Kuruppu, Ph.D, School of Business, University of South-Eastern Norway.

Prof. Ileana Steccolini, University of Essex, UK.

Prof. Giuseppe Grossi,, Hogskolan Kristianstad, Sweden.

All of Distinguished Guests

Ladies and Gentlemen.

It is a great honour for me to be able to greet you all in this wonderful international conference attended by all respected scholars and professionals, whom I believe, have great devotion to the area of accounting and fraud auditing.

I am very proud to inform all of you that this conference is co-organized by Univeritas Trilogi and CAAGA (Comparative Asia Africa Governmental Accounting) and co-hosted by Universitas Pembangunan Nasional (UPN) Veteran, Jakarta, Universitas Kristen Krida Wacana, STIE Bina Karya, Universitas Pancasila, Universitas Internasional Batam, Universitas Pembangunan Nasional (UPN) Veteran, Jawa Timur, Vokasi UGM, Yogyakarta, Universitas Bengkulu, APSAE, ACFE Indonesian Chapter, ACCA, and FDAP IAI.

This cooperation among institutions and universities is not only proof of our commitment buat also a means of developing studies and better practices in accounting and auditing, particularly in the area of fraud auditing and criminology.

The theme of this conference is on fraud, how the pandemic would impact on the behaviour and what role does data analytics have on combating the behaviour. As it is said that the future of countries is tied closely to how well government officials, business leaders, and all of us as citizens and scholars, move beyond awareness of corruption. It goes as further as going beyond the ability to prevent, combat, investigate corruption, and protect whistleblowers.

The outbreak of Covid-19 and the pandemic periods following the outbreak force us to change or to accelerate change that we are undergoing. This includes using data analytics in preventing and detecting fraud and combatting corruption. I am grateful that in this conference we are able to have prominent speakers, reviewers and experts on the topic of theme with us.

In this opportunity, I would also like to express our gratitude on the number of participants in the conference which exceeds our target and expectations. This indicates that pandemic does not hinder our effort to share and discuss our knowledge and experiences on accounting and fraud auditing across nations and continents.

We, Universitas Trilogi and CAAGA, and all the hosts of this conference strongly believe that this international and national conference would be beneficial for all of us, so that it could provide pathway for the next development and improvement of the research in the areas, and provide insight what practise should be adopted in the business world.

Thank you very much for your kind attention.

Dr. Anies Lastiati, Ak. MHRM., M.Ed.St., CA
5th CAAGA & 2nd NCAFA Organizing Committee

REMARKS BY RECTOR OF UNIVERSITAS TRILOGI

Good morning speakers, ladies and gentlements,

It is my great pleasure to welcome you to the 5th Comparative Asia Africa Governmental Accounting Conference (CAAGA) & 2nd National Conference on Accounting and Fraud Auditing (NCAFA) here at Universitas Trilogi, Jakarta, Indonesia. I also would like to pass my special gratitude to APSAE and ACFE – Indonesia chapter, especially to Bapak Moh. Mahsun, the Executive Director of APSAE and Bapak Gatot Trihargo, CFE as the President of the ACFE Indonesia Chapter. My highest appreciation also to CAAGA Board (represented today by Dr. Oluwatoyin Muse Johnson Popoola) and all the co-hosts of this event who have worked together to make the conference happen.

The 5th CAAGA & 2nd NCAA is finally being held virtually in 2020. This shows us that global pandemy cannot stop the continuation of this conference. The conference's theme is also challenging and interesting: Fraud Detection with Big Data Analysis during the Pandemic. The topic is very contextual with what the world facing today: recession due to covid-19, war against fraud, and use of big data analysis. This conference, thus, with no doubt is an excellent forum for discussing and exploring current issues in public sector as well as private sector.

Conferences like this are valuable opportunities for researchers, experts, scholars and students as well as practitioners in broadening research in accounting sciences and enhancing business practices. I am also grateful to the government representatives, professional associations, and universities who have joined us today and to all the committees who have worked very hard in organizing this conference.

I am looking forward to having this conference become recurring events in years to come and we will all participate in the next and next CAAGA & NCAFA conferences.
Lastly, I sincerely hope that you will enjoy today and the next day of seminar and networking. Thank you for your participation.

Best Regards,
Prof. Mudrajad Kuncoro, Ph.D
Rector of Universitas Trilogi

REMARKS BY THE REPRESENTATION OF COMPARATIVE ASIA-AFRICA GOVERNMENTAL ACCOUNTING CONFERENCE (CAAGA) BOARD

Distinguished VVIP (Guests, Speakers, and Reviewers).

The Representative of the Universitas Trilogi, Rector of Universitas Trilogi, Prof. Mudrajad Kuncoro, PhD.

UGM FEB and Controller of Universitas Trilogi, Prof Dr Indra Bastian, PhD, MBA.

The representative of the Association of Public Sector Accounting Educators in Indonesia, Executive Director Moh. Mahsun, SE., M.Sc., Ak., CA., CPA., CFrA., Ph.D (Cand.).

The representative of the Institute of Accountants Indonesia, Head of Forum Dosen Akuntansi Publik (FDAP), Dr. Harnovinsah, SE., M.Si., Ak.CA., CIPSAS., CMA., CSRS.

The Representative of the Institute of Chartered Accountants of Nigeria, Chairman of ICAN-Malaysia District Society, Asst. Prof. Dr Oluwatoyin Muse Johnson Popoola, JP, PhD, MBA, PGDAF, ACTI, ACA, FCTI, FCA, CFA, RPA.

The representative of the Association of Certified Fraud Examiners Indonesia Chapter, President of the ACFE Indonesia Chapter, Gatot Trihargo, CFE.

The Representative of the Association of Chartered Certified Accountants, Country Head at ACCA, Hani Karunia M.B.A., M.Sc.

Prof. Dr. Nafsiah Mohamed, Professor of Forensic Accounting and Public Sector Accounting, Accounting Research Institute, Universiti Teknologi MARA, Malaysia.

Prof. Yuji Mori, Professor in Accounting University of Shizuoka, Japan.

Prof. Dr Ali Muktiyanto, S.E., M.Si, Universitas Terbuka, Indonesia.

Prof. Dr. Erlina., SE., M.Si., Ak, Universitas Sumatera Utara, Indonesia.

Prof. Indra Bastian, MBA., P.hD, Professor in Public Sector Accounting UGM, Controller Universitas Trilogi, Indonesia.

Prof. Dr. Masatsugu Nemoto, Research Professor Chungbuk National University, South Korea.

Prof. Dr. Hassan Abdou Gomaa Ouda, Professor in Accounting (Especially, Public Sector Accounting), The German University in Cairo (GUC).

Prof. Kelum Jayasinghe, Professor in Accounting of University of Essex, UK Session 2.

Prof. Ileana Steccolini, Professor in Accounting, University of Essex, UK.

Prof. Giuseppe Grossi, Professor of Business Administration (with a focus on Public Management and Accounting), Hogskolan Kristianstad.

Asst. Prof. Dr Oluwatoyin Muse Johnson Popoola, JP, PhD, MBA, PGDAF, ACTI, ACA, FCTI, FCA, CFA, RPA, Asst Professor of Forensic Accounting and Financial Criminology, Universiti Utara Malaysia, Malaysia.

Chairperson of CAAGA-NCAFA Conference, Dr Anies Lastiati, Universitas Trilogi, Indonesia.

Delegates, participants, and presenters.

Ladies and gentlemen.

It is my pleasure to welcome all the delegates, participants, and presenters today for the two-day Comparative Asia Africa Governmental Accounting (CAAGA) Conference 2020. Similarly, I welcome all the distinguished guests and eminent speakers from over the country and from different walks of life. You have come to Indonesia to share your knowledge and vast experience with the students and professionals in public sector accounting and auditing in general.

Every year, our Conference's theme is symbolic, dynamic, and pace with current issues. Last year's theme anchors on Assessing Public Sector Accounting Reform in Emerging Economies: Does it meet its target? CAAGA, as a best practice, would like to cover every aspect of our Society through this two-days Conference. The 5th CAAGA conference combines with the 2nd National Conference on Accounting and Fraud (NCAFA). The crux of this Conference focuses on big data analysis and fraud detection in the New Normal – Pandemic Era, which seems relevant to what is happening in today's world. The Conferences begin with a colloquium on 15 December, followed by paper presentations and reviews on 16 and 17 December 2020 for CAAGA and NCAFA

I am conscious that there will be plenty of knowledge enhancing public speaking, debates, and research coaching clinics for students. An esteemed member of panellists will be the moderators and reviewers for these activities.

I am equally confident and would not be surprised if the primary outcome of this Conference is to highlight the essentials national and international framework for the education system and professional accounting bodies in the future.

I would like to appreciate all the delegates, participants, presenters, strategic partners (i.e., Universitas Trilogi, Association of Public Sector Accounting Educators in Indonesia, Association of Certified Fraud Examiners Indonesia Chapter, and the Institute of Accountants Indonesia) and support team (speakers, reviewers, conference board members) for their efforts and contributions towards making the Conference a successful one like it has been in the last five years. Therefore, I request all the delegates, presenters, and participants to participate in all the activities the two conferences have lined up maximally.

On behalf of the CAAGA Board, I wish everyone a successful and fruitful conference.

Best Regards,

Asst. Prof. Dr Oluwatoyin Muse Johnson Popoola,
JP, PhD, MBA, PGDAF, ACTI, ACA, FCTI, FCA, CFA, RPA
Representative of Comparative Asia-Africa Governmental Accounting (CAAGA) Board

REMARKS BY EXECUTIVE DIRECTOR OF APSAE

Welcome,

It is my great pleasure to welcome you to the 5th Comparative Asia Africa Governmental Accounting Conference (CAAGA) & 2nd National Conference on Accounting and Fraud Auditing (NCAFA) here in Universitas Trilogi, Jakarta, Indonesia. We are very grateful to Universitas Trilogi in Jakarta especially to Prof. Mudrajad Kuncoro, Ph.D as the Rector for the tremendous support he has provided as host and to co- hosts who has worked for this conference well.

To my delight the 5th CAAGA is finally being held in 2020 even though virtually. This shows us all the sustainability of the conference that the International Centre for Public Sector Governance (ICPSG) initiated 7 years ago. The CAAGA has become an excellent forum for discussing current issues in the public sector and meeting with experts.

As an association of public sector educators and practitioners, APSAE will dedicate its resources to public sector development through conferences, research, innovation and certification. Conferences such as this provide a valuable opportunities for research scientists, industry specialists and decision-makers to share experiences particularly in the public sector. I am grateful to the many experts who have come to share their knowledge in this CAAGA. I also welcome government representatives, professional associations and universities who have joined us.

I am sure that you will benefit a lot and will always participate in CAAGA & NCAFA next year. I wish you success with this important conference and wish you all perfect health.

Thank you.

Best Regards,

Moh. Mahsun, SE., M.Sc., Ak., CA., CPA., CFrA.

Director of Association of Public Sector Accounting Educators (APSAE)

REMARKS
BY PRESIDENT OF ACFE INDONESIA CHAPTER

Your honourable Rector of Universitas Trilogi, Prof. Mudrajad Kuncoro, Ph.D,

Distinguished Representatives from Universiti Utara Malaysia, Association of Public Sector Accounting Educators in Indonesia (APSAE), Institute of Accountants Indonesia (IAI), and Association of Chartered Certified Accountants (ACCA).

Distinguished Reviewers and Speakers,

And distinguished guests who participate in this 5th CAAGA & 2nd NCAFA.

Assalamualaikum warrahmatullah hiwabarakatuh,

Thank you for attending this important event with a cutting-edge topic of "Fraud Detection with Big Data Analytics during the Pandemic". This event is a collaboration among organizations with the same goal, to enhance professionalism and to increase awareness on anti-fraud movement. ACFE Indonesia Chapter with its tagline of "Together Reducing Fraud Worldwide" always supports all initiatives to fraud awareness - both for academicians, including lecturers, researchers and students, and for all levels of practitioners and we are thankful that we are involved in this event together with other organizations which has the same focus.

Pandemic of Covid-19 has brought significant changes in all aspects, including fraud. The fraudsters, despite the condition during the beginning of the pandemic in Indonesia, have started to take advantage of the difficult situation. While people needed for the masks, health protective equipment (APD), vitamin and supplements increasing, those goods were missing from the markets and the prices increased to an unbelievably expensive price. Fraudsters came from all backgrounds, even in the government who has responsibility to guard the community from any unethical behaviour.

Detection and investigation during pandemic crisis are not easy, the social and physical distancing which was applied in almost all areas in the country make it difficult to gather information and to do some technical procedures. Interview, for instance, using media communication application is very different from direct interview. One of the problems is that it is difficult to understand the changing facial expression and see the change from our laptop monitor.

On the other side, during "internet of things" era like now, personal and business data are spread all over the cloud. Everyday there is quintillion bytes creates by people in the world and 90% of the data in the world today has been created in the last two years. Big data is a popular term used to describe the exponential growth and availability of data created by people, applications, and smart machines. The term is also used to describe large, complex data sets that are beyond the capabilities of traditional data processing applications. The proliferation of structured and unstructured data, combined with technical advances in storage, processing power, and analytic tools, has enabled big data to become a competitive advantage for leading organizations that use it to gain insights into business opportunities and drive business strategies. However, the challenges and risks associated with big data must also be considered.

Big data is generated within: Organizations (e.g., transaction data, customer complaint data), Industries (e.g., customer adoption rates per product type), Societies (e.g., traffic cameras, economic data), Nature (e.g., size, location, and frequency of earthquakes), and numerous other sources. In some instances, organizations must purchase data from external sources; in other cases, data sets are available for free use.

Big Data consist of structured and unstructured data. These types of data needed different type of analysis, so understanding data is very important to be able to analyse correctly.

As I mentioned before, detection during pandemic is difficult, however using data analytics on Big data may provide results that can support fraud detection. Using data analytics to detect fraud has some advantages, such as proactive identification of fraudulent transactions, focus fraud detection efforts on suspicious transactions, gain insight into how well internal controls are operating, and compare data from diverse sources to identify instances of fraud or noncompliance. However, beside the advantages, there are also limitations of data analytics which are manually maintained data, cost of data analytics software (which is usually very expensive), and element of concealment inherent in fraud. In other words, if properly used, data analytics process and techniques are powerful resources. Data analytics can systematically identify red flags and perform predictive modelling, detecting fraudulent situations long before traditional investigation techniques able to do so.

I hope today you all can gather more knowledge from the experts on every topic during the discussion panels and involve actively in the discussion to share and exchange your experience with the speakers and other participants.

Thank you.

Best Regards,

Dr. Gatot Trihargo, CA, CPMA, CFE
President of ACFE Indonesia Chapter

SPEAKERS AND MODERATORS

Virtual Seminar Day-1 (December 16th, 2020)

- **Speakers**

Prof. Dr. Hassan Abdou Gomaa Ouda

Professor in Accounting (Especially, Public Sector Accounting), The German University in Cairo (GUC)

Prof. Kelum Jayasinghe

Professor in Accounting of University of Essex, UK

Assoc. Prof. Chamara Kuruppu, PhD

Department of Business, History and Social Sciences, School of Business, University of South-Eastern Norway

Prof. Ileana Steccolini

Professor in Accounting, University of Essex, UK

Prof. Giuseppe Grossi

Professor of Business Administration (with a focus on Public Management and Accounting), Hogskolan

- **Moderators**

Dr. Indrawati Yuhertiana, M.M., Ak

Head of LP3M, Universitas Pembangunan Nasional Veteran Surabaya

Dr. Anies Lastiati, SE. Ak. MHRM., M.Ed.St., CA

Accounting Lecturer, Universitas Trilogi

Virtual Seminar Day-2 (December 17th, 2020)

- **Speakers**

Prof. Indra Bastian, MBA., Ph.D

Professor in Public Sector Accounting UGM, Controller Universitas Trilogi

Randy Rizki, CFE., QIA

Director ACFE Indonesia Chapter, Association of Certified Fraud Examiners (ACFE) Indonesia Chapter

Agustina Arumsari, Ak., MH., CFE., CFrA., CA., QIA

Deputy Head of BPKP for Investigation

- **Moderator**

Imam Nurcahyo Fambudi, SE.Ak., CA., M.Ak., MBA

Accounting Lecturer, Universitas Trilogi

THEME AND SUBTHEMES

- **Theme**

    "Fraud Detection with Big Data Analysis during the Pandemic"

- **Subthemes**
    1. (AFFA) Auditing, Fraud, & Forensic Accounting
    2. (PSA) Public Sector Accounting
    3. (FACC) Financial Accounting
    4. (MBA) Management and Behavioral Accounting
    5. (GRC) Corporate Governance, Risk, & Compliance
    6. (AITS) Accounting Information Technology and Systems
    7. (TAX) Taxation

AUTHOR'S INSTITUTIONS

1. Universitas Bengkulu and Junior Auditor in KPMG Indonesia

2. Universitas Gajah Mada

3. Universitas Indonesia

4. Universitas Internasional Batam

5. Universitas Jambi

6. Universitas Negeri Medan

7. Universitas Pancasila

8. Universitas Pembangunan Nasional Veteran Jawa Timur

9. Universitas Riau

10. Universitas Serang Banten, Sultan Ageng Tirtayasa

11. Universitas Sumatera Utara

12. Universitas Syiah Kuala

13. STIE Bina Karya Tebing Tinggi dan Universitas Malikussaleh

14. STIE PGRI Dewantara

15. Politeknik Negeri Lampung

16. Tax Department, Ministry of Finance, and Indonesia Universitas Pembangunan Nasional Veteran Jakarta

17. Department of Business, History & Social Sciences School of Business, Univesity of South-Eastern Norway

5th Comparative Asia Africa Governmental Accounting Conference

"Fraud Detection with Big Data Analysis during the Pandemic"

RUNDOWN

Name of Event : 5th Comparative Asia Africa Governmental Accounting Conference (CAAGA)

Time   : 07.00 AM – 05.30 PM (Western Indonesia Time)

Media   : *Zoom Meeting*

TIME	ACTIVITY
5th CAAGA Call For Papers	
07.00 AM - 07.45 AM	Registration
07.45 AM - 08.00 AM	Opening Ceremony
08.00 AM - 08.15 AM	Speech by the representation from Board of CAAGA **Asst. Prof. Dr. Oluwatoyin Muse Johnson Popoola, PhD, MBA, ACA, FCA, ACTI, FCA, CFA, RPA**
08.15 AM - 08.25 AM	Speech by the President of the ACFE Indonesia Chapter **Gatot Trihargo, CFE**
08.25 AM - 08.40 AM	Speech & Opening by Rector of Universitas Trilogi **Prof. Mudrajad Kuncoro, P.hD**
08.40 AM - 09.00 AM	Launching CIPSAS Learning Provider (MoU ACCA - APSAE) Speech by **Hani Karunia M.B.A., M.Sc,** Country Head of ACCA
09.00 AM - 09.15 AM	Terms Announcement
09.15 AM - 11.55 AM	**Parallel Session CAAGA** Reviewer : **Prof. Yuji Mori,** Professor in Accounting University of Shizuoka, Japan **Prof. Dr. Ali Muktiyanto, S.E., M.Si,** Universitas Terbuka **Prof. Dr. Erlina., SE., M.Si.,Ak,** Universitas Sumatera Utara **Asst. Prof. Dr. Oluwatoyin Muse Johnson Popoola, PhD, MBA, ACA, FCA, ACTI, FCA, CFA, RPA,** Assistant Professor of Forensic Accounting and Financial Criminology Universiti Utara Malaysia. **Prof. Indra Bastian, MBA., P.hD**, Professor in Public Sector Accounting UGM, Controller Universitas Trilogi **Prof. Dr. Masatsugu Nemoto** Research Professor Chungbuk National University, South Korea **Parallel Session NCAFA Day-1**
12.00 PM - 01.00 PM	BREAK

Virtual Seminar	
01.00 PM - 01.40 PM	Registration
01.40 PM - 01.55 PM	Rundown Announcement
02.00 PM - 03.30 PM	**Panel Session 1** Topic: Relevant Accrual Accounting for The Public Sector; Producers & Users Perspective Speakers : **Prof. Dr. Hassan Abdou Gomaa Ouda**, Professor in Accounting (Especially, Public Sector Accounting), The German University in Cairo (GUC) **Prof. Kelum Jayasinghe**, Professor in Accounting of University of Essex, UK Moderator: **Dr. Indrawati Yuhertiana, M.M., Ak**. Head of LP3M, Universitas Pembangunan Nasional Veteran Surabaya
03.35 PM - 05.30 PM	**Panel Session 2** Topic: Challenges for Digitalizing Tax System in Emerging Economies Speaker : **Ass. Prof. Chamara Kuruppu, PhD** Department of Business, History and Social Sciences, School of Business, University of South-Eastern Norway Topic: Accounting, Accountability and Digitalised Public Services During The Pandemic Context Speaker : **Prof. Ileana Steccolini** Professor in Accounting, University of Essex, UK Topic: The Digitalised Public Budgeting and Citizen Participation During The Global Pandemic Speaker : **Prof. Giuseppe Grossi** Professor of Business Administration (with a focus on Public Management and Accounting), Hogskolan Kristianstad Moderator: **Dr. Anies Lastiati, SE. Ak. MHRM., M.Ed.St., CA,** Accounting Lecturer, Universitas Trilogi

Name of Event : **2nd National Conference on Accounting and Fraud Auditing (NCAFA)**

Time : **07.00 AM – 05.00 PM (Western Indonesia Time)**

Media : *Zoom Meeting*

TIME	ACTIVITY
Virtual Seminar	
07.00 AM – 07.45 AM	Registration
07.45 AM - 07.50 AM	Opening Ceremony
07.50 AM - 08.00 AM	Speech by the Project Offcier **Dr. Anies Lastiati, SE. Ak. MHRM., M.Ed.St., CA**
08.00 AM - 08.10 AM	Speech by the Head of Accounting Program, Universitas Trilogi **Sri Opti, SE. Ak., MM., CA**
08.10 AM - 08.25 AM	MoU Ceremonial between Co-Host: Universitas Trilogi, APSAE, ACFE, and Co-Host University Speech by Dean of Economic Business Faculty Universitas Trilogi **R. Dwi Sunu Kanto, MSc., Ph.D**
08.25 AM - 11.50 AM	**Panel Session** Topic: Fraud Detection with Big Data Analysis during the Pandemic Speakers : **Randy Rizki, CFE., QIA,** Director ACFE Indonesia Chapter, Association of Certified Fraud Examiners (ACFE) Indonesia Chapter **Prof. Indra Bastian, MBA., P.hD**, Professor in Public Sector Accounting UGM, Controller Universitas Trilogi **Agustina Arumsari, Ak., MH, CFE, CFrA, CA,QIA,** Deputy Head of BPKP for Investigation Moderator: **Imam Nurcahyo Fambudi, SE.Ak., CA., M.Ak., MBA,** Accounting Lecturer, Universitas Trilogi
11.50 AM – 12.45 PM	BREAK
2nd NCAFA Call for Papers	
12.45 PM - 01.00 PM	Registration
01.00 PM - 01.10 PM	Terms Announcement
01.10 PM - 04.10 PM	**Parallel Session NCAFA Day-2**
04.10 PM – 04.30 PM	BREAK
04.30 PM – 04.45 PM	2nd NCAFA Best Paper Announcement **R. Dwi Sunu Kanto, MSc., Ph.D,** Dean of Economic Business Faculty Universitas Trilogi
04.45 PM - 05.00 PM	Closing Speech by Executive Director of APSAE **Moh. Mahsun, SE., M.Sc., Ak., CA., CPA., CFrA., Ph.D (Cand.)**

PARALLEL SESSION ROOMS

ROOM 1

Breakout Room   : 1
Date   : December 16th, 2020
Time   : 09.15 AM - 11. 55 AM (Western Indonesia Time)
Expert   : Prof. Dr. Erlina, SE, MSi, Ak.

NO.	CODE	TITLE	PRESENTER	DISCUSSANT
1.	PSA 10	Accounting Role Model in Improve Performace: Evidance Form Msmes Bengkulu Province	1. Fachruzzaman 2. Rini Indriani 3. Pratana Puspa Mediastuty 4. Vika Fitranita 5. Adista Anbarani Putri Zaman	1. Mangasi Sinurat 2. Rico Nur Ilham 3. Cia Cia Cen
2.	PSA 01	Analysis of Monetary Cycle Determinants and Macroeconomic Factors on System Stability	1. Mangasi Sinurat 2. Rico Nur Ilham 3. Cia Cia Cen	
3.	GRC 01	Relationship between Profitability and Liquidity on Return of State Owned Company Shares Supported	1. Mangasi Sinurat 2. Rico Nur Ilham 3. Willy Cahyadi	1. Muhammad Syafda Al Fayyed 2. Nasrizal 3. Nur Azlina
4.	PSA 03	Analysis Of Adoption Of The Riau Provincial Government Budget	1. Muhammad Syafda Al Fayyed 2. Nasrizal 3. Nur Azlina	1. Fachruzzaman 2. Rini Indriani 3. Pratana Puspa Mediastuty 4. Vika Fitranita 5. Adista Anbarani Putri Zaman

ROOM 2

Breakout Room   : 2

Date   : December 16th, 2020

Time   : 09.15 AM - 11. 55 AM (Western Indonesia Time)

Expert   : Prof. Indra Bastian, MBA., Ph.D

NO.	CODE	TITLE	PRESENTER	DISCUSSANT
1	AFFA 03	Case study: Evaluation of Fraud Control Plan (FCP) Attributes as Fraud Prevention Tool	Dharu Wicaksono	1. Else Nur Fitriana 2. Indrawati Yuhertiana
2	PSA 05	Unitented Outcome in Implementing Public	1. Asvi Maschuroh 2. Indrawati Yuhertiana	Dharu Wicaksono
3	PSA 09	Gender in Public Budgeting in Asia Case	1. Oryza Tannar 2. Indrawati Yuhertiana 3. Dwi Suhartini	Agus Sholikhan Yulianto
4	AFFA 04	Analysis of Fraud in the Indonesian Public Sector Through Three Behavioral Lenses.	1. Else Nur Fitriana 2. Indrawati Yuhertiana	1. Oryza Tannar 2. Indrawati Yuhertiana 3. Dwi Suhartini
5	TAX 01	The influence of tax reform in shaping the corporates' capital structure-evidence from Indonesia	Agus Sholikhan Yulianto	1. Asvi Maschuroh 2. Indrawati Yuhertiana

ROOM 3

Breakout Room   : 3

Date   : December 16th, 2020

Time   : 09.15 AM - 11. 55 AM (Western Indonesia Time)

Expert   : Prof. Yuji Mori

NO.	CODE	TITLE	PRESENTER	DISCUSSANT
1	PSA12	Analysis of E-Government Effectiveness in 193 Un-Registed Countries	1. Bahia 2. Indrawati Yuhertiana	1. Rafrini Amyulianthy 2. Mulyadi 3. Hotman S. Freddy 4. Iqbal Tejo 5. Jamaliah Said
2	PSA 11	Educational Institutisional System in the Perpective of Localcalization of Educational Management (Case Study in Finland 1990-2020)	1. Fenny Trisnawati 2. Indra Bastian	1. Citra Dewi 2. Erlina 3. Zulkarnain 4. Syukriy Abdullah
3	PSA 06	The Proposing Good Govermenance Index Meansure on Indonesia Local Government	1. Rafrini Amyulianthy 2. Mulyadi 3. Hotman S. Freddy 4. Iqbal Tejo 5. Jamaliah Said	1. Bahia 2. Indrawati Yuhertiana
4	PSA 02	Role of Cashless Transaction Factor With Fraudulent Spending In Local Governments	1. Citra Dewi 2. Erlina 3. Zulkarnain 4. Syukriy Abdullah	1. Fenny Trisnawati 2. Indra Bastian

ROOM 4

Breakout Room   : 4

Date   : December 16th, 2020

Time   : 09.15 AM - 11. 55 AM (Western Indonesia Time)

Expert   : Asst. Prof. Dr. Oluwatoyin Muse Johnson Popoola, PhD, MBA,
                       ACA, FCA, ACTI, FCA, CFA, RPA

NO.	CODE	TITLE	PRESENTER	DISCUSSANT
1	PSA 13	Diffusion of Participatory Budgeting in a Sri Lankan Local Government: What can be learnt?	1. Vijitha Gunarathna 2. Dayananda Ambalangodage 3. Gowindage Chamara Jayanath Kuruppu	1. Vijitha Gunarathna 2. Dayananda Ambalang-odage 3. Gowindage Chamara Jayanath Kuruppu
2	PSA 14	Institutional Logics in the Process of Implementing Participatory Budgeting in a Sri Lankan Local Government	1. Vijitha Gunarathna 2. Dayananda Ambalangodage 3. Gowindage Chamara Jayanath Kuruppu	1. Vijitha Gunarathna 2. Dayananda Ambalang-odage 3. Gowindage Chamara Jayanath Kuruppu
3	AITS 01	Computerization and Its Provision to Internal Control – The Users' Perspective in Regional State Owned Water Company	1. Benih Hartanti 2. Aninda Puspita Sari	
4	MBA 02	Analysis of The Impact of Anchoring, Herding Bias, Overconfidence, and Ethical Consideration Towards Investment Devision	1. Robin 2. Vanne Angelina	1. Benih Hartanti 2. Aninda Puspita Sari

ROOM 5

Breakout Room   : 5

Date   : December 16th, 2020

Time   : 09.15 AM - 11. 55 AM (Western Indonesia Time)

Expert   : Prof. Dr. Ali Muktiyanto, S.E., M.Si

NO.	CODE	TITLE	PRESENTER	DISCUSSANT
1.	AFFA 02	The Implementation of Risk Based Internal Audit During The Corona Virus Diseases Pandemic Conditions Case Studies Indonesia Deposit Insurance Coorporation.	1. Hayu Anindyajati 2. Cut Saskia	1. Zainab Hanifah 2. Indra Bastian
2.	GRC 03	Evaluation of Risk Management Implementation and Inspectorate General's Role's in Risk Management (Case Study in The Ministry of X)	1. Metaria Tri Sandi Eda 2. Robert Porhas Tobing	Damayanti
3.	FACC 02	Accounting and Taxation Information System for Human Resources and Payroll Management Cycle in Trading Companies	Damayanti	1. Hayu Anindyajati 2. Cut Saskia
4.	FACC 03	Hospital Debts and Receivables Management Based on Hospital Financial Reports of Debt and Receivable in JKN Era: A Case Study RS ABC	1. Zainab Hanifah 2. Indra Bastian	
5.	PSA 15	Analysis of local Goverenment Readiness in Implementation PP Number 12 year 2019 (An Empirical study on the Rokan Hulu Regency)	1. Nur Alina 2. Rofika 3. Indra Bastian 4. Ahrun Naza	

ROOM 6

Breakout Room : 6

Date : December 16th, 2020

Time : 09.15 AM - 11. 55 AM (Western Indonesia Time)

Expert : Prof. Masatsugu Nemoto

NO.	CODE	TITLE	PRESENTER	DISCUSSANT
1	PSA 04	From and To A Centralization Policy A Valuable Lesson of New Zealand's Health Care Services	1. Titik Setyaningsih 2. Indra Bastian	1. Syarifah Hatijah 2. Indrawati Yuhertiana
2	PSA 07	Implementation of Government Accounting Standards During Pandemic and Internal Auditor Support in Preventing Fraud.	1. Syarifah Hatijah 2. Indrawati Yuhertiana	1. Titik Setyaningsih 2. Indra Bastian
3	PSA 08	Analysis of Internal Control and Efforts to Prevent Accounting Fraud in Education Sector During Pandemic	1. Farida Maria Dewi 2. Indrawati Yuhertiana	1. Atar Satria Fikri 2. Hizazi 3. Ratih
4	AFFA 01	The Effect Of Internal Control Systems, Compliance of Government Financial Reporting, Organization And Whistleblowing Cultural on Fraud Prevention Using S.C.O.R.E Model With Morality As Mode	1. Atar Satria Fikri 2. Hizazi 3. Ratih	1. Ilham Ferdian Andi 2. Manggala Putra
5	FACC 04	IFRS Convergence And The Impact On Earnings Quality A Multi-Analysis Of Public Firms In Indonesia	1. Ilham Ferdian Andi 2. Manggala Putra	1. Farida Maria Dewi 2. Indrawati Yuhertiana

5th Comparative Asia Africa Governmental Accounting Conference
"Fraud Detection with Big Data Analysis during the Pandemic"

LIST OF PAPERS

CASE STUDY: EVALUATION OF FRAUD CONTROL PLAN (FCP) ATTRIBUTES AS FRAUD PREVENTION TOOL

Dharu Wicaksono[a], Indrawati Yuhertiana[b]

Faculty of Economics and Business, UPN "Veteran" Jawa Timur

Abstract

" Can fraud is prevented " . Questions that always comes in mind seeing acts of fraud are still only often we hear in Indonesia. There is essentially human will always look for opportunities and look for weaknesses that could be exploited to benefit himself . Given the basic nature such , it eliminates the chance is one of the ways to combat fraud . It is can be done through improvement of internal control and accountability . If people know that every action they are controlled and monitored , and will be asked to be responsible on the action   that is done , then often times they end up not going to commit a crime . By because the understanding will be the importance of the prevention of fraud is something that is very useful for the organization . One of the ways to prevent fraud is to implement a Corruption Prevention and Control Program (Fraud Control Plan). PT. ABC is a child company State Owned Enterprises in the District Gresik engaged in business producers as well distributor of fertilizer and has a role strategic in supporting program development of the economy of Indonesia who had started implementation Fraud Control Plan (FCP).
The purpose of this research is to study and analyze the existence and application of the attributes of the Fraud Control Plan in the company's work environment . The method that is used is qualitative descriptive to conduct a study case at PT. ABC it . The result on the attributes of FCP that there compared with the condition of the company that occurred in general are still not yet fully have the votes were good . The hope future that will come in the company is able to apply the attributes of FCP to be good so that the realization of governance governance performance of companies that either with an indication of the decline in the level of occurrence of fraud and increasing the performance of the company
Keywords: Fraud , Fraud Control Plan (FCP), Government Organization (BUMN) , Good Governance

1.   Introduction

Fraud until now has been phenomenal in both developing and developed countries. This fraud is almost common in all sectors of government and the private sector. In State-Owned Enterprises (BUMN) and Regional Owned Enterprises (BUMD) also do not escape accounting fraud. Fraud is commonly understood today, means dishonesty in the form of a deliberate fraud or a desired misrepresentation of a material fact (Tunggal, 2013).

The Association of Certified Fraud Examiners (ACFE) or The Association of Certified Fraud Examiners, classifies fraud in several classifications, and is known as "Fraud Tree" namely, Deviations on assets (Asset Misappropriation),False statements or false statements (Fraudulent Statement), and Corruption (Corruption).

According to Arthur W. Holmes and David C. Burns Fraud is a misstatement of a material fact that is known to be incorrect or presented by ignoring the principles of truth, with the intention of deceiving the other party and resulting in the other party being harmed. Corruption is a case of fraud that is often found in the government sector. Many experts try to formulate corruption, which when viewed from the language receipt and the way it is delivered is different, but in fact has the same meaning.

The limitation of corruption as the conduct of individuals who use authority and position to gain personal gain, harming the public interest and the state (Kartono, 2003). Corruption according to the Black"s Law Dictionary,is an act committed with the intention of providing an unofficial advantage with the rights of the other party by incorrectly using his position orcharacter to gain an advantage for himself or others, contrary to his obligations and the rights of the other party.

Corruption in Indonesia is done systemically so that it needs systematic handling. This is in line with UNCAC (United Nations Convention Against Corruption) in 2003 which has been ratified by Law No.7 of 2006. In article 5 of UNCAC in 2003 it was stated that the prevention of corruption must also be carried out in line with repressive efforts in the eradication of corruption. For the prevention of corruption requires instruments that can strengthen the internal control of government agencies, among others: Fraud

Control Plan, Corruption - Free Areas, Good Governance and Good Corporate Governance and Increased Public Services, Corruption-Free Indonesia.

According to Fraud Triangle Theory, there are three things that encourage fraud efforts, namely pressure, opportunity, and rationalization. Pressure is the impulse that causes a person to commit fraud, for example debts or bills that accumulate, lavish lifestyles, drug dependency, etc. In general that encourage the occurrence of fraud is a need or financial problems. But many are also driven only by greed. Opportunity is an opportunity that allows fraud to occur. It is usually caused by weak internal control of an organization, lack of supervision, and/or abuse of authority. Among the three elements of fraud triangle, opportunity is the most likely element to be minimized through the application of processes, procedures, and controls and early detection efforts against fraud. Rationalization becomes an important element in the occurrence of fraud, where the perpetrator seeks justification for his actions, for example: that his actions to make his family and loved ones happy, the company has benefited greatly and it is not wrong if the perpetrator takes a small part of the profits.

Those who engage in fraudulent acts are driven by interactions between forces in the individual's personality and the external environment. These forces are classified into three main categories, namely situational pressure, opportunity, and personal characteristics (Tuanakotta, 2012).

PT. ABC Gresik Regency is a subsidiary of State-Owned Enterprises, producers and distributors of subsidized fertilizers that have a strategic role in supporting Indonesia's economic development program, established in 1962. PT ABC Gresik Regency occupies an area of 450 hectares located in Gresik Regency, East Java Province. In 2012, PT ABC Gresik Regency was trusted by the Government to increase its production capacity to 5.4 million tons. This makes PT ABC Gresik Regency as a fertilizer producer that supplies 50% of the national subsidized fertilizer needs.

Nationally, the existence of fertilizer industry is able to contribute a considerable amount not only to the development of the agricultural sector, but also to provide an impact for development in the plantation sector, chemical industry, economy and other service fields. However, the expectation is not fully felt because of the inadequate organizational instruments to create good management and has not formed a high commitment from the managers of fertilizer production companies. As a result, various irregularities, misappropriation, smuggling, and corruption are known as fraud phenomena that occur in fertilizer production companies.

Kompas.com on August 4, 2017 reported that the Corruption Eradication Commission (KPK) has appointed five suspects suspected of unlawful acts and abusing the authority to enrich themselves or others or a corporation in the procurement of urea fertilizer tablets in Perum Perhutani unit I Central Java. In such cases, the state is indicated to have suffered losses of 10 Billion Rupiah allegedly flowing to individuals and corporations. This case is a development of the case of alleged corruption of fertilizer procurement at PT Berdikari Persero.

News from TribunJabar.co.id on Friday, March 24, 2017 stated that the Purwakarta Police Satreskrim uncovered a case of smuggling subsidized fertilizers owned by producers. PT. Gresik Kujang and Petrochemical fertilizers weighing more than 30 tons or rp 500 million. In his mode, six suspects broke into hundreds of sacks of subsidized fertilizer. Each sack is broken into, reduced by 2-4 kg for approximately a year. In a year, the fertilizer they break up reaches about 40 tons or worth Rp 500 million.

Parties and institutions from both government and private sector that try to prevent and control fraud as we know it are the Corruption Eradication Commission (KPK), Indonesia.Coruption Watch (ICW), police, prosecutors, and other internal and external supervisory agencies, but these parties have not been able to complete the fraud practices that occur in Indonesia, especially in the chain of distribution of subsidized fertilizer. Modus operandi that various circles do to gain a great advantage in the distribution of fertilizer is to do misappropriation. The police observations stated that there are seven modus operandi of subsidized fertilizer distribution, namely: 1) hoarding, 2) replacing subsidized fertilizer packaging with non-subsidized, 3) doing trade between islands, 4) spreading the issue of fertilizer scarcity, 5) physical and administrative smuggling, 6) falsifying quota needs, and 7) shifting stock from one cheaper area to a higher-priced area (Herman et al.2005).

The Financial and Development Supervisory Agency (BPKP) is a non-ministerial government institution in Indonesia that carries out government duties in the field of financial supervision and development in the form of audits, consultations, assistance, evaluation, eradication of KKN, as well as education and training in accordance with applicable regulations. So far BPKP has continuously implemented corruption eradication strategies with educational approaches (Pre-Emptif), Preventive, Repressive, and Repressive for Preventive. Corruption eradication strategy that prioritizes systematic

preventive efforts, carried out with several considerations or reasons, among others a) if it has occurred, corruption results in large financial losses; b) the refund of corrupted state money is very small; c) corruption cases, damaging the reputation of both institutions and individuals; d) time-consuming litigation and costs, both for law enforcement and prospective suspects; e) The longer the incident of corruption is not revealed the more opportunities for corruption perpetrators to cover up their actions with other fraud.

In implementing this preventive strategy, BPKP has designed a guideline in order to prevent and detect fraud stemming from general practices in the United States, Australia and New Zealand namely the Fraud Control Plan (FCP) in order to be applied in Indonesia. FCP can be applied to government organizations and non-governmental organizations. Pt. ABC Gresik Regency is one of the companies that has been accompanied by BPKP East Java Provincial Representative for approximately four months in 2018 in the application of Fraud Control Plan (FCP). BPKP is and continues to develop controls specifically designed to prevent, counteract, and facilitate the disclosure of events indicating corruption. The system is characterized by specific attributes that are the deepening or strengthening of the governance system of each existing organization that is influenced by the situation and condition of each government organization.

This research is the result of a case study at PT ABC Gresik Regency. We review and analyze the existence and implementation of Fraud Control Plan attributes in the company's work environment. If FCP attributes already exist and are implemented, there will be good corporate performance, good corporate governance related to governance that prioritizes transparency, independence, accountability, and accountability so that the company's performance can be achieved optimally.

2. Literature Review
2.1 Agency Theory

In a company in the form of a company, agency problems can arise. As the company grows, it is impossible for owners to perform all functions in the management of the company, due to time and ability limitations. Therefore, a separation is carried out between the owner of the company and the manager of the company. Agency theory as a contract between one or more principals (owners) and agents (managers). This relationship arises when one or more owners engage others(agents)to perform several services and then delegate decision-making authority to the agent. The agent has a contract to show his obligations to the principal, while the principal has a contract to give bonuses to the agent. The main purpose of agency theory is to increase the value of the company through increasing the prosperity of the owner. Therefore, the manager must be accountable to the shareholders (Jensen, 1976).

Categories of agency theory with three assumptions of human nature, namely: (1)Self-interest,(2) Human beings have limited thoughts about the perception of the future(bounded rationality)and (3) Humans tend to avoid risk (Eisenhardt, 1989). This nature causes the information submitted is not in accordance with the company's conditions known as asymmetric information. It provides opportunities to the manager to put his personal interests ahead of the interests of theowner, namely by transferring the owner's prosperity to himself or self-interest (Haryono, 2005). The agent will try to find his own profit to get a bonus from the company by manipulating the figures in the financial statements. With this, financial reporting practices often cause conflict between principals and agents due to the absence of transparent financial statements so that it will be a barrier in realizing good corporate governance (GCG) practices.

2.2 Fraud Tree Theory

Schematically ACFE describes occupational fraud in the form of fraud tree. A tree depicting branches of fraud in a working relationship, along with branches and branches. This image is deliberately not translated because there is not always a equivalent term that describes its original meaning (Theodorus, 2007). In the Fraud Control Plan (FCP) the term used is fraud and not corruption, because it assumes that the term fraud is broader than corruption, even corruption is a branch or part of fraud. This is in accordance with the theory of Fraud Tree, where fraud consists of three elements, namely Missappropriation of Asset, Fraudulent Financial Statements, and Corruption.

The missappropriation of Assets includes the theft/misuse of assets or property of companies or other parties. This is a form of fraud that is easy to detect because of its tangible or measurable nature. Fraudulent Financial Statements include actions taken by officials or executives of companies or government agencies

to cover up the actual financial condition by falsifying financial statements. Corruption includes fraudulent acts by companies or individuals in business transactions in order to gain personal gain contrary to their duties.

2.3 Fraud Pentagon Theory

Fraud pentagon theory is a development of fraud triangle theory by (Cressey, 1953), then fraud diamond theory developed by Wolf and Hermanson in 2004. Fraud pentagon theory is a development of fraud triangle theory by (Cressey, 1953), then fraud diamond theory developed by Wolf and Hermanson in 2004. (Crowe, 2012) develop the theory of tiangle fraud and diamond fraud by changing the risk factor fraud in the form of capability into competence that has the same term meaning. In addition, there is an additional risk factor in the form of arrogance. Fraud risk factor in pentagon fraud theory is (Akuntansi & Korupsi, 2016) :

1. Pressure is the motivation to commit and hide acts of fraud. (Tuanakotta, 2012) explained that someone commits fraud and embezzlement of company money because of the pressure that has squeezed it, the pressure can be an urgent need to be resolved (financial pressure).
2. Opportunity; that is an opportunity because the perpetrator believe that their activities will not be detected. Opportunity in a companyis caused by a lack of internal supervision of the company. Opportunity relates to the environment in which fraud will be committed.
3. Rationalization; Rationalization is an attitude of justification for fraud that has been done. Fraud is carried out based on the rationalization of a person meaning that the act is not an offence.
4. Competence/Capability; Competence is an employee's skill to ignore internal controls, develop concealment strategies, and observe social conditions to meet his personal interests (Crowe, 2012).

2.4 Fraud Control Plan (FCP)
2.4.1 Understanding of Fraud Control Plan (FCP)

In the Code of Fraud Control Plan (BPKP, 2010) describes the definition of Fraud Control Plan (FCP) as a control specifically designed to prevent, ward off, and facilitate the disclosure of events indicating fraud. This program is designed to protect government entities and other organizations from possible fraud events.. Fraud Control Plan is derived from general practices in the United States, Australia and New Zealand so that it can be applied in Indonesia.. Fraud Control Plan can be applied to government organizations and non-governmental organizations, as part of the implementation of Presidential Instruction No. 10 of 2016 and Circular Letter of the Minister of BUMN No. 2/2016 and No. 5/2017 on prevention and eradication of corruption. Fraud Control Plan consists of ten specific attributes that are the deepening or strengthening of the existing organizational governance system that is influenced by the situation and condition of each organization..

Some previous research has shown that the implementation of a good Violation Reporting System in an organization can prevent fraud from developing because the fraud can be detected early (Erisnanto, 2017). Based on Report to The Nations (ACFE, 2016), organizations that provide reporting media are able to detect fraud better than organizations that do not implement the Violation Reporting System (47.3% compare to 28.2%). The revelation of early cheating can cut the chain of cheating and prevent cheating from developing more complex.

Haynes in (Herlina Hanum Harahap, 2020) says the best way to tackle crime is to eliminate the motivation of the perpetrator by preventing the perpetrator from enjoying the results of the crime he committed. Cheating that is revealed early will eliminate the motivation of the cheater to continue the cheating he committed. Previous studies have argued that internal control in a company is very important. It is expected that with good internal control, employees do not do things outside the established rules (Herawaty, 2011).

2.4.2 Fraud Control Plan Attributes

Committee of Sponsoring Organizations of The Treadway Commission (COSO, 2008) explained that fraud control plan consists of ten specific attributes that serve to strengthen internal control system and organizational governance in fraud control efforts include:

1. **Anti-fraud policy**
2. **Accountability Structure**
3. **Fraud Risk Assessment**
4. **Employee Care**
5. **Customer and community concerns**
6. **Fraud event reporting system**
7. **Whistleblower protection**
8. **Disclosure to external parties**
9. **Investigative Procedures**
10. **Standards of conduct anddiscipline.**

Anti-fraud policy is an integrated policy containing statements of the organization's attitude towards fraud containing the following attributes 2 to 10, starting from the vision and mission outlined in the action plan, and communicated to stakeholders systematically. The shape and systematics of these policy documents may vary from organization to organization.

The structure of accountability is the responsibility for the implementation of the policy is divided into senior officials. These responsibilities start from the level of organizational leadership up to the operational level. Fraudrisk assessment is intended to provide an up-to-date picture to the organization about the risk of possible fraud events. This is done in certain areas or fields that require improvement of rules or policies so that the organization's efforts are more directed and efficient in utilizing resources.

Employee concern that is seluruh employees in the organization should understand the understanding of fraud, different actions of fraud and not fraud, fraud problems,and know what to do if encountering the event (potentially)   fraud. Therefore, organizations need to make systematic efforts to improve employees' understanding of fraud,for example through socialization activities on fraud to employees. Customer and community concern is realized through organisasi informing the community and stakeholders. The information relates to the values owned and the usual practices of activities, rights and obligations of the services of an organization.

Fraud incident reporting system that is pimpinan organization makes the most effective system and procedures to receive and respond to complaints and reports related to fraudfraud, both from employees, customers, and the public in general. Protection of whistleblowers thatis pimpinan organizations make a clear commitment, impartial to support, and protect all efforts in relation to the identification of fraud in the organization managed.

Disclosure to external parties, namely pimpinan organizations need to understand that for certain cases of fraud that occur in the organization environment is reported to authorized agencies outside the organization in accordance with the provisions of the legislation. The investigative procedure is by means of pimpinan organization establishing investigative procedures that ensure that the fraud detected must be handled and investigated systematically and professionally. Standards of conduct and discipline outline what employees can and should not do, legal and illegal actions, and sanctions to be given in the case that employees violate standards of conduct and discipline. This standard applies to all groups and categories of employees.

2.4.3 Fraud Control Plan Framework (FCP Framework) Framework

To make it easier to understand the linkages between each attribute of Fraud *Control Plan* in the *overall fraud* prevention and detection program can be explained through the illustration of a building below:
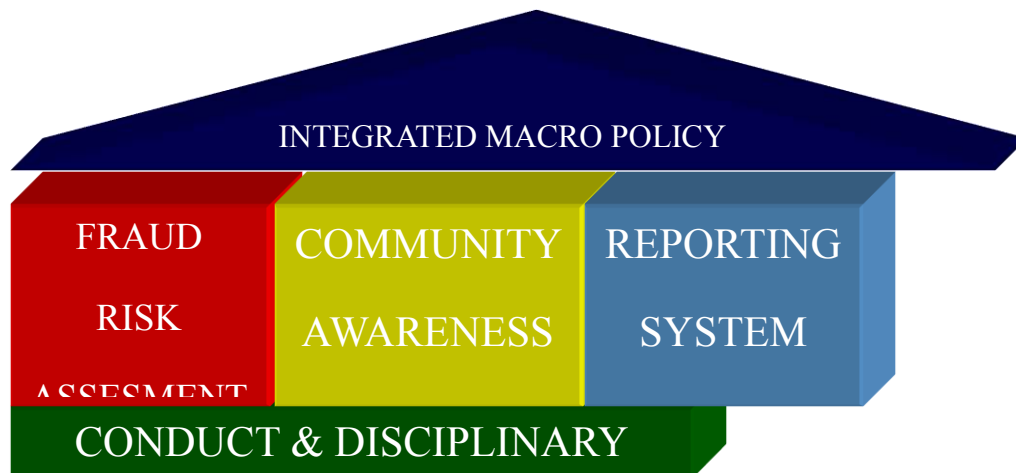
Source: BPKP, 2010

Building a Fraud Control Plan can be like building a solid building. A solid building must be built with a strong foundation, supported by a strong pole and a roof that protects the building. Similarly, the Fraud Control Plan,its application must be based on a strong standard of behavior anddiscipline, supported by three pillars in the form of fraud risk assessment, community komunitas concern and a good reporting system, and sheltered with a roof in the form of a comprehensive and integrated policy (BPKP, 2010).

Fraud Control Plan (FCP) is necessary because: 1) Internal control system can provide absolute guarantee in dealing with fraud; 2) Implementing internal controls may not be able to address all risks of organizational fraud; 3) Fraud risk requires special controls to mitigate it, which makes the process of organizational fraud risk assessment important in order to prevent fraud; 4) Implement fraud prevention control, it is very important for organizations to assess and continuously monitor the effectiveness in the implementation of organizational operational activities to prevent fraud (BPKP, 2010).

2.4.4 Fraud and Fraud Prevention
2.4.4.1 Understanding Fraud

Fraud is defined as a crime of fraud that uses false representation to profit by unfair means or forcibly taking the rights and interests of others (Oxford English Dictionary,2002). The Dictionary of Black's Law (BPKP, 2010) defines fraud as a misstatement of truth or concealment of material facts and a misstatement made recklessly and incorrectly that results in another person committing an adverse act.

"Occupational fraud and abuse" and define it as the use of one's position to enrich one's self through intentional abuse or misuse of resources or asset organization (ACFE, 2010). Etymologically (Peninurhidayati, 2013) it is said that korupsi the word corruption comes from the Latin Corruptio derived from Corrumpere. Dari Latin language is then known as Corruption, Corrupt (English) and Corruptie / Korruptie (Dutch) while in Indonesian means can be bribed through power for personal benefit.

According to Klitgaard (Ali, 2016) corruption is a behavior that deviates from the official duties of his office in the state, where in order to gain the benefit of status or money that concerns himself personally (individuals, close relatives, groups themselves), or violates the rules of conduct related to personal conduct. Klitgaard (BPKP, 2010) creates a simple equation to explain the definition of corruption as follows:

$C = M + D - A$

Keterangan :

C = *Corruption*

M = *Monopoly*

D = *Discretion*

A = Accountability

5th

Comparative Asia Africa Governmental Accounting Conference
"Fraud Detection with Big Data Analysis during the Pandemic"

Some of the above notions highlight corruption as detrimental behavior committed by a person or several parties and is not explicitly mentioned whether from the elements of bureaucracy, private, or public. Because basically acts of corruption not only occur in the government sector but also in the business world and even in society. From some of the above opinions, it can be said that corruption is not only carried out by bureaucrats, but also outside the bureaucracy. The meaning and definition of corruption also has a variety of different points of view.

2.4.4.2 Fraud Perpetrators

Perpetrators of fraud can be categorized into four groups (Suprajadi, 2009) including First-time offenders, Repeat offenders, Organized Crime Groups and Internally Comitted for the perceived benefit of the corporation. First-time offenders are the type of offenders with no criminal background. The perpetrator has pressures in his life or the perpetrator rationalizes his behavior that embezzlement is commonplace. If pressure factors and rationalization go undetected then one will look for weaknesses in internal control or the opportunity to commit fraud.

Repeat offenders are based on statistics showing that a person who commits internal fraud has a high tendency to commit fraud more than once. Pressure factors and rationalization will be less dominant compared to First-time offenders. The opportunity factor will be the trigger for cheating. Organized Crime Groups that are this type of cheating groups belong to professional groups, can also be individuals, who usually commit fraud with a special type. The main factors of this type of cheating can be carried out due to opportunities, namely weak internal controls, bribery or extortion by employees, or through collusion with suppliers or customers. Internally Comitted for the perceived benefit of the corporation is the perpetrator of fraud usually employees who believe that the act of fraud committed is for the good of the company. In particular, the dominance of pressure factors and rationalization of the opportunity factor of the condition is the same as the type of First-time offenders and repeat offenders.

2.4.4.3 Types of Fraud

Albrecht W. Steve (2002) and Hutomo (2012) explained five types of fraud   including Embezzelment employee, Management Fraud,Investment Scam, Vendor Fraud, and Costumer Fraud. Embezzelment employee is a theft committed by employees either directly or indirectly to the company. Management Fraud is a type of fraud committed by top management to stockholders and users of financial statements by providing biased information in financial statements. Investment Scam is a type of fraud committed by individuals to investors by committing lies through investment. Vendor Fraud is fraud committed by companies / individuals who sell goods or services to companies that buy goods or services. Fraud is carried out by the company by issuing expensive tariffs in terms of delivery of goods. Costumer Fraud is fraud committed by customers to companies that sell goods or services. The company tricked the sellers into getting them something more than they should have.

Based on the conclusion of seminars and workshops on Prevention and Prevention of Corruption conducted by BPKP in several regions in Indonesia, various causes of corruption as mentioned above can be identified based on three aspects, namely administrative aspects, human aspects and socio-cultural aspects. Administrative aspects are legislation that is unrealistic and not accommodating to the prevention andprevention of corruption, k e unclear definition andstandardsof operation in the service activities of some government agencies, Procedurecomplicated administration, kurangnya disclosure of information and ketiadaan an organization center that specializes in dealing with anti-corruption issues.

Human aspects are rendahnya integrity and ethics among government officials, sikap andselfish behavior, rendahnya income and appreciation of government officials, leadership crisis, low levels of edity, behavior can be contagious. The Socio-Cultural Aspect is aclose relationship between politicians, government elements, and non-governmental organizations; kultur that tends to be permissive, less commendable treatment, the practice of giving money and others. If it is observed how a corrupt process of

cannedness arises, it always begins with an act. If the act is repeated (because of the permissive act of the community), then it will be a cannedness. Maintained venom will become a tradition that will never be transformed into a culture; community less concerned with the problem of corruption; and shift logical, social and economic values.

Signs of corruption in the organization include: 1) The Company pays more than the reasonable price; 2) Procurement made as specific as possible so as to tend to benefit certain partners; 3) Projects that are fragmented to avoid certain review or approval limits; 4) The auction time is made as short as possible thus impeding other partners from qualifying for the contract; 5) The same partner always wins every auction; 6) There is a social relationship between the auction committee and the bidders; 7) Low quality of goods from the new winning partner; 8) The auction committee or procurement officer has a lifestyle that exceeds his income.

2.4.4.4 Fraud Eradication Strategy

Fraud eradication preventif strategies can be carried out through increasing individual concerns in order to play a role in fighting corruption through educational efforts (pre-emptive); paying attention to the impact of corruption on individuals, communities, and organizations is so dangerous, it is necessary toprevent, ward off, and facilitate the detection of potential fraud events through preventive efforts; if it has not or cannotprevent, organizations should be able to immediately detect, investigate, and follow up investigations in accordance with applicable regulations through repressive efforts..

Carrying out repressive efforts in detecting and handling corruption cases is not the end goal, it is now more preventive efforts. Repressive measures are carried out to the perpetrators of corruption to provide shock therapy and deterrent effect. To prevent the recurrence of such incidents, it must be accompanied by systematic preventive efforts to reduce the chances of corruption, curb justification, and inhibit intentions by developing repressive concepts for preventive. Although repressive efforts against fraud have been intensive, the organization's vulnerability to fraud from day to day tends to increase. Organization leaders can learn how irregularities occur, who does, how they can do it, how fraud is detected, and so on, so as to take steps to maximize the organization's ability to protect against possible fraud..

Before attempting to control fraud,organization leaders must understand the facts that 1) there is apossibility that fraud has occurred and will probably occur in every organization; 2) Consequences for fraud events that occur in each organization can not be measured only by losses in the value of money units; 3) the human beingand the situation changes over a certain period, and some of those changes increase the risk of fraud; 4) internal control accounting that traditionally plays a critical role in countering fraud,but only reflects one facet of prevention and detection ;5) Rely on on audit activities as the only instrument in detecting fraud is not enough; 6) every person inside and outside the organization has a role inpreventing anddetecting fraud.

The key to preventing and easily detecting fraud is the application of a multisegi antidote model (organization-wide model of deterrence). This model relies on the involvement of corruption prevention at every level and function in the organization. This model includes three interacting componentsdesigned to maximize) serta the organization'sopportunity in preventing and detecting corruption, namely financial control system non finance (non-financial systems and management behaviour).

3. Research Methods

This research is a qualitative descriptive research, where the data obtained from the results of the research analyzed and then interpreted. Descriptive research is research conducted to find out the value of a self-contained variable, either one or more variables without making a comparison, or connecting with another variable. Qualitative data is data in the form of words, schemes, and images (Sugiyono, 2013). The research method used is survey method. This method is used to obtain the facts of the symptoms and look for factual information.

3.1 Data analysis

Data analysis in this study uses descriptive analysis to examine the status of a group of humans, an object, a set of conditions, a thought system, or a class of events in the present. The purpose of descriptive analysis is to make descriptions, descriptions, or paintings systematically, faktual and accurate about the facts, properties and relationships between investigated phenomena (Nazir, 2011).

In this study, adescriptive nalisis is limited to the effort of expressing a problem, existence or event as it is. It's just exposing facts. The results of the study emphasized more on providing an objective picture of the actual state of the object being investigated. However, in order to get wider benefits in addition to uncovering facts, a strong interpretation is given.

The first step in descriptive analysis is to create a simple frequency table based on the data and information obtained from the questionnaire. The data is then grouped based on the same answer, rounded up, then interpreted. Descriptive analysis is intended to obtain information about various field conditions that are responses, views and analysis of researchers on the existence and implementation *of Fraud Control Plan* in PT. ABC Gresik Regency. The results of descriptive analysis in the form of comparison of real conditions obtained from questionnaires (opinions of various elements), observation and review documents, with the criteria set.

Analysis is used to assess the existence and application of ten attributes *of Fraud Control Plan* in PT. ABC Gresik Regency. The existence of every element in the Attribute Fraud Control Plan *is* known through supporting documents, while the assessment of the application of each element of fraud control *plan* can be done through questionnaires, observations and interviews. Each element of *the Fraud Control Plan attribute is assessed* regarding the existence of each attribute element based on supporting documents, if there is a supporting document then it is stated that the existence of the attribute element exists and vice versa, then from each element that has been assessed for each attribute is made conclusions whether the *existence of the Attribute Fraud Control Plan* exists or not.

Each element of Fraud *Control Plan attribute is assessed* regarding the application of each attribute element based on the results of questionnaires, observations and interviews. If there is application *of Fraud Control Plan,* it is stated that the application of attribute elements exists, and vice versa. Then from each element that has been assessed for each of these attributes, a conclusion is made whether the application of the Fraud Control Plan *attribute* exists or is not implemented.

The conclusion of the evaluation results is done gradually for each attribute that has been defined in the Evaluation Program. Inferences are drawn for each sub-attribute that exists in each attribute and then drawn in full conclusion for each attribute. Conclusion of assessment results using the Evaluation Program categorized into 3 (three), namely: 1) inadequate, if there is no existence and application, 2) Adequate, if there is existence but no application or no existence but there is application, 3) Adequate, if there is existence andapplication. As seen in the table below:

Conclusion of Existence Assessment results and Application of Attributes
FRAUD CONTROL PLAN

Existence		Application		Assesment
There is	There is n't	There is	There is n't	
✓		✓		Adequate
✓			✓	Quite Adequate
	✓	✓		Quite Adequate
	✓		✓	Inadequate

Source: BPKP, 2010

4. Discussion

4.1 Existence and application of FCP Attributes

Data used to analyze the existence of FCP attribute PT. ABC is determined based on supporting documents owned by PT. ABC. While the data used to analyze the application of FCP attributes PT. ABC Gresik is assessed based on interviews with respondents consisting of management and company employees.

Supporting documents and interview results of respondents are used to assess the existence and application of each attribute and then draw conclusions. The results obtained from kuesioner to respondents regarding the existence and application of fraud control plan *attributes* can be briefly seen in the table below.

Results of Questionnaire on the Existence and Application of FCP Attributes

Attribute	Existence		Application		Assessment
	There is	There is n't	There is	There is n't	
1		√	√		Quite Adequate
2		√	√		Quite Adequate
3	√			√	Quite Adequate
4	√			√	Quite Adequate
5		√		√	Inadequate
6		√	√		Quite Adequate
7		√		√	Inadequate
8	√			√	Quite Adequate
9		√		√	Inadequate
10		√		√	Inadequate

Source: Processed author

4.1.1 Attributes of Reject Fraud Policy

Based on the results of the study, it can be concluded that the Attributes of reject fraud Policy is **"Quite Adequate ".** PT. ABC Gresik regency does not yet have an integrated anti-fraud fraud policy in fraud control which includes Prevent Tangents Policy, Early Detection and Handling of Fraud that can secure the company's assets and compliance with legislation. Nevertheless, in the application of this one attribute, the company has made real efforts in tackling fraud both strategically and operationally.

4.1.2 Accountability Structure Attributes

The data in this study assess the extent of PT. ABC Gresik district has clearly and effectively shared its responsibility in coordinating the implementation of fraud control plan in all activities as part of anti-fraud strategy.. Based on the results of the study, it can be concluded that the Attributes of The Accountability Structure is **"Quite Adequate ".** The structure of the Fraud Control Organization has not been formed, but in the daily implementation related to the efforts to handle fraud that occurred, the task is charged to the Crime Scene Department and MR led by the Manager who is in the coordination of the Corporate Secretary.

4.1.3   Standards of Conduct and Discipline Attributes

Research data is used to assess whether organizations have established policies, standards, systems, and procedures related to employee behavior and discipline to support strategies to combat fraud/ irregularities. Based on the results of the study, it can be concluded that the Attributes of Standards of Behavior and Discipline are **"Adequate Enough".** PT. ABC already has Guidelines for Business and Work Ethics but has not specifically defined and regulated the provisions related to fraudulent behavior including the imposition of sanctions if employees violate the provisions or commit fraud. The application of sanctions imposed is regulated only in relation to violations of Business Ethics and Work Ethics and has been disseminated to all employees.

4.1.4   Fraud Risk Management Attributes

Research data is used to assess the adequacy of size or tools and processes that have been determined by PT. ABC to identify, analyze, and evaluate the risk of possible fraud or irregularities in certain units or areas or fields, and whether PT. ABC Gresik regency has developed an action plan to manage the risk of possible fraud/ irregularities. Based on the results of the study, it can be concluded that the Attribute of Fraud Risk Management is "**Quite Adequate ".** The Company has performed risk management functions related to operational risk only. The attributes of fraud risk management that have been implemented by PT. ABC has a special part or division in charge of the risk management process, the part or department that handles risk management is supported by a policy or SOP of risk management, has an independent structure or section to monitor the risk management process, namely the Risk Committee under the Board of Commissioners.

However, in the application of fraudrisk managementattributes, the Company has not implemented Risk review in terms of adequacy of internal controls owned to prevent or mitigate the impact of each of these risks, the creation of a database of fraud events as input for the fraud risk management process, analysis of trends in mode/ location / perpetrators, creation of risk profile reports andconveying them to interested parties.

4.1.5   Attributes of Employee Care

Data on employee concerns to assess the extent of PT. ABC Gresik district has implemented an action plan to increase the concern of all employees to the possibility of incidents of misconduct/ irregularities an Based on the results of the study, Employee Care Attribute **is " Inadequate ".** The existence and application of this attribute has not been maximal in PT. ABC.

Based on the above conditions, we can recommend to PT. ABC for the Company to periodically conduct surveys of all employees related to employee understanding of fraud and employee concern to participate in fraud control.

4.1.6   Fraud Event Reporting System Attributes

The data obtained is an assessment of whether the company has adequate internal reporting rules or mechanisms for fraud or irregularities and whether it has been implemented in an effective way. Based on the results of the study, it can be concluded that the Event Reporting System fraud   in PT. ABC "**Quite Adequate ",** the existence and application of attributes of the system of justice fraud reporting in PT. ABC's been going well. For the mechanism of reporting fraud events has also been disseminated to all employees, among others by placing banners and displaying on the company's website.

The Company has also established formal rules in the form of related Board of Directors Decisions related to WBS Procedures, Gratification Control, Handling of Consumer Complaints, although the fraud incident reporting system has not regulated in detail the mechanism on reporting and handling of violations allegedly committed by senior leaders or top executives of the Company and for whistleblowers to obtain information about the development of cases or problems reported.

4.1.7 Whistleblower Protection Attributes

The data obtained is used to assess whether the organization has developed appropriate mechanisms and policies in order to support and protect those who convey information about events indicating fraud.

Based on the results of the research, it can be concluded that the existence and implementation of the attributes of whistleblower protection by PT. Gresik Regency ABC **"Inadequate"**. This can be seen from the company specifically does not have provisions on The Protection of Whistleblowers related to reporting of fraudincidents, but in the Whistle Blower System (WBS) Guidelines have been regulated a Whistleblower Protection Policy that states the fraud WBS Team protects whistleblowers from intimidation, threats from the supervisor of the whistleblower so as not to jeopardize his work performance. Based on the results of clarification on wbs management regarding the implementation of fraud incident reporting system in the past period, WBS managers do not document complaints or information or minutes in writing. According to WBS managers this is done to protect the confidentiality of whistleblowers. Such policies can be considered weak in proving.

4.1.8 Attributes of Customer and Community Concern

This data is to assess the adequacy of actions taken by the organization to increase customer and community concern for the organization's ongoing efforts related to the prevention and control of fraud / irregularities. Based on the results of the research, Attributes of Customer and Community Concern is **"Quite Adequate "**. The Company has sought customer and public concern regarding anti-fraud policies, among others through a) social media (Instagram Company) containing the message "Not receiving Gratification"; b) national mass media (Kompas daily) in the form of advertisements on the Rejection of Gratification; c) The company's website/official website on WBS; d) Company Annual Report. However, in applying the attributes of public concern, the company has never conducted a Customer Satisfaction Survey related to the Reject Fraud Policy announced by the company.

4.1.9 Attributes of Investigative Procedures

Research data is used to assess the extent to which organizations have designed and developed investigative policies, standards and guidelines for dealing with incidents that indicate fraud or irregularities from start to finish. Based on the results of the research, Attributes of Investigative Procedures at PT. ABC is **"Inadequate".** The company has not specifically had investigative procedures. In addition, the results of proven investigations (risk events) have not been utilized as inputs for the risk management process.

In the application of investigative procedure attributes in PT. ABC, investigators have conducted interviews with Department of Security officials. Against Work Instruction 05-xxx about investigators and investigators there is still a weakness that there is no workflow and supporting form to be able to complete the assignment according to the Work Instruction.

4.1.10 Disclosure to External Parties

The data obtained is used to assess the extent to which the organization has established and implemented rules on reporting incidents of fraud or irregularities to outside authorities. Based on the results of the study, The Attribute of Disclosure to External Partiesis **"Inadequate".** The Company formally does not yet have 1) Policies or provisions governing the disclosure of fraud incidents to parties outside the company namely the Police, Prosecutors and Corruption Eradication Commission; 2) Policies governing fraud criteria (value of losses, perpetrators, types of fraud)to be reported toexternalparties. In its implementation, formal reporting is so far made by the Internal Audit Compartment, Department. The Legal Department is addressed only to the President Director.

5. Conclusion

Based on the Results of Research and Discussion can be obtained conclusions as follows:

The attributes of the Anti-fraud policy, Accountability Structure, Fraud Risk Assessment, Employee Care, Fraud incident reporting system, Whistleblower protection are considered adequate and attributes of Customer and community care, Disclosure to external parties, Investigation Procedure and Standards of behavior and discipline are considered not adequate. So that there are no attributes that are deemed adequate

Therefore, it is necessary to recommend improvements that can be made by the management of PT. ABC Gresik District to design, develop and implement the attributes of a Fraud Control Plan that can be relied on in preventing, detecting, and following up on any allegations or events that indicate fraud.

References

Akuntansi, P. P., & Korupsi, D. P. (2016). *FRAUD PENTAGON DALAM MENDETEKSI FINANCIAL STATEMENT*. 1–14.

Albrecht, W.Steve, and Albrecht Chad O, 2002. *Fraud Examination & Prevention*. Thomson, South-Western.

Ali, Pengertian dan Ciri Korupsi Menurut Pakar, http://www.pengertianpakar. com/2015/02/pengertian-dan-ciri-korupsi-menurut-pakar.html (diakses tanggal 15 Mei 2019)

Alison. 2004. Fraud Auditing. The Internal Audit Journal.

Aulia, Huda. 2018. Analisis Fraud Diamond dalam Mendeteksi Potensi Kecurangan Laporan Keuangan (Studi pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2014-2016). Yogyakarta

Badan Pengawasan Keuangan dan Pembangunan (BPKP), 2010. *Pedoman Fraud Control Plan,* Deputi Bidang Investigasi BPKP, Jakarta.

Biegelman, Martin T dan Joel T. Bartow, 2012. *Executive roadmap to fraud prevention dan internal control, creating a culture of compliance*. ISBN, Jakarta.

Committee of Sponsoring Organizations of the Treadway Commission (COSO). 2008. Pengendalian Internal dan Manajemen Risiko. Jakarta : Yayasan Pendidikan Internal Audit (YPAI)

Cressey, D. R. (1953). "*Other People's Money*". Montclair, NJ: Patterson Smith, pp.1-300.

Crowe Horwarth. (2012). "*The Mind Behind The Fraudsters Crime :Key Behavioral and Environmental Element*"

Haryono, Slamet. 2005. Struktur Kepemilikan dalam Bingkai Teori Keagenan. *Jurnal Akuntansi dan Bisnis.*

Herawaty, Netty. 2011. Pengaruh Kejelasan Sasaran Anggaran, Pengendalian Akuntansi dan Sistem Pelaporan Terhadap Akuntabilitas Kinerja Instansi Pemerintah Daerah Kota Jambi. Simposium Nasional Akuntansi.

Hermiyetti, 2010, *Pengaruh penerapan pengendalian internal terhadap pencegahan fraud pengadaaan barang*, Sekolah Tinggi Ilmu Ekonomi Keuangan dan Perbankan, Jakarta.

Hutomo, Oki Suryo. 2012. *Cara Mendeteksi Fraudulent Financial Reporting dengan Menggunakan Rasio-rasio Financial.* Fakultas Ekonomika dan Bisnis. Universitas Diponegoro.

https://www.liputan6.com/news/read/415339/praktik-curang-quotpemainquot-pupuk (diakses 30 Maret 2019)

Jensen, M. & Meckling, W. 1976. Theory Of The Firm : Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics,* Vol : 3.

Kartono, Kartini. 2003. *Pemimpin dan Kepemimpinan*. Jakarta : PT. Raja Grafindo Persada

Klitgaard, Robert. 2005. *Membasmi korupsi (Penerjemah Hermojo)*. Yayasan Obor Indonesia. Jakarta.

Kompas.com, dengan judul "Kasus Korupsi Pupuk, KPK Tahan Pejabat Perum Perhutani", https://nasional.kompas.com/read/2017/08/04/18222421/kasus-korupsi-pupuk-kpk-tahan-pejabat-perum-perhutani-.(diakses tanggal 30 Maret 2019)

Molida, Resti. 2011. Pengaruh Financial Stability, Personal Financial Need dan Ineffective Monitoring Pada Financial Statement Fraud Dalam Perspektif Fraud Triangle. Fakultas Ekonomika dan Bisnis. Universitas Diponegoro.

Nazir, Moh. 2011, *Metode penelitian*, Graha Indonesia, Bogor.

Peninurhidayati, Korupsi, https://peninurhidayati.wordpress.com/makalah/ korupsi/ (diakses tanggal 15 Mei 2016).

Peraturan Menteri Perdagangan Republik Indonesia Nomor : 17/M-DAG/PER/6/2011 tentang Pengadaan dan Penyaluran Pupuk Bersubsidi Untuk Sektor Pertanian

Sugiyono. 2013. *Metode Penelitian*. Alfabeta, Bandung.

Suprajadi, Lusy. 2009. Teori Kecurangan, Fraud Awaeness, dan Metodologi Untuk Mendeteksi Kecurangan Pelaporan Keuangan. Fakultas Ekonomi Universitas Katolik Parahyangan.

Susanti, Yayuk Andri. 2014. *Pendeteksian Kecurangan Laporan Keuangan Dengan Analisis Fraud Triangle.* Surabaya

Suryana, Cahya. *Data dan Jenis Data penelitian*, https://csuryana. wordpress.com/2010/03/25/data-dan-jenis-data-penelitian/(diakses tanggal 15 Mei 2016).

Tiro, Andi Amirullah. 2014. *Pengaruh Pengendalian Internal dan Kompensasi Terhadap Kecenderungan Kecurangan (Fraud) Pada Pemerintah Kota Palopo*. Makassar.

Tribunjabar.id, dengan judul Direktur PT Pupuk Kujang Geram dengar Ada Penyelewengan Pupuk Subsidi di Purwakarta, http://jabar.tribunnews.com/2017/03/24/direktur-pt-pupuk-kujang-geram-dengar-ada-penyelewengan-pupuk-subsidi-di-purwakarta. (diakses 30 Maret 2019)

Tuanakotta, Theodorus M., 2012, *Akuntansi Forensik dan Audit Investigatif,* Salemba Empat, Jakarta.

Tunggal, Amin Widjaja. 2013. The Fraud Audit : Mencegah dan Mendeteksi Kecurangan Akuntansi. Jakarta : Harvarindo.

Zulkarnain, Rifqi Mirza. 2013. *Faktor-faktor yang Mempengaruhi Terjadinya Fraud di Sektor Pemerintahan (Studi Kasus pada Dinas se-Kota Surakarta).* Surakarta

Herlina Hanum Harahap. (2020). Pencegahan Dan Pemberantasan Tindak Pidana Pencucian Uang. *Amaliah: Jurnal Pengabdian Kepada Masyarakat*, *4*(2), 186–190. https://doi.org/10.32696/ajpkm.v4i2.551

ANALYSIS OF FRAUD IN THE INDONESIAN PUBLIC SECTOR THROUGH THREE BEHAVIORAL LENSES.

Else Nur Fitriana, University of Pembangunan Nasional East Java,

Indrawati Yuhertiana, University of Pembangunan Nasional East Java

Abstract

Purpose
Based on the authors' study, the purpose of this paper is to better understand why fraud in the Indonesian public sector is so resilient from three behavioral perspectives are the Schemata Theory, the Corruption Normalization Theory and the Moral Development Theory.

Design/methodology/approach
This paper examines fraud trends and patterns in the Indonesian public sector in the past decade through examination of reports from various institutions as well as other relevant documents regarding fraud related issues to gain a better understanding of the behavioral mechanisms underlying the adoption of fraud into organizational and individual schemata. For the purpose of gaining various perspectives on anti-fraud measures, this study also uses expert interviews and focus group discussions with relevant experts in Indonesia on various fraud-related issues.

Findings
The authors establish that the rampaging fraud in the Indonesian public sector is an outcome of cumulative decision-making processes by the participants. Such a process is influenced by individual and organizational schemata to interpret problems and situations based on past knowledge and experience. The discussion in this paper highlights the mechanisms of corruption normalization used to sustain corruption networks especially in the Indonesian public sector which will be very difficult to break with conventional means such as detection and prosecution. Essentially, the entire process of normalization will cause moral degradation among public servants to the point where their actions are driven solely by the fear of punishment and expectation of personal benefits. The three pillars of institutionalization, rationalization and socialization strengthen one another to make the entire normalization structure so trivially resilient that short-term-oriented anti-corruption measures may not even put a dent in it. The normalization structure can be brought down only when it is continuously struck with sufficient force on its pillars. Corruption will truly perish from Indonesia only when the societal, organizational and individual schemata have been re-engineered to interpret it as an aberration and not as a norm.

Research limitations/implications
Due to the limited time and resources, the discussion on the normalization of fraud in Indonesia is focused on fraud within the Indonesian public institutions by interviewing anti-fraud professionals. A more complete picture of fraud normalization in Indonesia can be drawn from interviews with incarcerated fraud offenders from Indonesian public institutions.

Practical implications
This paper contributes to the development of fraud eradication strategy by deconstructing corruption normalization processes so that the existing resources can be allocated effectively and efficiently into areas that will result in long-term benefits.

Originality/value
This paper demonstrates how the seemingly small and insignificant behavioral factors may constitute for fraud in Indonesia.

INTRODUCTION

Corruption has been part of many developing countries and Indonesia is not an exception. Corruption, generally defined as the abuse of public power for private benefits, has been a major problem in the world causing low economic growth, distorted investment and low quality of public services (Dreher, et al., 2009). Billions of dollars have been lost to corruption around the world.

Worldwide experience has shown that corruption affects not only the perpetrators but also their environments and even their countries. More than a few high profile politicians, world leaders, businessmen, and even governments have fallen because of accusations of corruption. Conflicts arising from corruption-related issues have even claimed the lives of many innocent people.

Efforts have been made by various international institutions to reduce the risk of corruption in the world. The convention essentially provides standards in particular for criminalizing the acts of bribery in international business transactions to foreign public officials.

Studies have shown that corruption, especially in the public sector, has been part of many developing countries. The illicit funds from corrupt activities are diverted from the original purpose of providing public health and education services, prosperity, and development, to the multiple private accounts of the people entrusted with management of public resources. Venality statistics for Asian developing countries accents the priority of addressing corruption challenges in countries such as Indonesia.

In the 2019 Corruption Perception Index report, for example, Indonesia was ranked 85 in the world (Transparency International, 2020). Under Law No. 31 Year 1999 as amended by the Law No 20 Year 2001 on the Eradication of Corruption, there are seven categories of offences that constitute corruption: acts that cause losses to the nation; bribery; occupational embezzlement; extortion; deception; conflict of interests in procurement of goods and services; and gratification (Ardisasmita, 2006).

Corruption has been a visible feature of Indonesian government since at least the leadership of Suharto. Even after nearly two decades since the fall of the Suharto regime, corruption remains pervasive in Indonesia particularly in the public sector as evidenced by hundreds of major corruption cases investigated by the Corruption Eradication Commission (Komisi Pemberantasan Korupsi, also known as the KPK).

This paper will use the schemata theory, the corruption normalisation theory and the moral development theory to identify the current behavioural trend of corruption in the Indonesian public sector and the behavioural factors that make corruption in the Indonesian public sector so resilient.

The major conclusion of the paper is even long after the fall of the Suharto regime, its signature rent seeking practices as well as corruption normalization processes still characterize the Indonesian economy today and has caused multiple corruption problems.

This conclusion is supported by the results of analysis of corruption cases investigated between 2004 and 2015 by the Corruption Eradication Commission (KPK) as well as several major political events in Indonesia. Based on data collected for purposes of this paper, the second conclusion is the resilience of corruption in the Indonesian public sector is a legacy of the Suharto regime and a product of thirty-two years of extensive corruption normalisation which made corruption became part of Indonesian societal, organizational and individual schemata.

Anti Corruption Extensive efforts

Extensive efforts have been devoted to bring corruption offenders to justice. Law enforcement initiatives have included Law No. 31 Year 1999 as amended by the Law No 20 Year 2001 dealing with the Eradication of Corruption, identifies seven categories of offences that constitute corruption: acts that cause losses to the nation; bribery; occupational embezzlement; extortion; deception; conflict of interests in procurement of goods and services; and gratification (Ardisasmita, 2006).

Nevertheless, as evidenced by the seemingly unchanged level of corruption during the Yudhoyono government, 2004 – 2014, many observers argue that much still needs to be done to achieve the strategy's objectives (Blunt, et al., 2012; Corruption Eradication Commission, 2015; Control Risks Group, 2013).

Corruption in the Indonesian Public Sector

The Corruption Eradication Commission (KPK) categorizes corruption offences into seven categories: goods and services procurement, licensing, bribery, unauthorized collection, budget misallocation, money laundering and hindering KPK's investigation.

In practice, the five major offences are often interconnected to one another. When private sector vendors approach government officials to unlawfully seal a procurement contract, for example, they may offer a huge amount of bribes to the officials who then conceal the money or other assets from the authorities' attention by various means of money laundering.

Despite the existing anti-corruption laws as well as an independent vigilant anti-corruption agency in Indonesia, corruption remains entrenched in the bureaucracy. Despite the fall of the New Order regime in 1998, many high-ranking public officials in the Reformation era still use their positions to provide "rents" to those who were willing to pay for their "services".

In Indonesia, the prevalent corruption is believed to be the result of the corrupt minds of public officials in the government. Accepting bribes, for example, appears to be part of daily routine of corrupt Indonesian public officials.

This is believed to be among the causes of the rampaging corruption in the country. Once a candidate is accepted as a civil servant through corrupt means such as bribing public officials, he or she will immediately seek to recover his or her investment, if necessary through corrupt means such as unlawfully giving privileges to businessmen in exchange for bribes.

The Schemata Theory

One way of looking into corruption is through the "schemata" theory. The early proponent of the concept of schemata was Frederic Bartlett (1995, p. 201) who defined schema as an active organization of past reaction, or of past experiences, which must always be supposed to be operating in a well-adapted organic response. The notion of schemata has had a long history as a psychological construct in understanding human learning and memory (Newell, 2003, p. 384).

As part of human actions, corruption is believed to be influenced by cultural values within society. As defined by Schwartz (1994, p. 21), values are desirable transitional goals, varying in importance, that serve as guiding principles for individuals or organizations. Values can be acquired both through socialization and learning experience (Schwartz, 1994, p. 21). As part of an individual's schemata, value may change over time due to changes in the environment.

The Corruption Normalization Theory

A corrupt organization will develop a certain mechanism that makes corruption look less evil to sustain the network of offenders. In Indonesia, for example, evidence suggests that corruption is so prevalent it becomes a norm embedded deeply within the structures and activities of the country's public institutions (Budiman, et al., 2013, p. 139).

The process by which normalization pervades an organization will result in the degradation of organization members' morality to the point where the fear of punishment and the search for rewards become the ultimate driving factors in discharging duties and responsibilities.

When a corrupt act is first perpetrated in an organization, there will most likely be cognitive dissonance among its perpetrators. Whether or not the act will be repeated often depends on the leadership in the organization. If the act is severely sanctioned then it will be remembered as an anomaly by the other organization members and will be less likely to be repeated in the future.

On the other hand, when the act results in no serious consequences from the organization it will only be a matter of time before another act is perpetrated. When an organization and its leadership tolerate or even condone corrupt acts then gradually they will be part of its normal day-to-day operations embedded within its formal structure and culture.

Ashforth and Anand (2003, p. 12) argued that by transforming corruption into mere mechanical operations the routinization process promotes corruption in four ways:

1. Removing reflective thoughts on the actions;
2. Breaking down corrupt acts into specialized tasks assigned to separate organization members so that they will perform the tasks without realizing that their individual actions are actually part of a large scheme of corruption;
3. Locking organization members into an interconnected system so that they will be swept along by its momentum; and
4. Inducing individuals to focus more on the processes rather than the goal.

Essentially, at this point corruption becomes an integral part of organizational schemata but is yet to be part of organization members' individual schemata and thus a further process of socialization is required.

The Moral Development Theory

A person will base his or her actions on the terms of contracts and avoiding violation of the will or rights of others and majority will and welfare (Craig, 1974, pp. 122-123). In other words, he or she is doing what he or she is doing because the existing rules and regulations command him or her to do so. Nevertheless, by upholding the principles of justice and fairness, he or she will perceive that although rules and regulations are meant to be obeyed, they should not be seen as ideal, utopian and absolute decrees to be obeyed without criticism. People with this type of moral schema will be more likely to question what they perceive as wrongdoings or unethical conducts within their organizations regardless the fact that the actions in question are supported by organization's policy and culture. Many people with this type of schema have been known to become effective whistleblowers in exposing various frauds within their organization or society.

CONCLUSION

Corruption is a global problem and no country is immune to it. The complexity and the elusive nature of corruption has made it difficult for many countries to properly address the problem. Factors such as insufficient legislation, weak enforcement, weak democracy, lack of transparency and accountability, wide authority given to public officials, absence of effective checks and balances, and perverse incentives (United Nations Office on Drugs and Crime, 2004) have been the focus of various anti-corruption initiatives all around the world.

As a centuries-old, complex, and multidimensional problem, corruption requires a multidimensional approach to address its eradication. As portrayed by the Transparency International's Corruption Perception Index and other studies, corruption in Indonesia remains pervasive throughout governments. Part of the failure to effectively address the problem is the lack of awareness of the multidimensional nature of corruption. As a consequence, resources allocated for investigations and prosecutions see little or no success in preventing the continued flourishing of corruption in the country.

By using three behavioral lenses (the Schemata Theory, the Corruption Normalization Theory, and the Moral Development Theory), this paper discusses potential means to address the corruption problem especially within Indonesian public institutions.

Once corruption loses its ability to regenerate, it will become "killable" and with sufficient efforts, eradicating it will only be a matter of time. Support from all elements of society is indispensable in ensuring that corrupt acts are no longer accepted as a norm but as an aberration that needs to be contained and eradicated.

This paper shows that the normalization of corruption has been systematically carried out since the New Order regime through, among others, multiple behavioral engineering means. One of the results of this long and extensive normalization is the persistent corruption problem in Indonesia. Even long after the fall of the Suharto regime the three processes of institutionalization, rationalization, and socialization can still be found in many parts of the Indonesian public sector.

At the center of the corruption problem is the patrimonial leadership style which many believe to have facilitated the rent-seeking practices in the public sector resulted in corrupt acts such as bribery and procurement related corruption.

The decentralization system is also believed to increase corruption at the local levels. The rent-seeking activities are now becoming decentralized, creating political and economic uncertainty within the local governments.

Cultural and historical factors need to be taken into consideration when designing and implementing anti-corruption measures to achieve the desired results.

BIBLIOGRAPHY

Ardisasmita, S., 2006. The Definition of Corruption from Legal Perspective and the E- Announcement for a more Open, Transparent, and Accountable Governance. Jakarta.

Ashforth , B. E. & Anand, V., 2003. The Normalization of Corruption in Organizations. Research in Organizational Behavior, Volume 25, pp. 1-52.

Craig, R., 1974. Lawrence Kohlberg and Moral Development: Some Reflections. Educational Theory, 24(2), pp. 121-129.

Bayuni, E., 2012. Indonesia's Anti-Corruption Commission Fights for Its Life. [Online] Available at: http://foreignpolicy.com/2012/10/05/indonesias-anti-corruption-commission-fights-for-its-life/ [Accessed 28 November 2020].

Bartlett, F. C., 1995. Remembering: A Study in Experimental and Social Psychology. Cambridge: Cambridge University Press.

Budiman, A., Roan, A. & Callan, V. J., 2013. Rationalizing Ideologies, Social Identities and Corruption Among Civil Servants in Indonesia During the Suharto Era. Journal of Business Ethics, Volume 116, pp. 139-149.

Blunt, P., Turner, M. & Lindroth, H., 2012. Patronage's Progress in Post-Suharto Indonesia. Public Administration and Development, Volume 32, p. 64–81.

Control Risks Group, 2013. Anti-Corruption in Indonesia. [Online] Available at: https://www.controlrisks.com/~/media/Public%20Site/Files/Oversized%20Assets/indonesia_whitepaper_2013.pdfr [Accessed 29 November 2020].

Dreher, A., Kotsogiannis, C. & McCorriston, S., 2009. How do Institutions Affect Corruption and the Shadow Economy?. International Tax and Public Finance, December, 16(6), pp. 773- 796.

Newell, K. M., 2003. Schema Theory (1975): Retrospectives and Prospectives. Research Quarterly for Exercise and Sport, December, 74(4), pp. 383-388.

Transparency International, 2019. Corruption Perception Index 2019. [Online] Available at: http://www.transparency.org/cpi2019/results [Accessed 28 November 2020].

United Nations Office on Drugs and Crime, 2004. United Nations Conventions against Corruption. [Online] Available at: https://www.unodc.org/documents/brussels/UN_Convention_Against_Corruption.pdf [Accessed 29 November 2020].

Yeganeh, H., 2014 . Culture and Corruption: A Concurrent Application of Hofstede's, Schwartz's and Inglehart's Frameworks. International Journal of Development Issues, 13(1), pp. 2-24.

UNINTENDED OUTCOME IN IMPLEMENTING PUBLIC SECTOR ACCOUNTING REFORMS IN ACHIEVING GREATER ACCOUNTABILITY OF GOVERNMENT

AsviMaschuroh[a], Indrawati Yuhertiana[b]

[a]*Master of Accountancy, University of Pembangunan Nasional "Veteran" Jawa Timur (UPN), Surabaya, Indonesia*
[b]*University of Pembangunan Nasional "Veteran" Jawa Timur(UPN), Surabaya, Indonesia*

Abstract

This article describes and shows the development of public sector accounting reforms in Indonesia in strengthening accountability, and creating transparency concerning public sector accounting to help promote better governance. This article also provides insight into the application of New Public Management Practices (NPM) in Indonesia, including the introduction of an accrual accounting system for local governments. The application of NPM practices is part of the political, economic, and public sector reforms introduced after 1998, which addresses the background and barriers to reform and the nature of the accrual accounting system adopted by Indonesian local governments. The main contribution of this study is to show how the political traditions of a nation accept the adoption of New Public Management Practices (NPM) and engage the wider public in discourse about accounting reform in the public sector. The results of our observations indicate that the development of public accounting reforms cannot be maximized because it is hindered by a lack of staff with adequate accounting skills and shows undesirable results due to the rush to copy public sector financial management techniques from different country contexts, especially when there are differences of opinion significant regarding the precise design of these reforms among influential policy-making institutions. Apart from that, this study also provides an understanding of the public sector reform society in the context of a diverse nation that has long been subject to colonialism and military leadership. The problem is rooted in the central government being reluctant to modernize the human resource management systems used in local governments and rapid changes in the rules imposed by the central government regarding local government accounting systems. In other words, the new reporting rules have not been supported by the appropriate modernization of the human resource management system. Even though Indonesia has introduced a decentralization policy for local governments, reporting and human resource management are still controlled by the central government. Our Government needs to recognize the need for modern human resources and a new public management system to make this change work.

Keywords: Accounting Reform, Public Accounting Sector, New Public Management, Unintended Outcome

INTRODUCTION

It is widely recognized that compared to private sector organizations, public sector organizations are less homogeneous and complex organizations. As stated by Mardiasmo (2006), public sector accounting has a close relationship to the public domain, whose territory is wider and more complex than the private or business sector. The breadth of the public domain is not only due to the breadth of the types and forms of organizations in it, but also the complexity of the environment that affects these public institutions. Apart from the complexity, rigidity, and inflexibility that exist in the public sector are also the main differentiators. In other words, systems in the public sector have status-quo characteristics and rarely or even do not like change. Many public sector organizations feel less challenged because they are in a less competitive climate. This contrasts with the characteristics of the private sector in which it tends to be flexible, flat, functional, and dynamic (Suwarno, 2008).

As a determinant of being able to compete superiorly or not, innovation is a concept that is often discussed in the business sector. Even at the individual level, in general, workers involved in the public sector only carry out their duties and functions flatly (Suwarno, 2008). Therefore, "a quality of public services is a reflection of the quality of the government bureaucracy" which is the result of a paradigm shift regarding public services, this requires innovation in the provision of public services so that innovation in the public sector can be maximized as best as possible in terms of its services (Suwarno, 2008; UNDESA, 2011, 2013). For example, public service innovations that are currently being hotly developed in the public sector anywhere in the world are in the case of Information and Technologies Communities (ICT) (Suwarno, 2008).

Demands regarding financial accountability, efficiency, and effectiveness in the public sector make public sector organizations in the world change. This change is from a traditional system and tends to be mentalistic that seems rigid to a flexible system. This change is known as New Public Management (NPM). The emergence of New Public Management (NPM) as a public sector reform movement in European and Anglo-American countries has had several implications for accounting, budgeting, and performance management in public sector organizations. The emergence of NPM is truly a major shift from traditional public administration to a public management system characterized by greater attention to achieving results and public manager accountability through more flexible organization creation, reduced government functions, privatization, and other more pro-forms. market (Djamhuri, 2006).This is a follow-up to government regulations regarding regional autonomy in which regions are given the authority to run and manage government affairs and public services by following of applicable laws (Rizky, *et al*, 2016).This change is expected to be able to increase transparency and accountability in the management of state finances and follow international best practices adapted to the conditions in Indonesia (Satrio, Yuhertiana, & Hamzah, 2016).

One part of public sector accounting is financial accounting. Public sector financial accounting is closely related to the accounting function as a provider of financial information for internal and external parties to the organization, one of which is the community as users of goods and services produced by public sector organizations, hospitals are also required to report all their activities as a form of accountability to the government and society.

In recent years, research on public sector accounting has begun to attract the attention of many parties. This is evidenced by the increase in research in the public sector at accredited journals in Indonesia. Research on public sector accounting has been widely researched in Indonesia and abroad.
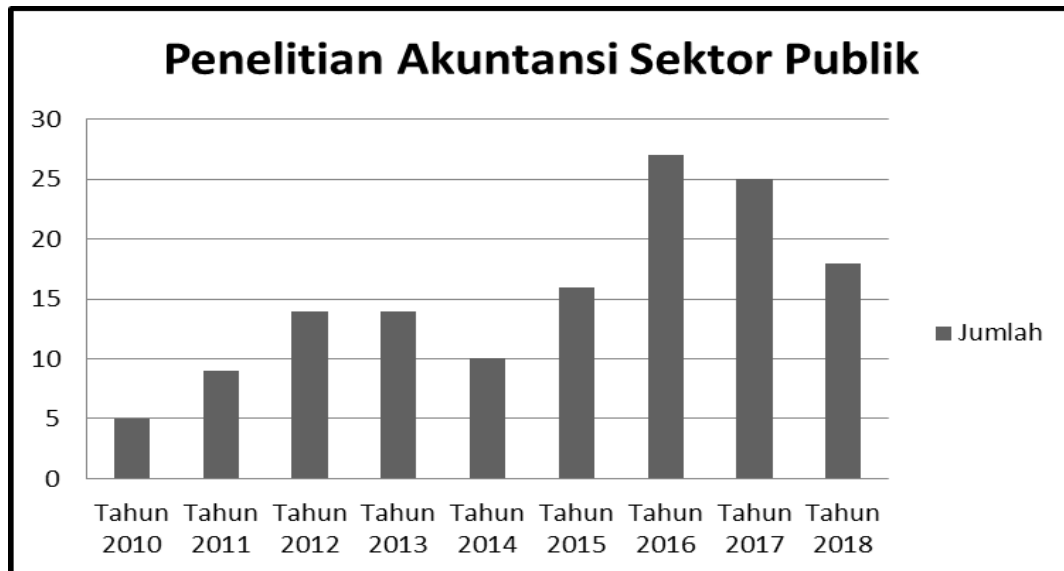

Figure 1. Diagram of the development of public sector accounting research

Even though it seems to have decreased from 2016, overall public sector accounting research is increasingly being carried out in Indonesia. It also proves that the knowledge of the public sector is very important. More and more topics are discussed in the public sector from year to year along with the development of research in Indonesia and the existence of accredited journals and course changes in regulations regarding the accounting system. This is what motivates the author to examine the development of public sector accounting research in Indonesia along with the development of government accounting.

LITERATUR REVIEW

Public Sector and Public Sector Accounting

"Public Sector" is an entity whose activities are related to efforts to produce public goods and services, to meet the needs of public rights.

Thus Public Sector Accounting is a process for collecting, recording, classifying, analyzing, and making financial transaction reports for a public organization that provides financial information for parties who need it to be used when making a decision.

Meanwhile, Indra Bastian (2007) defines Public Sector Accounting as a technical mechanism and accounting analysis applied to the management of public funds in high-level state institutions and ministries under them, local governments, BUMN, BUMD, NGOs, and social foundations, as well as cooperation project funds. public and private sector.
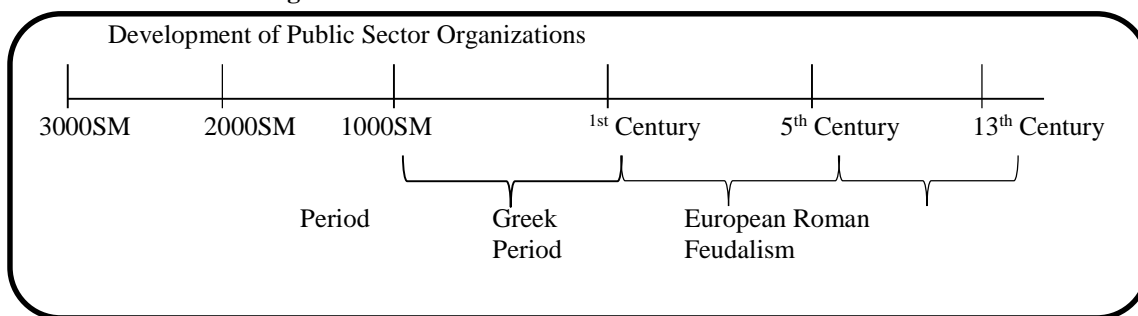
Public Sector Accounting Objectives:

- **Management Control**, the goal is to provide the information needed to manage an organization quickly, efficiently, and economically for the operation and use of the resources entrusted/budgeted for an organization.

- **Accountability**, This goal is almost the same as management control, which is to provide useful information for public sector managers who are used to report on the implementation of responsibility for resources/fields/divisions under their authority.

History And Development Of Public Sector Organizations From The Accounting Angle

About the history and development of public sector organizations, since the early 1990s, the paradigm of government in various countries has shifted from formal government (ruling government) to good governance to make government administration more effective, efficient, and efficient. justice for every member of society. Government officials are expected to be responsive to the demands of their environment so that the services provided are better with transparent and accountable procedures. The history of public sector organizations goes back thousands of years.

Public Sector Accounting

Development of Public Sector Organizations

| 3000SM | 2000SM | 1000SM | 1st Century | 5th Century | 13th Century |

Period

Greek Period

European Roman Feudalism

In the early 15th century, economic power shifted from Italy to England. Here, the economic philosophy of mercantilism persisted for two centuries. The school of mercantilism made the central government system attempt to control and regulate all stages of commerce. The reporting process related to labor information, production methods, types, and quality of goods produced, sales prices, and marketing methods are developed in more detail.

At the end of the 18th century, fundamental changes occurred in the rules of business. Individual initiatives are being appreciated and given the widest possible opportunity. As a result, an industrial revolution emerged in England. This incident shows the development of financial accounting and corporate cost accounting which is more triggered by the development of public sector accounting practices.

Public sector accounting practices can be said to have developed more slowly in the 19th and 20th centuries. Incorrect interpretations have begun to emerge by equating public sector accounting as the process of recording the collection of taxes collected by the government. The only development during this period was the start of the practice of auditing government funds. At that time, government officials in charge of auditing also had other administrative responsibilities, for example as custodians of the crown jewels, supervisor of interest-bearing debt, and so on.

Period	Civilization	Activity
3000 SM – 1000 SM	Babilonia	The practice of recording has been carried out in various activities to generate income and production
	Ancient Egypt	The practice of recording systems has existed since the days of Ancient Egypt. A ministerial organization was established to administer reports for the prime minister. The ministers practice monthly reports related to tax collection results.
1000 SM – 1th Century	Yunani	In Greek times, the ruling government equitably divides the various sources of income received.
1th – 5th Century	Roman	During the Roman era, the practice of accounting to support the tax mechanism was practiced by all officials, both governors, and emperors.
Mid 14th century	Europe	In the middle of the late 14th century, in Genoa, the practice of recording financial transactions took the form of evidence of financial transactions between ruling governments and the people. Furthermore, registration develops in the process of trade between countries. At the same time, in other parts of the world, the church entered government
Beginning 15th century	Europe	In the early 15th century, economic power shifted from Italy to England. The reporting process is developed in more detail, especially information on labor, production methods, types, and quality of goods produced, sales prices, and marketing methods.

End 18th Century	Europe	At the end of the 18th century, there was a fundamental change in business rules. Individual initiatives are being appreciated and given the widest possible opportunity. As a result, an industrial revolution emerged in England. This incident shows that the development of financial and cost accounting in companies is more triggered by the development of public sector accounting practices.
Beginning 15th Century	Europe	In the early 15th century, economic power shifted from Italy to England. The reporting process is developed in more detail, especially information on labor, production methods, types, and quality of goods produced, sales prices, and marketing methods.

Scope of Regional Government Accounting Reform

There are differences among NPM observers in the use of the term "accounting reform". Andrews (2004), for example, uses it to symbolize the adoption of a performance-based budgeting system (PBB) by US local governments. Meanwhile, Caperchione (2003) and Christiaens (2003) prefer to use it as a change in the local government accounting system from "cameralistic" and cash basis to business-like models (double entry and accrual basis). Nonetheless, they share a basic similarity: and that the terminology connotes novelty, refinement, or implementation of the ars object which has a broad impact on existing conditions. Thus, accounting reform is believed to come not only with technical adjustments but also with behavioral and organizational adjustments.

In the Indonesian context, for example, local government accounting reforms that have been formally implemented since 2001 have not only taken the form of a series of adjustments in the technical field of accounting. It even includes systemic, legal, organizational, and behavioral reforms that are strived to be carried out simultaneously. The notion of sound internal control that was previously understood to have only legal implications must now be fully understood with information and organizational implications (Djamhuri, 2006).

New Public Management (NPM) focuses on organizational performance, not policy, thus giving rise to the concept of "Managerialism", Market-based public administration, and Entrepreneurial Government (Osborne and Gaebler, in Bastian 2010). The concept that was accepted by the government in the NPM era was the concept of Osborne and Gaebler, known as the concept of "Reinventing Government", which has a perspective on:

a. Catalyst governance,

b. Public owned government,

c. Competitive government,

d. Governments have driven through missions,

27

e. Results-oriented government.

f. Customer-oriented government,

g. Entrepreneurial government,

h. Anticipatory government,

i. Decentralized government,

j. The government is oriented towards market mechanisms.

Development of Public Sector Accounting

The development of public sector accounting, without neglecting the importance of understanding accounting techniques in government organizations, teaching public sector accounting is developed in different conditions. The two main features of the accounting reforms are the record-keeping of the accrual-based accounting system in 2003 and the empowerment of the Supreme Audit Agency in auditing public sector agency reports.

<u>Reform Background</u>

First, in 1952, the phrase public sector was taught for the first time in academia (Oxford English Dictionary, 1989: 779). Most of the countries of the United States, Russia, and Great Britain plan their workforce for government economies to help the leftover private sector.

Second, the characteristics of public sector organizations show variations in social, economic, political, and statutory characteristics. Each has different strengths and responsibilities and shows examples of different responsibilities. This difference illustrates how the public sector develops by following under the existing pressure on its historical background and resources.So understanding the performance of the public sector should start not from the technical side but with the basic concept of the organization.

Third, the activities of public sector organizations vary widely. For example, the opening of the public sector to compete in the most obvious market mechanism, namely privatization, has caused major needs such as gas, electricity, water, and public ownership to be released to the private sector (but the public regulates). Besides, the current growing activity requires decisions based on competitive bids with the private sector. Competition between contractors and public sector organizations to provide. This starts with budget preparation for cleaning the company.

Fourth, the condition of public sector organizations is very independent or separated from purely market mechanisms, the dominant thinkers today are still siding with the limitation of open competition. So that there is a separation of competition and market management mechanisms, then the provision of services is separated from the consumption of these services. For example, health care where hospital maintenance provides the cheapest health care for the community. As a result, the change in ownership program will result in conflicting markets and the mechanism for consuming the products of the public sector organizations concerned.

Fifth, the focus of the successful implementation of public activities is management competence, the spirit of accounting plays a very important role in this. In principle, the accounting will be a tool of control for managers, giving rise to the consistency of a manager responsible not only for these activities but also for financial management from the aspect of budgetary exceptions.

Sixth, the condition of the accountability process carried out by public sector bodies is still general. Special competencies are transferred to people's representatives in the DPR / DPRD, as a determinant of the quality of

management accountability in public sector organizations. In the process of being responsible, various formal and informal variations have a direct impact on the flow of activities of public sector organizations.

The demand for transparency and public accountability during the reform era had an impact on the development process of government management in Indonesia. Once Suharto was overthrown in 1998, there was an opportunity for reform-minded policymakers to move toward accounting reform (Mcleod & Harun, 2014). Proponents of private sector-style accounting systems, especially in the Ministry of Finance and BPK, see the adoption of private sector accounting techniques in the public sector as an important part of efforts to improve management quality. Indonesia chose countries such as Australia, UK, and New Zealand as the new approach models, all of these countries have become pioneers in the adoption of public sector accrual accounting.

Introduction to the Accrual-based Accounting System

❑ *The change in accounting from CASH BASE to ACCRUAL BASED accounting is an important part of the public sector reform process in Anglo-Saxon countries*

❑ *The aim of introducing an accrual accounting system is to help increase transparency and improve the efficiency and effectiveness of the public sector*

❑ Then Public Sector Accounting has grown rapidly in the last two decades, namely the emergence of "public accountability", the value of money, privatization, and GPG (good public governance). Regional autonomy.

❑ According to SAP, all transactions involving public sector entities must be reported and recorded in the accrual-based accounting system, and then presented in the form of summary financial statements.
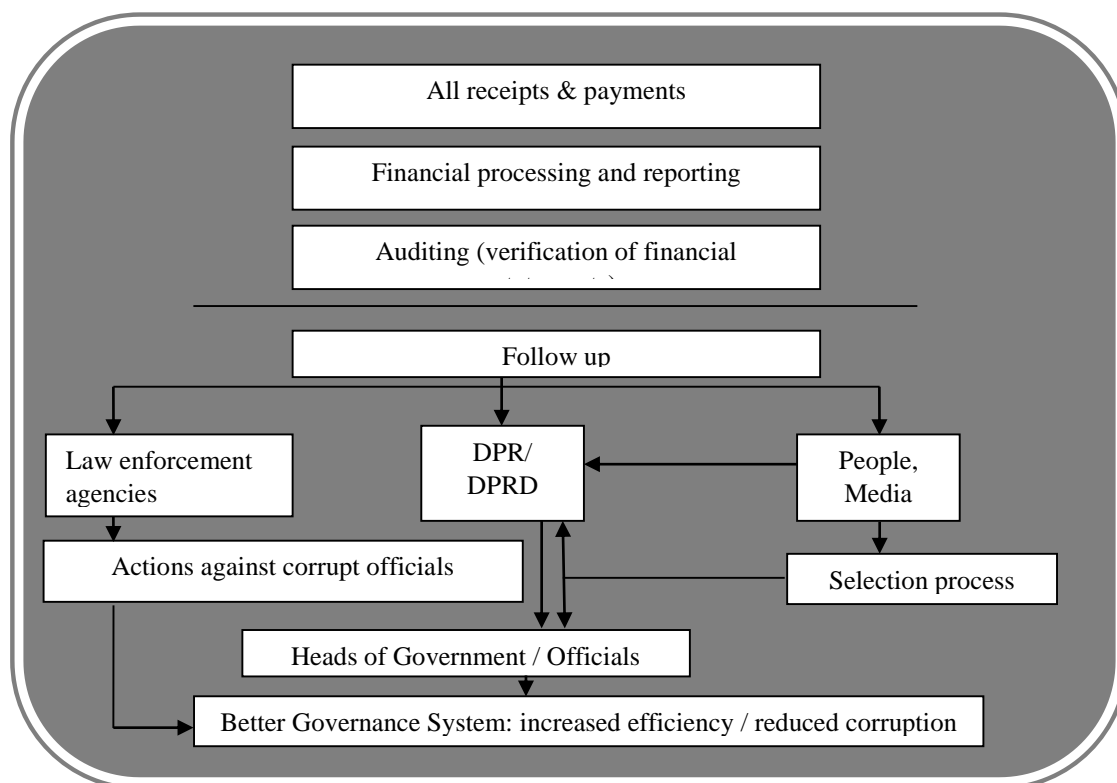

Figure2. Public Sector Accounting Reform(Mcleod & Harun, 2014)

Public Governance

On the Sahara-African peninsula, the adoption of accrual accounting has done more harm in practice by opening up room for corruption, patronage, and neopatrimonialism to proliferate. Existing implementations show failure, resistance, and unintended consequences, including delays and chaos, have become common features of public sector accounting reforms in developing countries, thus requiring in-depth understanding and evidence-based analysis of the reform implementation phase in various contexts. (Bakre *et al.,* Goddart *et al.,* 2016). However, the accounting system used in the public sector may be directed towards narrower purposes. New Public Financial Management (NPFM), for example, relies on neo-classical reasons of economy and business competition to be focused on economically and efficiently in government. The application of NPFM in the public sector has generated widespread debate as well as wide dissatisfaction with the lack of public participation in governance. As part of democratic reform, the Government of Indonesia also introduced reforms to public sector financial reporting, including accrual accounting, public reporting, and independent auditing. The mandate of these changes is laid down in law, and the reforms are claimed to express public calls for the rule of law, improved accountability, and respect for human rights(Prasojo*et al.,* 2017).In Indonesia, the adoption of NPFM may not encourage the kind of public involvement such as experiences in countries with democratic traditions. They think in essence the principles adopted by the World Bank regarding the definition of "good governance." Because the elements combine public accountability and transparency, respect for the rule of law, anti-corruption measures, democratization, decentralization, and local government reform.

Unintended Outcome

Outcome Theory

The outcome theory argues that the implementation of good corporate governance will have an impact on the welfare of shareholders. The better the implementation of corporate governance, the higher the welfare of shareowners. Research that is in line with this theory includes La Porta et al. (2000), Mitton (2004), Kowalewski, Stetsyuk, and Talavera (2007).

It is undeniable that the success of an area is determined by the form of accountability in the management of the region's finances. The impact of public accounting reforms is that anyone can now access financial reports and audits as well as crime and fraud and get information from the Supreme Audit Agency. The application of the NPFM business style contains information on budgeting, reporting, and auditing policies. The Supreme Audit Agency identified several reasons for failure including lack of coordination within government at all levels, lack of employee skills, and rapid regulatory changes.

Thus, even as reporting transparency has increased, fiscal power remains centralized. And it's not the only source of power over local government; there are costs for non-compliance in what most people may not be aware of: Failure to prepare financial reports [promptly] ontime also goes against the intent of government laws and regulations, and can make executives and officials in municipal governments more susceptible to suspicion of irregularities (Harun *et al.,* 2015). Ironically, regulations designed to allow transparency for local participants have become a source of sanctions. In terms of Human Resources, the recruitment of new prospective employees must meet the BKN Regional approval, because salaries are paid by the Central Government. And not the area of a local government authority. The second problem is the lack of technical skills of these local government officials.

Research Methods

This type of research is a descriptive study using a qualitative research approach. Qualitative research is developed in social science to understand social and cultural phenomena (Myers, 2009) and produces descriptive data in the form of written or spoken words from people and observed behavior. In addition, researchers intend to understand social situations in depth, find patterns and existing theories. Moleong (2010: 6) defines qualitative research as research that aims to understand the phenomena experienced by research subjects, such as motivation, perception, action and others holistically by describing them in natural words and utilizing natural methods. According to Husaini and Purnomo (2009: 130) that qualitative descriptive research is to describe the respondent's opinion as it is in accordance with the research question, then it is analyzed by the phenomenon being studied and comparing one with other factors.

Data collection techniques in this study are:

1. In-depth interview. Interviews were conducted using an unstructured method with the aim of giving informants the flexibility to express their opinions.

2. Observation through observation at the research site.

3. Documentation study. This study was conducted to complement the data generated from the interviews.

Discussion

Implementation Of New Public Management In Indonesia

New Public Management from one side is considered as an effort to liberate government management from classical administrative conservatism by incorporating private-sector workers into the government sector. NPM changes the perspective of government work to be equal to the private sector. New

Public Management works guided by 5 important things, namely: first, a decentralized system that is intended to bring decision making closer to the people it wants to be served; second, privatization which is intended to transfer the allocation of goods and services from the government to the private sector; third, downsizing is carried out by reducing and simplifying the number and scope of the organization and governance structure; fourth, debureaucratization is carried out by restructuring the government bureaucracy which will emphasize more on results than processes; and fifth, Managerialism, which is the adoption of the private way of working in government organizations. During its development, the NPM concept received criticism for being too profit-taking orientation in government management. According to these critics, it should emphasize more on providing good service to people from any circle (democratic principles in public services) and not discriminating services, because the government does not deal with customers (customers) but citizens (citizens). This can be understood by the emergence of new roles and relationships between the government sector and other sectors. The New Public Management and the New Public Service provide a frame that provides a context for the work of the government bureaucracy. With this frame, the concept of governance can be operationalized.

New Public Management **and Decentralization**

The concept of decentralization has a very broad meaning relating to the transfer of power and authority from high levels of government to lower levels of government. Where every policy-making is no longer there is interference from the central government but rather is inclined to local government. The advantage of this system

is that some decisions and policies in the regions can be made in the regions without the intervention of the central government.

Performance Based Remuneration System

New Public Management in Indonesia where NPM or Performance-Based Management in Indonesia has been started since 1999 with the issuance of Presidential Instruction Number 7 of 1999 concerning Accountability of Performance of Government Agencies. Public sector accounting reform plays an important role in the New Public Management agenda because the implementation of New Public Management is related to the concept of public sector performance management, one of which is performance measurement. Budget absorption is the first measure of performance. This means that the greater the percentage of budget absorption, the better the performance. Based on observations, adopting a business sector management style to the public sector is the provision of rewards for performance measurements that have been implemented, namely the incentive and remuneration systems. Incentives are given to employees whose performance is good, one of the assessments is that of employees who have succeeded in saving budget, providing allowances based on the burden of responsibility for main tasks and attendance levels. Incentives in the form of money, promotion and promotion. Performance appraisal is carried out every three months using an internal control system, budget absorption and supervision. From the results of the performance appraisal it affects the amount of remuneration allowances according to job grade. Because if the public sector still uses an administrative approach, then the public sector will be unable to meet these demands. This is because the concept of NPM calls for decentralization, devolution (delegation), and the granting of greater authority to subordinates (local government) which aims to create a more efficient organization.

CONCLUSION

Indonesia's post-1998 democratic reforms provided opportunities for local people to participate in Indonesian governance for the first time in their long history. However, the reform process itself exposed major and political barriers to participation. Because control remains vested in the central government.

New Public Management (NPM) is a new paradigm in public sector management. The application of NPM in local government management in Indonesia has had a positive impact in several ways, namely the accountability of the performance of government agencies. This is because the concept of NPM calls for decentralization, devolution (delegation), and the granting of greater authority to subordinates (local government) which aims to create a more efficient organization.

ACKNOWLEDGMENT

REFERENCES

Bastian, Indra. (2007). Akuntansi Sektor Publik Suatu Pengantar, Penerbit Erlangga.

Djamhuri, A. (2006). New Public Management, Accounting Reform, And Institutional Perspective of Public Sector Accounting In Indonesia. *Jurnal Bisnis dan Akuntansi*. https://doi.org/10.34208/jba.v8i3.240

Harun, H., Van-Peursem, K., & Eggleton, I. R. C. (2015). Indonesian public sector accounting reforms: Dialogic aspirations a step too far? *Accounting, Auditing, and Accountability Journal*. https://doi.org/10.1108/AAAJ-12-2012-1182

Harun, H., An, Y., & Kahar, A. (2013). Implementation and challenges of introducing NPM and accrual accounting in Indonesian local government. *Public Money and Management*. https://doi.org/10.1080/09540962.2013.817131

Hasthoro, H. A., & Sunardi. (2016). Tata Kelola Publik dan Kinerja Keuangan Pemerintah Daerah di Indonesia. *Jurnal Ekonomi Dan Bisnis*, 19(1), 53–67.

Jones, Rowan., & Pendlebury, M. (2010). *Public Sector Accounting* 6 Edition.Prentice Hall Pearson Publishing.

Junaidi. (2015). Perlakuan Akuntansi Sektor Publik Desa Di Indonesia. *Jurnal NeO-Bis*.

Kariyoto, K. (2018). Persepsi Akuntansi Sektor Publik versus Akuntansi Pemerintahan. *Jurnal Ilmiah Bisnis Dan Ekonomi Asia*. https://doi.org/10.32812/jibeka.v11i2.56

Mardiasmo. (2006). Perwujudan Transparansi dan Akuntabilitas Publik Melalui Akuntansi Sektor Publik: Suatu Sarana Good Governance. *Jurnal Akuntansi Pemerintah*.

McLeod, R. H., & Harun, H. (2014). Public Sector Accounting Reform at Local Government Level in Indonesia. *Financial Accountability and Management*. https://doi.org/10.1111/faam.12035

Merthajaya, I. M. L. (2019). Perlakuan Akuntansi Sektor Publik Desa. *Gorontalo Accounting Journal*. https://doi.org/10.32662/gaj.v2i1.464

Moussa, M., A. McMurray, dan N. Muenjohn. (2018). A Conceptual Framework of the Factors Influencing Innovation in Public Sector Organizations. The Journal of Developing Areas 52 (3): 231-242.

Narsa, N. P. D. R. H. (2018). Inovasi Pelayanan: Telaah Literatur Perbandingan Sektor Privat dan Sektor Publik. *Berkala Akuntansi Dan Keuangan Indonesia*. https://doi.org/10.20473/baki.v3i2.9871

Puspawati, A. (2016). *Penerapan New Public Management (NPM) di Indonesia (Reformasi Birokrasi, Desentraslisasi, Kerjasama Pemerintah dan Swasta Dalam Meningkatkan Pelayanan Publik)Perspectives in Management*. PUBLISIA, 1(1), 38-53.

Rizky, H. P., & Setiawan, D. (2019). Perkembangan Penelitian Akuntansi Sektor Publik di Indonesia. *Assets: Jurnal Akuntansi Dan Pendidikan*. https://doi.org/10.25273/jap.v8i2.4647

Satrio, M. D., Yuhertiana, I., & Hamzah, A. (2016). Implementasi Standar Akuntansi Pemerintah Berbasis Akrual di Kabupaten Jombang. *Jurnal Akuntansi Dan Keuangan*, *18*(1), 59–69. https://doi.org/10.9744/jak.18.1.59-70

Sayidah Nur, et al. (2015). "Implementasi Konsep New Public Management Di Dinas Koperasi Dan UMKM Kota Surabaya". *Jurnal Akuntansi & Auditing,* Vol. 12 No. 1, pp. 39-52.

Suparman, M., Siti-Nabiha, A. K., & Phua, L. K. (2015). Public sector accounting reforms: Assessing Indonesia's readiness towards implementing accrual accounting. *Problems and Perspectives in Management*.

Suwarno, Yogi. (2008). *Inovasi di Sektor Publik*. Jakarta: STIA-LAN Press.

THE INFLUENCE OF TAX REFORM IN SHAPING THE CORPORATES' CAPITAL STRUCTURE- EVIDENCE FROM INDONESIA

Agus Sholikhan Yulianto[1]

Abstract

This research investigated how tax reform influenced the capital structure of the listed companies in the Indonesian Capital Market from 2004 to 2013. The panel data regression analysis showed the increase of the exploitation of debt followed the cut of the corporates' income tax rate that disagree with the corporates' tax shield purpose. This paper demonstrated the crucial role of the persistence measure of cash flow from operating activities as the critical prerequisite for the adjustment of the financing and investing activities impacted by the amendment of the law. The analysis also showed the positive relationship between non-current liabilities and capital expenditures which indicated that the use of external fund was the function of business expansion. The result supported the real economy perspective of the capital structure theory that the role of taxation on the use of borrowing capital occurred through the adjustment of the economic distortion.

Keywords: Tax, capital structure, leverage, liquidity, capital expenditures

1. Introduction

This paper investigates the mediating role of the persistence of the cash flow from operating activities on the influence of tax regulation on the corporates' financing and investing activities. The motivation of this investigation comes from the cut of the corporate income tax rate and the tax incentive for the distinctive public-owned companies mandated by the Indonesian corporate income tax act No. 36/2008. This study expect the influence of the tax regulation on the operating cash flow will stand as the main consequence. Meanwhile, the effect of the law on the investing and financing activities was the continuation of the primary outcome.

Investigation on this topic is essential because of disagreements left in the extant researches concerned with the role of tax in influencing the use of debt in the capital structure. Essentially, this paper considered those controversies were the representation of the dispute between the financial economy and real economy perspective. The first view was the derivation of capital structure theories which regarded that the tax regulation had a direct effect on the use of borrowing capital (Feld et al., 2013; Modigliani & Miller, 1958; Wu & Yue, 2009; Zou et al., 2019). According to this view, the use of debt should be in line with the tax burdened the firms. Hence the corporate income tax rate cut should decrease the use of the borrowing capital and vice versa.

This perspective reflected an implicit assumption of the ceteris paribus in the fundamental microeconomic variables of the firms. As the wealth maximization through the productive activities had been at the optimum level, then the financial-economic channel provided a strategic opportunity to elevate the additional capital accumulation. This view stood upon an assumption that the exploitation of the borrowing capital came from the benefit of tax shield provided by interest expense.

Meanwhile, the second perspective saw the primary effect of the regulation was the adjustment of the level of the economic distortion (Erosa & González, 2019; Yulianto & Chariri, 2019). This lane of analysis emerged from the prescription of the tax incidence theory that the primary effect of the regulation was the adjustment of the restriction in the resource allocation into productive activity. Meanwhile, the impact on the capital structure might emerge as the secondary effect.

This paper considered the primary effect of the amendment of the tax regulation was the alteration of the capital expenditure as the manifestation of the change in the economic distortion. Nevertheless, the investigation should account for the crucial prerequisite allowed the process to take place. This paper regarded it was not an automatic event which entailed the role of the essential variables intervened the process. The business sectors needed supporting resources both from internal and external. Accordingly, the analysis also should take into consideration how the amendment of the law allowed the emerges of the fundamental precondition of the adjustment of the economic distortion to take place.

Solving this problem should take into account the similarity of the characteristic between the financial economy and real economy perspectives. This paper regarded that both views had an intersection in the role of operating cash flow as the essential variable. This internal economic resource was the crucial element of debt capacity as well as elevating the business expansion through capital expenditure. Firms with excellent availability of this resource tended to get greater access toward external capital aimed for both improving the productive activity or satisfying the corporates' tax shield purpose.

On the other hand, a tax was a component of the corporates' operating activities. The adjustment in the operating cash flow would be the crucial impact that resulted from the tax regulation. Accordingly, incorporating the role of operating cash flow in the analysis of the influence of tax on the financing and investing activities can fill the research gap, especially controversies of the use of debt in the capital structure theories. This paper saw both the financing and investing activities were the functions of operating cash flow. The level of the improvement of the business activities resulted from the tax regulation depended on the adjustment of the operating cash flow. However, previous researches documented disagreements of this topic. Keefe & Yaghoubi (2016) found a positive influence of cash flow risk on the use of debt. While Harris & Roark (2019) found the relationship was significant only for firms with a higher cash flow risk.

This paper saw a limitation in previous research studies concerned the proxy employed to measure the cash flow component. Harris & Roark (2019) used the deviation standard of the industry level as the measure of operating cash flow risk, whereas the trend of the variable at the individual

firm level could diverse with the trend in the industry. The role of the dominant firm in the industry could result in these differences.

Furthermore, this paper considered that most of the previous research tended to give more emphasis on the first perspective. On the other hand, the validity of each perspective rested on different underlying contexts which serves as its basic assumptions. The financial-economy view was suitable for the business environment with advanced financial sectors, while the second tended to be fit with an economic system dominated by the real sectors. Different context would result in different responses toward the passage of the tax expenditures. Therefore, capital structure effect due to the tax regulation was the secondary according to the Indonesian context regulation. Investigation of this issue should regard the context of the economic environment where the law prevailed.

In addressing those issues, this paper examined both the financial economy and real economy perspectives in one model according to the Indonesian Tax Reform 2008 context. The regulation implied a cut in the corporate income tax rate. Hence, the significant decrease in the corporates' non-current liabilities after the passage of the law will confirm the validity of the first perspective. Meanwhile, the increase in capital expenditures followed the regulation represented the efficacy of the second view. Also, this paper test the relationship between capital expenditure and the use of borrowing capital. This investigation is urgent to support the basic notion of the real economy perspective that the use of debt was the function of business expansion, not merely intended for the tax reporting interest.

In examining the crucial role of cash flow from operating activities, this paper introduced carefully a new measure of the persistence of this resource, derived from the slope of an autoregressive model of the historical operating cash flow of an individual firm. Testing this new measure for Indonesian context is essential. Indonesian economic environment was different from most of the advanced financial and capital market countries before 2008. Participation of the people in the public companies' ownership was little. The tax incentive provided for the firms with 40% of its stock spread to over 300 individual people, represents the low of public interest. The wealth of the economy mostly came from real economic activities. Accordingly, the motivation behind the use of debt to reduce the tax burden will be less significant than the motive of productive capacity improvement. The mediating role of operating cash flow on the influence of the tax regulation on both the financing and investing activities will be significant according to this context.

Our analysis contributed to both kinds of literature of tax incidence as well as capital structure theory. The influence of the tax regulation on the operating cash flow provides a piece of evidence that adjustment on this element is the manifestation of the crucial sources of the alteration of economic distortion. Also, this study proved that the decision of capital structure was the function of both the corporates' operating cash flow and capital

2. Background

Indonesian taxation system has undergone a significant improvement due to the passage of the corporate income tax act no.36/2008. According to the regulation, the progressive corporate income tax rate of 30% became a single rate of 28% in 2009 and 25% in 2010. This regulation also provided a lower tax rate of 5% for companies that meet certain conditions. The incentive was available for Indonesian public company whose minimum proprietary of 40% is public ownership. Besides, the stock of the company must be with public investors spread over 300 stockholders with a maximum of 5% per shareholder with a minimum duration of 6 months.

The provision constituted an anticipation policy against the unfavorable situation. The underlying assumption of the regulation mostly came from a consideration of conservation of the fundamental of the Indonesian business health and persistence from the crises jeopardy. The policy was an instrument utilized by the government to cope with the crucial issues overwhelming the business sector.

The passage of the corporate income tax act no. 36/2008 coincided with the oil price boom and world stagflation jeopardize. Global economic crises and the US subprime mortgage scandal in 2007 have hampered the persistence of Indonesian business community. Manufacturing sectors experienced hard pressure due to the upsurge of oil price to USD 60 in 2005. The capital market index decreased from 2.723 in January down to 2.164 in September 2008 and plunged to 1.233 in December 2008. Inflation increased from 7,38% in January up to 12.14% in September 2008 and decreased to 11.9% in December 2008. Rupiah exchange rate towards the US dollar dropped from Rp.9.406/dollar in January 2008 to Rp.11.559/dollar in December 2008. Economic growth in 2008 showed a trend of decline. Indonesian economic grew by 6.32% in first-quarter up to 6.39% in the second quarter and down to 6.11% in the third quarter. The situation indicated the lowering growth of business and economic.

On the other hand, the business community perceived the tax burden as the barrier to access the opportunity to cope with the crises. They perceived that tax has been reducing the corporates' ability to adjust their business activity due to the restriction of the liquidity resources. Hence, the lower tax expense was sound to protect the business community from the negative situation. Erosa & González (2019) asserted that elevating the investment at the corporate level was achievable due to the elimination of the tax.

According to the view of the tax incidence theory, the cut on the tax rate would reduce the distortion. Understanding this assumption is important because the objective of the corporate income tax no. 36/2008 was to mitigate the adverse impact of economic crises on business persistence. Motives behind the regulation were the initiative to protect government revenue. The tax collected from the business sectors has been dominating the posture of the Indonesian state budget for decades. Distraction against the persistence of the national business community could threaten state budget stability.

This policy relaxed the operational activities of the business sectors from a higher tax burden. The cut on the corporate income tax rate implied the lower cash outflow for paying tax which potential in enlarging the liquidity saving of the corporates. Therefore, analysis of the impact of the regulation enactment on the liquidity resource is urgent to uncover the critical point of the policy.

This paper consider that the role of the income tax rate cut on the operating cash flow is the critical point of the regulation success. The increase in this resource is crucial in reshaping the financing and investing activities at the corporation level. Accordingly, an improvement in the two activities followed the enactment of the regulation could exhibit the effectiveness of the law. Besides, incorporating the triple of operating, investing, and financing activities in the analysis open the gateway for the identification of the crucial point of success of the law.

3. Literature review and hypotheses development

Indonesian Tax Reform 2008 and Operating Cash Flow Persistence

The tax burden creates economic distortion that forced taxpayers to allocate their resources into unproductive activities (Nicodeme, 2009). The wealth transfer from business entities to the state limits individuals and business entities to use its liquidity resources because it was a cash burden. Accordingly, the alteration of the corporate income tax rate in 2009 and 2010 had a potential effect in reducing the operating cash out-flow.

H1: ITR_2008 influenced the the operating cash flow persistence positively.

Indonesian Tax Reform 2008 and Debt

Tax imposition may encourage the firm to intensify the use of borrowing capital due to the potential tax shield provided by interest expense. Tax imposition also resulted in the operating cash out-flow. On the other hand, the capability of the firms to exploit external capital depended on the financial liquidity position. Therefore, the corporate income tax rate change in 2009 and 2010 was potential in enhancing the debt capacity of the firms.

H2: Indonesian tax reform of 2008 increased the borrowing capital of the firms.

Indonesian Tax Reform 2008 and Capital Expenditures

The backward effect on production facilities impacted by tax imposition turns up due to the consideration of liquidity problems. Firms with lower operating cash flow tended to bear the bigger liquidity problem. On the other hand, additional production facilities and long term assets entail a considerable amount of financial resources. Given the alteration of the corporate income tax rate in 2009 and 2010 lead to a decrease in the tax burden, then this study predicts that the regulation increased the capital expenditure of the firms.

H3: ITR_2008 influence capital expenditures positively.

Debt and Capital Expenditures

A conservative debt policy aimed to maintain financial flexibility could improve investment capability (Marchica & Mura, 2010). However, high dependence on liability would increase the excess investment, which leads to economic instability (Suto, 2003). Therefore, the use of debt in the capital structure should regard the possibility of a positive prospect. The external fund should flow into the productive activity that generates positive operating cash flow both in a short and long-run perspective. Debt can play a role as a dynamic contract (Hackbarth & Mauer, 2012).

H4: Debt had a positive effect on the capital expenditures of the firms.

Operating Cash Flow Persistence and Debt

Modigliani & Miller (1963) and Myers & Majluf (1984) stated that the ability to exploit borrowing capital, back up the future growth opportunity. On the other hand, debt created a cash out-flow in the future. Accordingly, liquidity resources constitute the underlying assumption of the ability of the firms to raise debt. Financial liquidity reflected the going concern prospect of the firms (Ayers et al., 2018). It implied the default risk level of the debtors.

H5: Operating cash flow persistence influenced debt positively.

Cash Flow from Operating Activity Persistence and Capital Expenditures

Capital expenditures mean the sacrifice of the corporate liquidity resources into a long term fixed asset. Accordingly, prudence and conservative consideration of the operation fluency due to the cash availability was essential. Besides, capital expenditure for capacity improvement usually entails a considerable amount of fund (Liao et al., 2016).

Daniels et al. (2008) showed that a decrease in cash flow resulted in reduced investment. In an economic environment with a malfunction of the financial system, the capability to invest in the private and foreign-owned firms was significantly sensitive to the cash availability (Guariglia et al., 2011). An et al., (2016) found the significant influence of cash holding on investment.

H6: Operating cash flow persistence influenced capital expenditures positively.

4. **Research Method**

Research design

This investigation was a causal event study designed to test the effect of a tax regulation enactment in shaping the financing and investing activities at a micro-level. The population is all manufacturing companies listed on the Indonesia Stock Exchange from 2003 to 2013. The observed periods reflect the five years both before and after the Indonesian Tax Reform in 2008.

Table 1. Sample Selection

Listed companies up to 2013	533	Firms
Not available completely from 1999	-319	
Missing data	-31	
Sample	183	Firms

Hypothesis test used the following panel data regression equation:

$$CFO\_Persist_{i,t} = \alpha_1 + \beta_1 ITR\_2008_{i,t} + \varepsilon_1 \quad\text{..(1)}$$

$$NCL_{i,t+1} = \alpha_1 + \beta_2 ITR\_2008_{i,t} + \beta_3 CFO\_Persist_{i,t} + \varepsilon_2 \quad\text{................................(2)}$$

$$CAPEX_{i,t+1} = \alpha_1 + \beta_2 ITR\_2008_{i,t} + \beta_3 CFO\_Persist_{i,t} + NCL_{i,t+1}\varepsilon_3 \quad\text{................(3)}$$

This study introduced the persistence of the cash flow from operating activities (CFO_Persist) as a new concept of liquidity resources proxy to express the ability of the firms to maintain or to increase the level of cash flow from operating activities. This study employed the following regresion model to yield the measurement.

$$\sum_{i=-5}^{n} CFO_{it} = \alpha + \beta_1 \sum_{i=-5}^{n} CFO_{it-1} + \varepsilon_{i,t} \quad\text{...(4)}$$

Coefficent β_1 represented the persistence measure. Positive β_1 indicates the ability of the firm to maintain or increase the cash flow from operating activity and vice versa.

Table 2. Variables

Variables	Definition
ITR_2008	Score 0 for the before 2008 and 1 for the after ITR_2008.
CFO_Persist	The persistence measure of cash flow from operating activities.
NCL	The non-current liabilities represents the external fund in the capital structure.
CAPEX	Capital expenditures represent the investment activity on fixed assets.

5. Analysis

Table 4 shows that all of the correlation coefficient of the variables below 0,7. The empirical model are free of multi-collinearity symptoms.

Table 3. Correlation coefficients

	ITR_2008	CFO_Persist	NCL	CAPEX
ITR	1			
CFO_PERSIST	0,110876	1		
NCL	0,111054	0,064959	1	
CAPEX	0,188606	0,16299	0,698312	1

Table 5. Descriptive Analysis

	CFO_Persist	NCL	CAPEX
Median	0,1040	117.228.613.788	21.316.416.637
Mean	**0,1257**	**818.789.292.914**	**207.989.899.382**
StDev	0,7485	2.275.443.108.525	735.660.875.137
Max	8,3673	24.813.926.000.000	10.684.690.000.000
Min	- 10,7239	-	-
Range	19,0911	24.813.926.000.000	10.684.690.000.000

Figure 1 section 1 depicts the movement of the average CFO_Persist in a yearly base during the observed year. The variable decreased to the lowest level in 2005 and rebounded in 2006 up to 2007. However, the graphic slowed down and lowered during the economic crises in 2008. Afterwards, the persistence of cash flow from operating activities increased significantly from 2009 to 2010. The trend implied that the first step of the corporate income tax rate cut was effective in elevating the internal liquidity source of the firms. Next, the second phase of the corporate income tax rate cut in 2010 strengthened the ability of the firms to boost their internal fund sources.

Figure 1. Descriptive Analysis
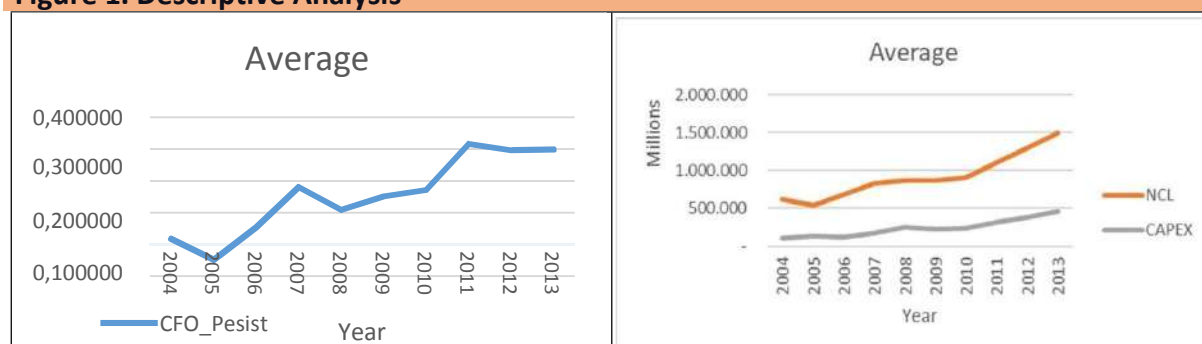

Figure 1 section 2 depicts the movement of both the non-current liabilities and capital expenditure from 2005 to 2013. Both the persistence of the cash flow from operating activities and the use of outside capital was fallen in 2005. So did with the sharp increase in 2007 that occurs in both of these variables. The tendency implicitly indicated that the long term borrowing capital tended

to move following the of the cash flow from operating activities but in a more conservative pattern.

Meanwhile, capital expenditure tended to move more moderately during the observed period. Despite providing greater capacity, long term investment in fixed asset and another production facility also potentially induce liquidity risk. However, more movement of rapid capital expenditure occurred in 2010 and afterwards. The tendency implied that the second phase of the corporate income tax rate cut could evoke the confidence of the firms to expand their business capacity.

Panel data regression analysis

The panel data regression analysis provided evidence that Indonesian Tax Reform 2008 could elevate the capability of the firm in exploiting their internal liquidity resources, and encouraging the financing and investing activities at the micro-level. Table 1 showed the positive influence of ITR_2008 on CFO_Persist with b=0.167297 and significant at <0.0001. Table 2 indicated the positive effect of ITR_2008 on NCL with b=3.39662e+011 and *p*-value 0.0014. Meanwhile, table 3 showed the positive influence of ITR-2008 on CAPEX with b=4.38610e+010 and significant at 0.0481. These result indicated the direct effect of the regulation on the triplet micro-economic measures that are the cash flow from operating activities persistence, non-current liabilities, and capital expenditures.

Table 6: Panel Regression Analysis[a]			
Parameters	**Model 1**	**Model 2**	**Model 3**
	Dependent Variables		
	CFO_Persist	**NCL**	**CAPEX**
Const	0.0644233	6,85E+16	−2.10354e+010
p-value	0.0148** [b]	<0.0001***	0,238
ITR_2008	0.180845	3,82E+16	4.84955e+010
p-value	<0.0001***	0.0011***	0.0496**
CFO_PERSIST		2,30E+16***	6.10378e+010
p-value		0.0025***	0.0001***
NCL			0.245240
p-value			<0.0001***
F test	2.343.586	1.128.574	7.846.464
Adjusted R-squared	0.013264	0.012176	0.584820
P-value(F)	1.41e-06	0.000014	0.000000
Durbin-Watson	1.934.509	1.782.148	2.083.531
White's test for heteroskedasticity			
Chi-square	1.7683	9.421	448.244
P-value	0.183593	0.0513961	8.79347e-092

Note: a). Panel data regression using common effect Model, n=167 crossectional unit; 10 time series unit.
b). * (signifikan at 0,1); ** (signifikan at 0,05); ***(signifikan at 0,001).

Test for Indirect Effect

This study also performed the indirect effect analysis of the Indonesian Tax Reform 2008 to the persistence of cash flow from operating activities, non-current liabilities, and capital expenditure. These analyses were crucial to identify the critical factor of the ability of the regulation in manipulating those micro-economic measures.

Table 7. Sobel Test

Model	Test Statistic	*p*-value
ITR_2008àCFO_Persistà NCL	2,83568741	0,00457272
ITR_2008àCFO_PersistàCAPEX	3.07980126	0.00207139
ITR_2008àNCLàCAPEX	3.17894343	0.00147813
CFO_PersistàNCLàCAPEX	3.50560906	0.00045556

Table 7 indicated that all of the indirect are valid with *p*-value < 0,01. The result implied that the success of Indonesian Tax Reform 2008 in manipulating the financing and investing activities was depend on the alteration of the persistence of cash flow from the operating activities. The indirect effect test support the second perspective of the role of tax regulation on the use of borrowing capital.

6. Discussion

If firms perceived ITR_2008 as the tax rate reduction, then the motivation to use interest expense to reduce tax burden will decrease also. The real economy motives seem to be the prevailing assumption then the financial economy. Accordingly, change in the tax regulation will result in the alteration of economic resource allocation instead of the reporting process. The positive influence also implies that the debtors consider the future cash flow risk impacted by the debt. Besides, debt will result in the distribution of profits to the creditors than the shareholders (Stiglitz, 1973).

This research also found a direct and indirect influence of the tax reform on the non- current liabilities through the role of the persistence of the cash flow from operating activities. The result opposed the basic assumption of the financial economy perspective of the capital structure. According to this view, the cut of the corporate income tax rate should decrease the motivation of the firms to exploit the external capital. The positive influence of the tax regulation on the non-current liabilities implied the increase of the debt followed the regulation enactment.

This paper confirmed the crucial role as cash flow from operating activities in explaining the role of tax in shaping the corporates' financing and investing activities. The vital position of this

43

cash flow component comes from the characteristic of tax as the cash expense. The tax has a direct relationship with cash flow that the acquittance of liabilities is completed solely through the cash disbursement. That's why firms often engage in aggressive tax reporting, both legally or illegally, due to the interest of cash flow. Liquidity problem also often encourages the firms to commit both the tax avoidance or tax evasion.

On the other hand, cash flow from operating activity constitutes the internal source of financial liquidity. Therefore, the tax imposition compels the firm to sacrifice their autonomous capital. Next, the wealth transfers to the state distort the economy because of the lower capability of the firms to allocate its resources into productive activity.

Faulkender & Wang (2006) reported that constrained firms tend to hold less cash than expected due to the lower capability in generating positive operating cash flow. Richardson et al. (2015) showed how financially distressed firms tend to engage in aggressive tax practice. Accordingly, the reduction on corporate income tax rate was able to give a direct positive influence on the persistence of the operating cash flow. The increase in this liquidity resources improved the capability of the firm in raising the cash reserve and financial liquidity. The elevated liquidity resources of the firms enabled them to enhance their operating capacity.

On the other hand, the tax reform showed an indirect positive influence on the use of external capital through the role of liquidity resources. The increase in operating cash flow enabled firms to access the external capital source. Consideration of liquidity of the debtors is essential for creditors to invest their funds in a specific obligation or another credit line. Platikanova (2017) showed that the demand for cash increased as the debt maturity decreased.

This research finds that the persistence of cash flow from the operating activity is the critical factor influencing the decision, both in raising long term debt or undertaking capital expenditure. The internal liquidity resource reflects the autonomous capital of the firms. The use of the cash flow does not incur any cost of capital. Accordingly, this resource gives greater flexibility than outside funds.

Furthermore, it does not result in any future cash out- flow contract.

According to the pecking order theory Myers & Majluf (1984), the rise of the liquidity resource should alleviate the use of external capital. As shown in figure 1, the persistence of cash flow from operating activities increase sharply after the tax reform. Hence, the liquid financial resources were available on a significant considerable amount. The opposite way of the influence of the liquidity resources on the use of external capital indicates the role of the consideration of cash flow risk in the debt issuance.

The positive influence of liquidity resources on the non-current liabilities indicates the role of the cost of capital in the exploitation of external capital. An increase in the cash flow from operating activities implies the alleviation of the liquidity risk. The broader access to the debt capital sources was available when firms able to mitigate the liquidity risk. The cost of capital implies the opposite level of confidence of the creditor on the potential default risk.

This research provides evidence on the effect of tax on real investment both directly and indirectly through the role of the increase in liquidity resources and borrowing capital. Modigliani & Miller (1963) and Stiglitz (1973) argued that tax has no real effect on real investment. However, our analysis shows that the reduction in the corporate income tax rate encouraged the capital expenditure for fixed assets directly or indirectly through the role of liquidity resources and non-current liabilities.

The direct positive influence of ITR_2008 on capital expenditures indicates the alleviated economic distortion at the firm level. The reduction of the corporate income tax rate allows resource allocation more effectively. The indirect effect of ITR_2008 on capital expenditures through the role of cash flow from operating activities support the conjectures.

7. Conclusion

This study provides a piece of evidence that liquidity resources play the central role both in financing and investing activities. The conservative component of cash flow from operation shows as the most influencing measure (better than cash holdings and cash flow from operating activities) in explaining the indebtedness and decision of capital expenditures. This result inlines with the pecking order theory that internal capital resources are preferable than the outside.

This study contributes to the finance literature, especially in the capital structure discourse. This paper prove that consideration of the capital structure is not solely a financial-economy matter. The indirect influence of the tax regulation through the liquidity resources on the debt capital clarifies the role of the real-economy perspective in shaping the corporates decision on financing activities. Our analysis shows that the operational fluency became the prevailed interests than the tax shield affair. Besides, the result also implies that default credit risk played a central role in the firm capability in exploiting the outside capital sources.

However, this paper admited that this study also contains several limitations. The persistence of cash flow from operating activity is sensitive toward time windows frame. The measure was reluctant of the different result from the diverse in the length of the time- series data.

References

An, H., Chen, Y., Luo, D., & Zhang, T. (2016). Political Uncertainty and Corporate Investment: Evidence from China. *Journal of Corporate Finance*, *36*(2014), 174–189. Ayers, B. C., Call, A. C., & Schwab, C. M. (2018). Do Analysts' Cash Flow Forecasts Encourage Managers to Improve the Firm's Cash Flows? Evidence from Tax

Planning. *Contemporary Accounting Research*, *35*(2), 767–793.

Daniels, N. D., Denis, D. J., & Naveen, L. (2008). Source of Financial Flexibility, Evidence From Cash Flow Shortfalls. *Wp*, *2009*, 1–43.

Erosa, A., & González, B. (2019). *Taxation and the life cycle of firms R*. *105*, 114–130. https://doi.org/10.1016/j.jmoneco.2019.04.006

Faulkender, M., & Wang, R. (2006). Corporate financial policy and the value of cash. *Journal of Finance*, *61*(4), 1957–1990. https://doi.org/10.1111/j.1540- 6261.2006.00894.x

Feld, L. P., Heckemeyer, J. H., & Overesch, M. (2013). Capital Structure Choice and Company Taxation : A Meta-Study. *Journal of Banking and Finance*, *37*(8), 2850– 2866.

Guariglia, A., Liu, X., & Song, L. (2011). Internal Finance and Growth: Microeconometric Evidence on Chinese firms. *Journal of Development Economics*, *96*(1), 79–94.

Hackbarth, D., & Mauer, D. C. (2012). Optimal priority structure, capital structure, and investment. *Review of Financial Studies*, *25*(3), 748–796. https://doi.org/10.1093/rfs/hhr129

Harris, C., & Roark, S. (2019). Cash flow risk and capital structure decisions. *Finance Research Letters*, *29*(July), 393–397. https://doi.org/10.1016/j.frl.2018.09.005

Liao, L.-K., Linb, Y.-M., & Lin, T.-W. (2016). Non-Financial Performance in Product Market and Capital Expenditure. *Journal of Business Research*, *69*, 2151–2159.

Marchica, M., & Mura, R. (2010). Financial Flexibility, Investment Ability and Firm Value: Evidence from Firms with Spare Debt Capacity. *Financial Management*, 1339–1365.

Modigliani, F., & Miller, M. H. (1958). The Cost of Capital, Corporation Finance and the Theory of Investment. *The American Economic Review*, *48*(3), 261–297.

Modigliani, F., & Miller, M. H. (1963). Corporate Income Taxes and the Cost of Capital: A Correction. *American Economic Review*, *53*(3), 433–443.

Myers, S. C., & Majluf, N. S. (1984). Corporate Financing and Investment Decisions when Firms Have Information That Investors Do Not Have. *Journal of Financial Economics*, *13*(2), 187–221.

Nicodeme, G. (2009). Corporate Income Tax and Economic Distortion. *Taxation Paper*.

O'Connor Keefe, M., & Yaghoubi, M. (2016). The influence of cash flow volatility on capital structure and the use of debt of different maturities. *Journal of Corporate Finance*, *38*(June), 18–36. https://doi.org/10.2139/ssrn.2664282

Platikanova, P. (2017). Debt Maturity and Tax Avoidance. *European Accounting Review*, *26*(1), 97–124. https://doi.org/10.1080/09638180.2015.1106329

Richardson, G., Lanis, R., & Taylor, G. (2015). Financial Distress, Outside Directors and Corporate Tax
Aggressiveness Spanning the Global Financial Crisis: An Empirical Analysis. *Journal of Banking and Finance*, *52*, 112–129. https://doi.org/10.1016/j.jbankfin.2014.11.013

Stiglitz, J. E. (1973). Taxation, Corporate Financial Policy, and the Cost of Capital. *Journal of Public Economics*, *2*(1), 1–34.

Suto, M. (2003). Capital Structure and Investment Behaviour of Malaysian Firms in the 1990s: A study of corporate governance before the crisis. *Corporate Governance: An International Review*, *11*(1), 25–39. https://doi.org/10.1111/1467-8683.00299

Wu, L., & Yue, H. (2009). Corporate Tax , Capital Structure , and the Accessibility of Bank Loans : Evidence from China. *Journal of Banking and Finance*, *33*(1), 30–38.

Yulianto, A. S., & Chariri, A. (2019). The role of Indonesian tax reform in boosting export performance of manufacturing sectors. *International Journal of Economics and Business Administration*, *7*(4), 343–352. https://doi.org/10.35808/ijeba/348

Zou, J., Shen, G., & Gong, Y. (2019). China Economic Review The effect of value-added tax on leverage : Evidence from China ' s value-added tax reform. *China Economic Review*, *54*(April 2018), 135–146. https://doi.org/10.1016/j.chieco.2018.10.01

Computerization and Its Provision to Internal Control – The Users' Perspective in Regional State Owned Water Enterprise

Benih Hartanti[*a], Aninda Puspita Sari[b]

[a]*STIE PGRI Dewantara, Indonesia*

[b]*STIE PGRI Dewantara, Indonesia*

Abstract

State Owned Water Company, as one of the Regional State Owned Company (BUMD) of Jombang Regency, whose business is engaged in the distribution of clean water for the general public. At the local public water company, it uses Information Technology Systems (STI), one of which is the SIKOMPAK (Computerized Accounting Information System) software program. Proper use of STI and supported by the expertise of the personnel or users who operate it so as to increase and support the productivity of the performance of the company and the individual concerned as well as support attitudes towards system use. Therefore, in line with the achievement of company goals, it is necessary to apply the use of appropriate technology so that it is considered very influential and generally used in information technology systems, namely the Technology Acceptance Model (TAM) and the theory of planned behavior (TPB). This study uses the theory of planned behavior or TPB and the Technology Acceptance Model / TAM to analyze the relationship between the perceived usefulness of attitudes towards system use, subjective norms for attitudes towards system use, and perceived behavioral control over attitudes toward system use. In data analysis using SEM-PLS (Partial Least Square) and data processed using Warp Pls 5.0 tools. The results of this study state that 1). The perceived usefulness of interest in information systems behavior attitudes has a positive effect on attitudes to system use. 2). Subjective norms have no positive effect on attitudes to system use. 3). Perceived behavior control has a positive effect on attitudes to system use.

Keywords: Information System Behavior, Internal Control, Regional State Owned Water Company

1. INTRODUCTION

Due to the purpose of establishing the Regional State Owned Company (BUMD), many issues have been arising that take notes and attention not only for the regional government and public, but also for the academics. Since the first initiation of promulgation of Law No. 5 of 1962 on Regional Companies (Perusda) and the latest review and revision of Law No. 23 of 2014 concerning Regional Government has divided BUMD into two forms, namely those in the form of limited liability companies and in the form of public companies [1]. Two missions in instituting BUMD, first is as a business activity that provides public services and second is as companies that are expected to contribute to local revenue [2]. However, despite these prominent missions and roles, BUMD shown insignificant contribution and other internal concerns related with management, managers and administrators with insufficient skills and competence, and the inefficient use of funds [3], [4]

Among the addressed issues, Regional State Owned Water Company (Perusahaan Daerah Air Minum – PDAM) as one of BUMDs demonstrated certain effort to improve the performance by information technology, accounting computerized information systems – SIKOMPAK [5]. Specifically, the existence of an information system and technology has proved to contribute in firm's performance [6], has significant effect on both productivity and profitability [7] and specifically, improving governmant financial transparency and accountability [8]. Moreover, the use of information system is inseparable with the dimension of internal control as both direct the corporate governance to achieve business objectives [9] (International Federation of Accountants, 2012). Information and communication systems should be closely embedded with its control activities to support their proper functioning and the need to identify problems as early as practical and how each person's role and responsibilities in the system is indivisible (Principle 14 – COSO Framework) [10].

In ideal implementation, accounting information system conjoint with internal control is implemented to assure the achievement of these three main objectives [10], [11]:

- Effectiveness and efficiency of operations (EFFI) which relates to the effectiveness and efficiency of operations by enabling firms to respond appropriately to risks, and accomplish performance and profitability goals, and safeguard resources against loss.
- Reliability of financial reporting (RELI) which covers the preparation of reliable financial statements, including procedures for reporting any control weaknesses with corrective actions.
- Compliance with applicable laws and regulations (LAW) which specifies adherence to the laws and regulations the organization is subject to.

In contrary, even though tools and techniques have been acknowledged and applied to prevent IS assets from misuse, abuse and destruction [12], the weakest link in supporting information security as part of internal control is correlated with employees as the insider threat inside the organization [13]–[15]. Several studies and research stream of information system suggested to explore the socio-organizational imperatives as its equally important to organization to safeguard their resources [13], [16], [17] and examine ways to improve end user compliance with an organization's information security policies [17]–[20]. Therefore, it is essential to conduct beneficial approach for organizations to focus on the users' intentions and behaviors [21] in this term is their own employees.

In comprehending the users' perception as the individual in organizations, Theory of Planned Behavior (TPB) [22] and Technology Acceptance Model (TAM) [23] are commonly used in information system behavior research. According to TPB, an individual's performance of a certain behavior is determined by his or her intent to perform that behavior. For TPB, attitude towards the target behavior, subjective norms about engaging in the behavior, and perceived behavior control are thought to influence intention, in this study is intention to internal control behavior. On the other hand, TAM proposes specifically to explain the determinants of information technology end user's behavior towards information technology. The influence of external variables on intention is mediated by perceived ease of use (PEU) and perceived usefulness (PU). TAM also suggests that intention is directly related to actual usage behavior. Thus, to align with the recent stream of information system research that direct the focus in intention, this study converge the challenges and aim specifically to explore the users' perspective in regional stated owned water company in Jombang city.

2. METHOD

The research used a quantitative descriptive approach. The population of this research was determined from the number of all users of SIKOMPAK, in this study is all employees in Jombang City Owned Water Company as all employees are the users of the SIKOMPAK, thus the total sample is 75. Questionnaire as the instrument of the research is a closed ended questions as the respondents only chose available answers in the form of a checklist with Lickert Scale (1 to 5) to indicate their agreement or unagreement. Questionnaire was developed by combining the indicator in each elements of TAM and TPB as well as the previous research in information system behavior. The data analysis technique uses the Partial Least Square (PLS) method, which is a multivariate statistical technique that performs comparisons between multiple dependent variables. This analysis was carried out through five stages of testing, namely path coefficient (ß) testing, coefficient of determination (R^2), t-test using the bootstrapping method, effect size (f2).

3.   RESULT AND DISCUSSION

Based on the results of testing the first hypothesis, the results show that the attitude variable has a significance value of P value <0.001, smaller than 0.05. Usefulness of Perception has a positive influence in developing the company's SIKOMPAK Usage Attitude optimally.This research shows that the company has implemented the usefulness of the perception very well, this is one of the most important factors that can make a very big change towards increasing attitudes towards excellent behavior. This research is in line with the research conducted. Every employee is proven to have a user perception in running an information system, this is a determining factor for the attitude of using the system optimally. The higher the level of usefulness felt by users when implementing a system, the higher the awareness of using the system as well as increasing the application of the system. By having a perceptual utility, the ability to capture the motivational factors that influence a behavior. So with this can show how strong a person's desire to try, how much effort is planned to implement the business or job. When the use of perceptions possessed by each user is increasing, it will create an attitude of using the system in every operational activity carried out that will achieve the desired goals. With the attitude of using the system consistently, it is expected that all company operational activities can run well towards achieving profit maximization. In fact, not only from an operational perspective it will run in an orderly manner and according to procedures, but from a financial perspective the company can also be monitored properly.

The company has made use of technology and information by designing various systems, both in the form of software that can provide time and cost efficiency. The control system implemented has supported the achievement of efficiency and effectiveness goals. This is because the Board of Directors has currently designed and implemented a computerized work system and a computer-based accounting information system (data base), the Board of Directors already has a special SOP for every activity, such as cash disbursement activities as a reference for employees in carrying out work functions and carrying out work at various functions that exist in the company. Additionally, the company does not allow employees who are concurrently working functions to carry out their work activities, thus causing the implementation of their work activities to be carried out efficiently and effectively. This shows that all have a good attitude towards using the system. The advantage obtained by this is that it will provide optimal performance in achieving the goals of the company.

Further, another result of testing the second hypothesis, the results show that the attitude variable has a significance value of P value <0.001 which is smaller than 0.05. It shows that Ho is rejected and H2 is supported statistically so that Subjective Norms have a positive influence in developing the company's SIKOMPAK System Usage Attitude optimally. This study found that the company with the application of subjective norms on information systems had a positive effect on attitudes to system use, subjective norms were able to have a very good impact on all kinds of efforts made to improve the application of the attitude of using the system for task completion so that it would find results best for the company. Overall, subjective norm beliefs produce liking or disliking attitudes toward behavior, belief in internal control. Normative beliefs generate social pressure or subjective norms, and control beliefs will provide perceived behavioral contrasts. Together, attitudes toward behavior, subjective norms, and perceived behavioral control will result in behavioral interest and that in turn will lead to an expected attitude that optimizes the use of company systems. The application of the attitude of using the system for work completion by utilizing the norms that the members have already and has been able to produce optimal performance for its employees. There have been many employees who are disciplined in using systems related to the work they are carrying out, many employees have made regular reports to their superiors according to their SOPs. It can be seen that the subjective norms owned by its members can influence the attitude of using the company's system. So with this it can show that the subjective norms of the employees show a picture of the planned business to implement the business or job. Therefore, the attitude of using the system (SIKOMPAK) towards each user is partly due to subjective norms.

Finally, regarding the results of testing the first hypothesis, the results show that the attitude variable has a P value of significance 0.144 greater than 0.05. This shows that Ho is accepted and H1 is statistically rejected so that the Perceptual Behaviour Control does not have a positive effect in developing the company's SIKOMPAK System Usage Attitude optimally. Perceived behaviour control also depends on the content and completeness of information provided by an information system. Completeness of content and information provided by the system will support the efficiency of performance and effectiveness of system use. Improved performance efficiency and effectiveness of system use are able to satisfy and respond to user needs. Users will have a positive response to system use. When users perceive the high usability of information systems, user attitudes will be positively affected. The ability to apply motivational factors that will control the perceptual behaviour of the users which affects an attitude of using the system (SIKOMPAK) and can improve job descriptions which can be a reference in the best achievement of company goals. The role of directors in the implementation of activities have not been able to control the perceptual behaviour of their employees by carrying out their duties and authorities, especially in cash disbursement transactions and other work divisions have been poorly presented, this is supported by still many deficiencies in the attitude of using the system in controlling employee behaviour who are still out of the system that has been prepared by the directors in carrying out their work such as cash disbursements in the form of checks, vouchers, receipts, journals for large and petty cash disbursements, and disposition forms, which are not in accordance with the regulations of the Decree of the Minister of Home Affairs for Regional Autonomy Number 8 of the Year 2000 Regarding Accounting Guidelines for Regional Drinking Water Companies. This has been implemented properly in order to create effective and efficient internal control.

The attitude of using the system resulting from a lack of perceptual behaviour control will create problems for the company in improving the performance of its employees. If the attitude of using the system, such as the use of information technology, has not been aligned with perceptual behaviour control, then this will not be able to be utilised optimally so that it will not have a positive influence on the performance of government agencies and support the effectiveness of implementing the task management system in the company.

4.   CONCLUSSION

This study was used to determine the effect of the TAM (technology acceptance model) and TPB (theory planned behavior) perspective on the effectiveness of internal control. The findings conclude that the company has implemented the use of perception well so that it is able to produce a good attitude to use the system (SIKOMPAK) in completing tasks. Additionally, it has been able to create subjective norms well so as to encourage the adoption of a good attitude to use the system (SIKOMPAK) in completing work. However, the company is unable to control behavior, so it is not able to create the application of the attitude of using the system (SIKOMPAK). As a result, the completion of tasks cannot be carried out optimally.

To enhance the comprehending factors of behaviour to support the internal control, there are practical and research implications that could be proposed from the study. The company is expected to be able to apply the use of the Information Technology System, namely SIKOMPAK, effectively and efficiently using control tools such as the COSO internal control standards, Sarbanes Oxley, and Cobit Framework 5 to simplify the data input process and present quality data results. Furthermore, the implementation of TRA could be combined with persuasion-centric theory [24] and protection motivation theory [25] to examine and extend the understanding of system security intention and system security behavior.

REFERENCES

[1] A. Budhisulistyawati, Y. T. Muryanto, and A. Sri, "STRATEGI PENGELOLAAN BADAN USAHA MILIK DAERAH (BUMD) PERSERO UNTUK MEWUJUDKAN PRINSIP TATA KELOLA PERUSAHAAN YANG BAIK," *Priv. Law*, vol. 3, no. 2, pp. 56–66, 2015.

[2] R. S. H. Bako, "PERMASALAHAN HUKUM ATAS BENTUK BADAN HUKUM PADA BADAN USAHA MILIK DAERAH," *J. Kaji.*, vol. 15, no. 4, pp. 751–781, 2010.

[3] I. A. Azre, "Analisis Good Corporate Governance (GCG) Pada Badan Usaha Milik Daerah (BUMD) Provinsi Sumatera Barat (Studi Kasus PT Grafika Jaya Sumbar)," *J. Adm. dan Kebijak. Publik*, vol. 2, no. 3, pp. 187–203, 2017.

[4] Suharyono, "The Effect of Accountability, Transparency, and Supervision on Budget Performance by Using The Concept of Value for Money in Regional Business Enterprises (BUMD) of Riau Province," *Int. J. Public Financ.*, vol. 4, no. 2, pp. 236 – 249, 2019, doi: 10.30927/ijpf.584834.

[5] BPKP, "Peningkatan Kinerja Melalui Penerapan Sistem Pengendalian Intern pada PDAM se-Provinsi Jambi," 2018. http://www.bpkp.go.id/berita/read/19477/0/Peningkatan-Kinerja-Melalui-Penerapan-Sistem-Pengendalian-Intern-pada-PDAM-se-Provinsi-Jambi.bpkp (accessed Nov. 27, 2020).

[6] N. Melville, K. Kraemer, and V. Gurbaxani, "Information Technology and Organizational Performance: An Integrative Model of IT Business Value," *MIS Q.*, vol. 28, no. 2, pp. 283–322, 2004, doi: 10.2307/25148636.

[7] T. Jacks, P. Palvia, and R. Schilhavy, "A framework for the impact of IT on organizational performance," *Bus. Process Manag. J.*, vol. 07, no. 05, pp. 846–870, 2011, doi: 10.1108/14637151111166213.

[8] L. Hladchenko, "Government Financial Accountability and Transparency in the Digital World," 2016.

[9] International Federation of and Accountants, "Evaluating and Improving Internal Control in Organizations," New York City, 2012. [Online]. Available: https://www.ifac.org/system/files/publications/files/Evaluating and Improving Internal Control in Organizations - updated 7.23.12.pdf.

[10] L. Graham, *Internal Control Audit and Compliance - Documentation and Testing Under the New COSO Framework*, 1st ed. New Jersey: John Wiley & Sons, Inc, 2015.

[11] G. Sarens and I. De Beelde, "Internal auditors' perception about their role in risk management," *Manag. Audit. J.*, vol. 21, no. 1, pp. 63–80, 2006.

[12] M. Workman, W. H. Bommer, and D. Straub, "Security lapses and the omission of information security measures: A threat control model and empirical test," *Comput. Human Behav.*, vol. 24, no. 6, pp. 2799–2816, 2008, doi: 10.1016/j.chb.2008.04.005.

[13] C. Vroom, R. Von Solms, P. E. Technikon, P. Elizabeth, and S. Africa, "Towards information security behavioural compliance," *Comput. Secur.*, vol. 23, no. 3, pp. 191–198, 2004, doi: 10.1016/j.cose.2004.01.012.

[14] J. M. Stanton, K. R. Stam, P. Mastrangelo, and J. Jolton, "Analysis of end user security behaviors," *Comput. Secur.*, vol. 24, no. 2, pp. 124–133, 2005, doi: 10.1016/j.cose.2004.07.001.

[15] G. V. Post and A. Kagan, "Evaluating information security tradeoffs: Restricting access can interfere with user tasks," *Comput. Secur.*, vol. 26, no. 3, pp. 229–237, 2007, doi: 10.1016/j.cose.2006.10.004.

[16] S. Pahnila, M. Siponen, and A. Mahmood, "Employees' Behavior towards IS Security Policy Compliance," in *Proceedings of the 40th Annual Hawaii International Conference on System Sciences (HICSS'07)*, 2007, pp. 3–6, doi: 10.1109/HICSS.2007.206.

[17] B. Bulgurcu, H. Cavusoglu, and I. Benbasat, "INFORMATION SECURITY POLICY COMPLIANCE : AN EMPIRICAL STUDY OF RATIONALITY-B ASED BELIEFS," *MIS Q.*, vol. 34, no. 3, pp. 523–548, 2010.

[18] J. D. Arcy, A. Hovav, and D. Galletta, "User Awareness of Security Countermeasures and Its Impact on Information Systems Misuse : A Deterrence Approach," no. December 2015, 2009, doi: 10.1287/isre.1070.0160.

[19] A. Johnston and M. Warkentin, "Fear appeals and information security behaviors: an empirical study," *MIS Q.*, vol. 34, pp. 549–566, 2010.

[20] J. Spears and H. Barki, "User participation in information systems security risk management," *MIS Q.*, vol. 34, pp. 503–522, 2010.

[21] P. Ifinedo, "Understanding information systems security policy compliance: An integration of the theory of planned behavior and the protection motivation theory," *Comput. Secur.*, vol. 31, no. 1, pp. 83–95, 2012, doi: 10.1016/j.cose.2011.10.007.

[22] I. Ajzen, "The Theory of Planned Behavior," in *The Theories of Social Psychology*, P. A. M. Van Lange, A. W. Kruglanski, and E. T. Higgins, Eds. Los Angeles, London, New Delhi, Singapore, Washington DC: SAGE, 2012, p. 438.

[23]   F. D. Davis, "Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology," *MIS Q.*, vol. 13, no. 3, pp. 319–340, 1989.

[24]   J. D. Wall and M. Warkentin, "Information & Management Perceived argument quality ' s effect on threat and coping appraisals in fear appeals : An experiment and exploration of realism check heuristics," *Inf. Manag.*, vol. 56, no. 8, p. 103157, 2019, doi: 10.1016/j.im.2019.03.002.

[25]   T. Herath and R. Rao, "Protection motivation and deterrence: A framework for security policy compliance in organisations," *Eur. J. Inf. Syst.*, vol. 18, no. 2, pp. 106–125, 2009, doi: 10.1057/ejis.2009.6.

---

*

 Corresponding author. Tel.: +62857 4247 7923

E-mail: benih@stiedewantara.ac.id

The Implementation of Risk Based Internal Audit During The Corona Virus Diseases Pandemic Conditions Case Studies Indonesia Deposit Insurance Coorporation

(Thesis Magister Akuntansi FEB UI)

Hayu Anindyajati, S.E.,[1] Cut Saskia Rachman, S.E., M.Ak[2]
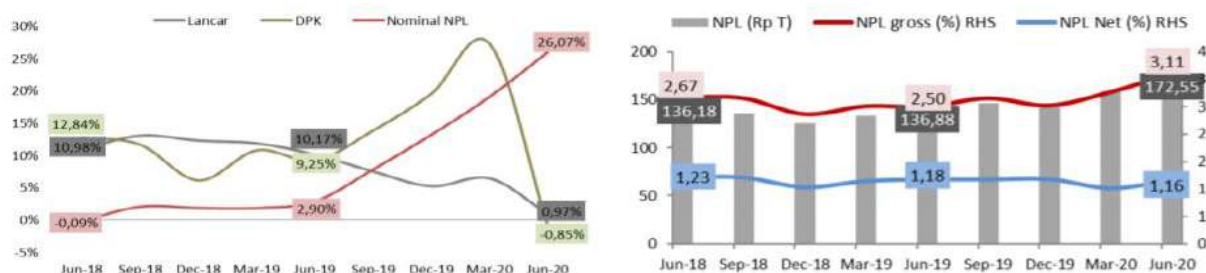
Indonesia[1,2]

Abstract

During the pandemic of Corona Virus, the government of Indonesia had reinforced the law of Indonesia Deposit Insurance Corporation (IDIC) authority to secure the stability of Indonesia banking sector. The IDIC has a significate role to take active action in order to maintain bank's liquidity and solvability, especially during the pandemic. Due to the pandemic economic recession, IDIC will continue to optimize its performance, it takes extra work of every working unit in IDIC to out performs its duties including the internal audit unit. The internal audit has a crucial role to support and strengthen the Indonesia Deposit Insurance Corporation (IDIC) to conduct its function. In order to strengthen internal audit and increase added value, it is necessary for IDIC to implement risk based internal audit (RBIA). This study is aim to support IDIC on implementing an effective risk based internal audit. To execute this, IDIC must do risk maturity assessment and conduct audit paling referring to the organization major risk as a priority area of auditing. This paper analysis and evaluate IDIC risk maturity and areas which are high risk due to the pandemic condition that can be propose as part of the IDIC audit plan.

Keywords: Internal Audit, Risk Based Internal Audit, Risk Maturity

1. Introduction

Early in the year of 2020, Indonesia experienced a major pandemic of Corona Virus Disease, which escalated into a national disaster declared by the president. The pandemic impact both macro and micro prudential economics, such as the banking sector. The pandemic triggered impacted the ability of debtors to meet their bank obligations, as evidenced by the increase in nominal non-performing loans (NPLs) of 26.07% (yoy) compared to the previous year of 2.90% (yoy). To address credit risk in the banking industry, The Financial Service Authority issued a policy on credit restructuring. The value of credit restructuring submitted by banks to the Financial Service Authority until June 2020 is IDR 740.78 trillion consisting of 6.56 million debtors.

Graphic 1: Indonesian Banking Credit Risk Profile (June 2020)
Source: Financial Service Authority (June, 2020), Banking Industry Profile Report Quarter II-2020

Beside the Financial Service Authority, Indonesia Deposit Insurance (IDIC) had also adjusted its deposit insurance rate to support reduce bank cost of fund during the pandemic period. This regulation will promote effective financial structure and increase public confidence on Indonesia banking sector.

Table 1: Deposit Insurance Rate History List

Period	Commercial Bank (IDR)	Commercial Bank (Foreign Currency)	Rural Bank
25 Nov 2020 - 29 Jan 2021	4.50%	1.00%	7.00%
01 Oct 2020 - 29 Jan 2021	5.00%	1.25%	7.50%
30 Jul 2020 - 30 Sep 2020	5.25%	1.50%	7.75%
30 May 2020 - 30 Sep 2020	5.50%	1.50%	8.00%
26 Mar 2020 - 29 May 2020	5.75%	1.75%	8.25%
25 Jan 2020 - 29 May 2020	6.00%	1.75%	8.50%
20 Nov 2019 - 24 Jan 2020	6.25%	1.75%	8.75%

Source: Indonesia Deposit Insurance Corporation (2020)

The IDIC is an independent institution that regulate the banking system by insuring depositor's fund and actively participate in promoting stability for the financial system in accordance with its authorized mandate. However, due to the pandemic of Corona Virus and a devaluation on bank financial performance, the government established a policy which empower Indonesia Deposit Insurance Corporation authorities, which consist of:

1. IDIC along with The Financial Service Authority are to handle systemic bank and banks other that systemic bank through information exchange and joint examination.
2. IDIC must consider these aspects to make decision toward bank resolution strategies
   a. Evaluation of the Least Cost Test
   b. The complexity of the bank problems
   c. The state of Indonesia economy situation
   d. The time needed to handle the bank
   e. Effectiveness of bank handling and
   f. Availability of investors.
3. Expanding the coverage of IDIC saving guarantees, to cover savings from pooling fund.
4. If IDIC deal with liquidity issues to handle failed banks, IDIC can do these activities:
   a. Sell or do repurchase agreement (Repo) on IDIC Government Securities to Indonesia Central Bank,
   b. Issue debt securities, or
   c. Loan from other parties or the government.
5. If the bank which receives the placement of government funds experiences problems and the bank handling is submitted to IDIC, The IDIC will prioritize the return of government funds.
6. IDIC are authorized to do fund placement in order to manage or increase the liquidity of the IDIC and also to anticipate or handle the stability of financial system problems that can lead to bank failures.

The expansion of IDIC mandate and duties, encourage IDIC to carry out various strengthening of business processes, including internal audits. A strong internal audit, IDIC will be able to increase effectiveness and improve work processes though risk based internal audit method. (The Institute of Internal Auditors, 2015), suggested that the added value of implementing the risk-based internal audit for organizations includes:

1. Management has identified, assessed and responded to risks both above and below the risk appetite.
2. Assess the effectiveness of risk responses.
3. Take action if there is a residual risk that exceeds the risk appetite.
4. Ensure that the risk management process is monitored by management.
5. Clarify that the risk management report is correct.

2. Literature Review

(The Institute of Internal Auditors, 2017) defines internal audit as an assurance and consulting activity carried out objectively and independently, which is designed in order to add value and improve organizational operations. In order to carry out the internal audit function, (The Institute of Internal Auditors, 2019) states that internal audit needs to have the following missions and objectives:

1. The mission of internal audit is to protect the value and enhance the value of the organization by providing insight, assurance and recommendations taking into account risk management and organizational goals.
2. The purpose of internal audit is to provide services and consultations carried out objectively and independently in order to improve the organization's operations

It can be concluded that internal audit has a strategic function for the organization by providing independent assessments to produce assurance and recommendations that increase organizational value.

(KPMG, 2016) perform a survey to determine the role of internal audit which is expected to optimize its role in the organization. Based on the survey conducted, it was stated that internal audit is expected to help assess risks and risk management practices implemented by the organization, as detailed in the graphic below.

Graphic 1: Added Value to Internal Audit
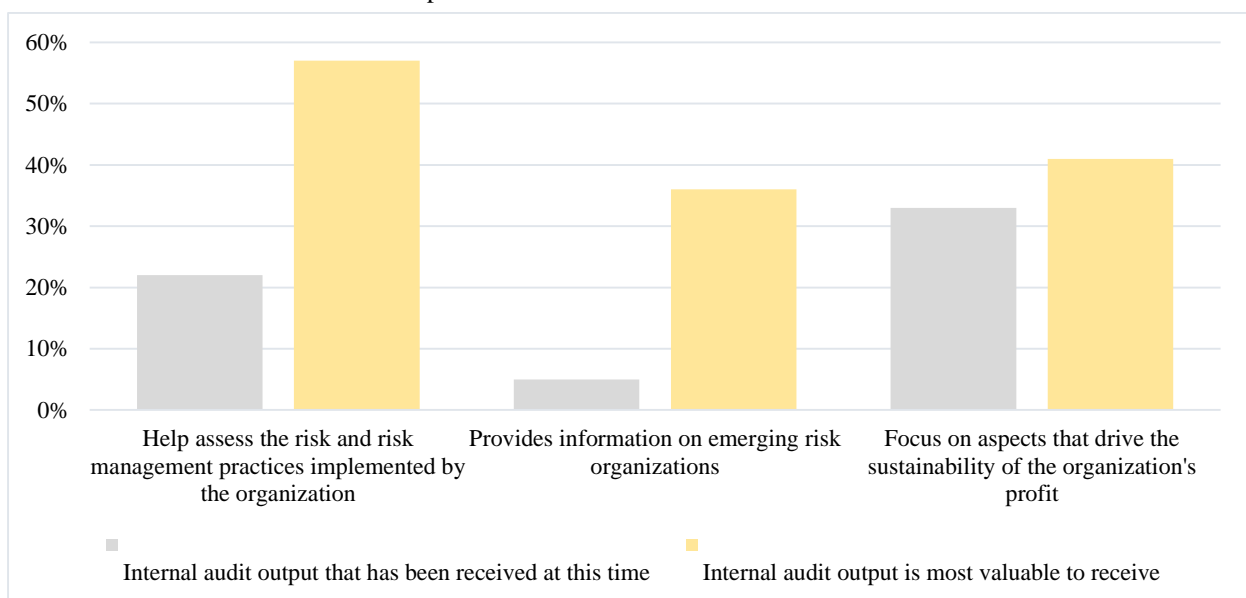
Source: KPMG (2016), Seeking value through internal audit, processed

The survey above shows that internal audit has a large gap between the its practices compared to the output that are consider valuable for the organization, particularly in the role of providing information on emerging risk. Internal audit is expected to play a role in assessing institutional risk and providing information on potential

organizational risk exposures. In this regard, the application of risk based internal audit is one of the right approaches for internal audit to increase its role and contribution to the organization.

2.1 Risk Based Internal Audit

(The Institute of Internal Audit, 2019) defines risk based internal audit as an approach that integrates internal audit with an organization's risk management framework. Risk Based Internal Audit enables internal audit to provide assurance for organizational leaders to demonstrate that the risk management process in managing risk has been carried out effectively and in accordance with risk appetite. (Chaudhari, 2017) states that risk based internal audit is an internal audit methodology that is carried out with a reference to a risk profile and allocates audit resources according to the risk profile to improve the efficiency of the internal audit. (Internal Audit Community of Practice, 2016) point out that risk based internal audit will give advantages as follows:

1. Internal audit facilitates the process of allocating resource constraints in an effective manner and by selecting audit subjects.
2. Ensure auditors to examinations on subjects with the highest risk of achieving organizational objectives.
3. The internal audit strategy or plan is based on the priority of the audit area in the audit universe.

To implement risk based internal audit, (The Institute of Internal Auditors, 2014) informed that there are three stages that organization needs to comply:

1. Assess risk maturity
2. Periodic audit planning
3. Individual audit assignments

2.2 Risk Maturity Assessment

Assessing risk maturity is necessary to conduct before implementing risk based internal audit. (Nordal, 2017) states that organizations need to measure the level of risk maturity, to achieves:

1. A comprehensive evaluation of organizational performance.
2. Identify areas and opportunities for the organization to increase its risk maturity level.
3. To plan and initiate improvement assessments.

Measurement of risk maturity level can be carried out by various methods. Organizations can either refer to risk maturity measures that have been issued by the association or use tailored measurements for the organization. (The Institute of Internal Auditors, 2014) issues a risk maturity assessment consisting of 5 risk maturity levels which consist of risk naïve, risk aware, risk defined, risk managed and risk enable as detail on the picture below.

Figure 1: Five Level of Risk Maturity
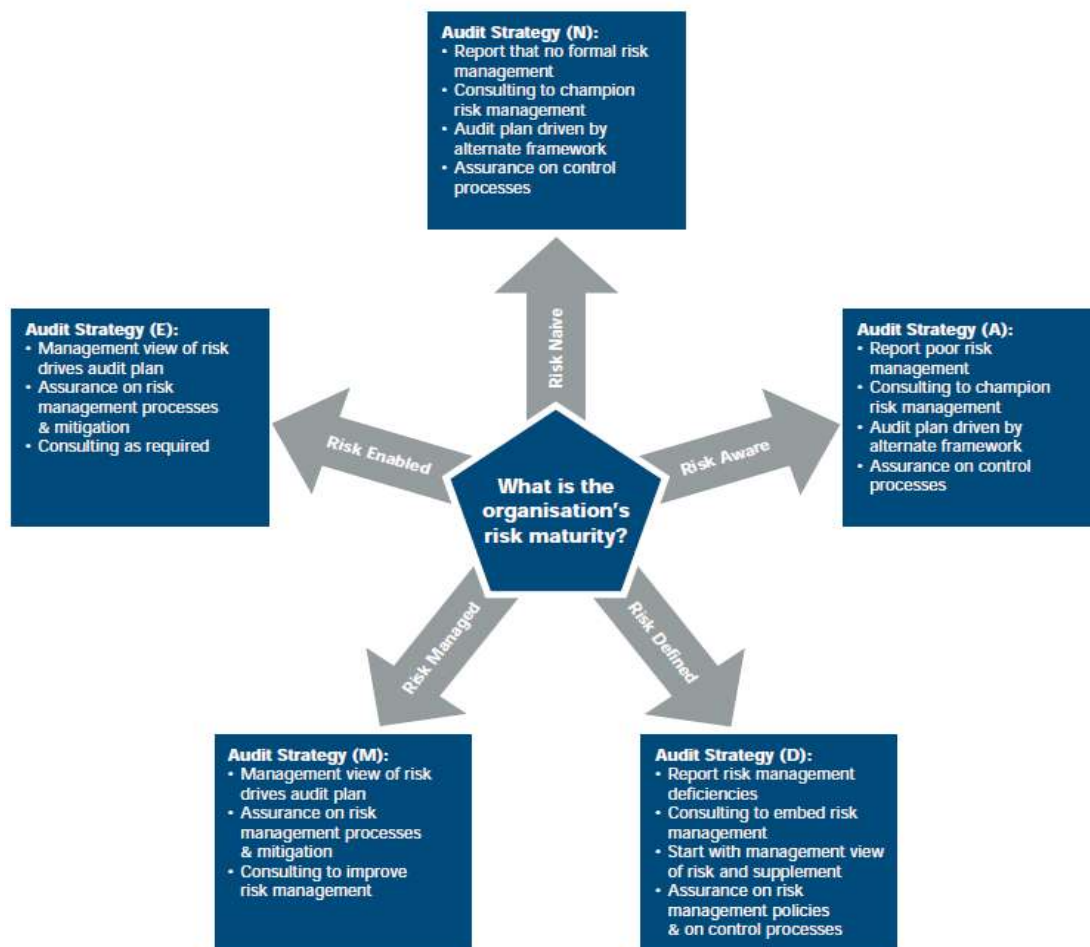
Source: Chartered Institute of Internal Auditor, Risk Based Internal Audit (2014)

Organization internal audit planning strategy is determined by the result of risk maturity assessment. An organization with a risk naive or risk aware level are not able to implement risk based internal audit and needs to promote risk management to all employees. Meanwhile if the organization has achieved risk defined level, internal audit still needs to be a facilitator of risk management for employees but can already use the results of the risk assessment established by the risk management unit. Organization can truly implement risk based internal audit effectively if it has accomplished a maturity level of risk managed or risk enabled.

One of the approach to assess risk maturity is method of *A Simple Model* (Ayse Nordal, 2017). This method consists of five dimensions to evaluate organisation current state risk maturity. Each dimension is assessed to see the risk maturity score on each individual dimension. In each specific dimension there are ten criteria which the organization ideally should fulfil. After sessing all five dimension, the score is calculated on average to see the result of organization risk maturity level.

5th

Comparative Asia Africa Governmental Accounting Conference
"Fraud Detection with Big Data Analysis during the Pandemic"

Table 1: Risk Maturity Assessment - *A Simple Model*

Dimension	Maturity Objectives
Risk management, strategy and decision making processes	All decisions (strategical, tactical and operational) base on documented assessments of risks and opportunities.
Communication, information and reporting	The organization ensures continual communication and reporting of relevant information, with appropriate frequency
Organization, authority and interaction	The risk management function has an appropriate organization and resource allocation
IT –tools and analyses	Risk management is based on best available information and is suitable to organization's needs
Framework and processes	The organization has implemented an effective and suitable risk management framework.

Source: Ayse Nordal (2017)

The risk maturity is scored separately each dimension depending on the number of criteria is fulfilled as show in table 2 below.

Table 2: Method to Score Risk Maturity

Risk Maturity Level	Criteria
5	Organization satisfies all criteria
4	Organization satisfies eight or more criteria
3	Organization satisfies six or more criteria
2	Organization satisfies four or more criteria
1	Organization satisfies two or more criteria

Source: Ayse Nordal (2017)

The process of measuring risk management maturity is measured to evaluate the readiness of the organization's risk management framework, roles, powers and infrastructure. This will support a comprehensive and high accuracy risk assessment process, thus supporting internal audit in carrying out the risk based internal audit.

2.3 Internal Audit Planning

An audit Plan is arranged by internal audit as a reference to carry out by the auditor for one year or a certain period. It prioritizes areas that have major risks or risks that potentially interrupt the strategic achievement of the organization. To construct internal audit plan, The Internal Standard for (The Professional Practice of Internal Audit, 2017) states there are things to be considered, such as:

1. The purpose of the activity that are going to be examined and the availability of supporting infrastructure to control activity progress.
2. The level of risk within the activities, available resources, activity objectives and the ability to maintain the impact of risk as to organization risk appetite.
3. The adequacy and effectiveness of the risk management and control system of the activity compared to the relevant control frameworks used.
4. Opportunities to make significant improvements in the risk management and control system aspects of activities.

Based on the standard, in preparing an audit plan, various information is needed regarding aspects of risk management, including the effectivity of controls over the activities to be audited. The effectiveness of control can be observed from several things such as organizational culture, policies, budgets and reporting to organizational leaders.

The audit planning process based on (The Institute of Internal Audit, 2014) is carried out in the following stages:

1. Identification of risk responses and risk management processes for which the internal audit assessment is based on.

   Internal audit evaluates the organization's risk register to ensure the adequacy of information, including regarding the risk response to the business process. Internal audit ensures the implementation of the risk response is appropriate. There are several risk response options that organizations select, such as risk tolerance, risk transfer, risk mitigation or stop the activity due to its high risk.

2. Categorization and priority of risks

   In the event that the organization has many risks listed in the risk register, internal audit shall categorize and prioritize risks. The categorization process can be carried out based on the business unit, function or work system of the organization and the objectives affected by the risk. Internal audit then prioritizes risks based on the following:

   a. A measure of risk level, internal audit prioritizes risk categories that have a high level of risk to be included in the audit plan. This aims to ensure that these risks have been managed effectively so as not to hinder the achievement of the organization's strategic goals.

   b. Risk response, in the case that internal audit analyzes the lack or ineffective risk response, internal audit prioritizes these categories to be included in the audit plan. The audit process in that category will provide assurance and ensure that risks can be managed according to the appropriate and optimal risk response.

   c. Risk categories and priority, in order to categorize and prioritize risks internal audit needs to ensure that the data and information in the risk register are accurate and can be accounted for. To ensure this, internal audit can review the application of risk management in the organization and ensure that its application is in accordance with the principles and governance of the organization.

3. Integration of risk into audit assignments

   The process of integrating risk into an audit assignment can be carried out using two methods consist of:

   a. Classifies risk into group

   This approach is done by classifying all organizational risks. Risk can be grouped based on business units, objectives, functions or systems. The advantage in this method is that all risks in the organization are the concern of internal audit. However, it has a weakness where there are limited audit resources which do not allow internal audit to provide assurance on all organizational risks.

   b. Develop an audit universe

   (Murdock, 2017) audit universe maps all audit activities which also consist of the entities that can be audited. These entities generally include various programs, activities, functions, structures and initiatives that collectively contribute to the achievement of the organization's strategic goals. (Mody, 2018) states to create an audit universe, there are several main factors that are taken into consideration, such as:

   i. Mission, vision and organizational objectives,

   ii. Expectations from internal audit,

   iii. Organizational structure,

   iv.   Geographic location of the organization,
   v.   Organization operational scale,
   vi.   Organic linkages between business processes, and
   vii.   Cost effectiveness of controls implemented by the organization.

   The audit universe is updated to reflect changes in management direction, goals, concentrations and priorities of the organization. It is recommended to conduct a universe audit assessment at least once a year so that it aligns with the organization's annual strategy and direction.

4. Developing internal audit plan

   The audit plan is needed as a guide for conducting the audit, including the estimated number of days and human resources required to perform the work, the internal audit area, the number of sample to audit. (Fountain, 2016) states that making risk based internal audit plans is based on priority, which requires a risk management assessment. The greater the risk in a business process, the audit priority will be determined as follows:

   a. Priority 1: conduct internal audits of high risk areas and plan for completion within the first six months of the audit plan year.

   b. Priority 2: conduct internal audits in areas that have moderate risk and are planned to be completed according to the annual plan. However, if a new business process appears that is considered to have a greater risk, changes to the audit plan can be made.

   c. Priority 3: conduct internal audits in areas that have low risk. This business process is carried out as a routine audit cycle or compliance review which is carried out after priority 1 and priority 2 are prioritized. If a higher risk business process appears, the priority 3 audit plan can be replaced or implemented at the next opportunity.

   This approach requires an organizational risk assessment which is then categorized by the level of priorities for the audit plan.

5. Reporting to the organization's management and audit committee.

   Internal audit submits periodic audit plans to organizational management and the audit committee for direction and approval. In reporting the audit plan, internal audit informs various things, including:

   a. The assurance provided by internal audit about the risk management process and the planned risk response.

   b. The assurance that has been provided by internal audit in the previous period along with a brief summary of the audit results obtained.

   c. Details of work carried out in order to support risk management so that risks are kept under risk appetite.

   d. Risk exposure for the organization in the event of deficiencies or weaknesses in internal policies and procedures as well as legislation.

   After the risk maturity assessment and audit planning have been carried out, an audit assignment can be performed to the auditor.

2.4 Integration of the Implementation of Internal Audit and Risk Management

(Thornton, 2015) defines risk management as the variety of actions taken by management to reduce some or all of the risk. (UNESCO, 2016) risk management is a structured, consistent and ongoing process of the entire organization to identify, assess, communicate and respond appropriately to opportunities and threats that affect the achievement of organizational goals. (Murdock, 2017) states risk management includes the process of identifying, measuring, assessing and responding to risks. Based on the definition given, it can be concluded that

risk management is the diversity of management actions in a structured, consistent and sustainable manner to reduce organizational risk in order to take advantage of opportunities and reduce threats that affect the achievement of organizational goals.

Risk maturity in the organization affects the strategy and implementation of internal audit in the organization. In order to implement RBIA, it requires integration of business processes between the internal audit unit and the risk management unit. The results of risk management assessments are needed as input in various RBIA processes including the planning process and the audit process. At the planning stage, input from risk management assessment is needed to determine the high risks in the organization.

Methodology

The research strategy used in this research is a case study with a qualitative research approach.

The case study was conducted at the IDIC with the following considerations:

  a. IDIC is a member of the Financial System Stability Committee which was formed aimed to prevent and handle financial system crises.
  b. IDIC has the authority to carry out bank resolutions in Indonesia.
  c. IDIC has a crucial role during the corona virus pandemic. During the pandemic, Indonesian banking industry experienced a fall performance, which prompted IDIC to continue to maintain public trust in the banking industry, in order to maintain financial system stability.

The data collection for this paper is conducted by interview and observation. Interview is processed by the Director of the Risk Management Group at IDIC. Interviews were conducted in a semi-structured manner to provide further understanding from an expert and authorized party. Interviews were conducted to deepen the aspects of IDIC risk management to assess risk maturity as well as potential risks that need to be the attention of IDIC which will requires the role of internal audit to ensure controls are implemented effectively. Furthermore, data collection is also executed by observing several things, such as:

  a. The resources available to carrying out the duties assigned to working unit
  b. The suitability of the work unit's organizational structure, obligation and authorities to provide added value to the IDIC.
  c. Availability of systems information and policy to support the business processes.
  d. Reports and other deliverables outputs.
  e. Linkage of business processes between the internal audit unit and the risk management unit

The results of the observations made will support risk maturity assessment and support risk based internal audit practice.

This study also applies content analysis from various documents and information, including:

  a. Laws related IDIC functions
  b.   International Standards for the Professional Practice of Internal Auditing (Standards) published by The Institute of Internal Auditors.
  c. IDIC Annual Report
  d. IDIC Deposit Distribution Data Report
  e. Publications, articles and infographics issued by IDIC, Ministry of Finance, Central Bank of Indonesia and Financial Service Authority.

The content analysis approach will provide in-depth and integrated information on this research, thus sharpening the analysis and evaluation of the research.

Conclusions

Based on the analysis and assessment conducted in this study, it can be concluded as follows.

Risk Maturity Assessment

The risk maturity assessment is performed on the first semester 2020 applying *A Simple Model* method. Based on the interview, observation and content analysis obtain, the result of risk based internal audit are as follow.

1. **Risk Maturity Assessment of Dimension 1 - Risk management, strategy and decision making.**
   a. Risk appetite as part of risk management tools have been applied, measured both quantitative and qualitative, monitored regularly and also evaluated annually. Risk appetite are established and used as a reference during operational and decision making proses.
   b. Risk management function are well embedded in organization strategy and decision making, demonstrated by:
      i. IDIC corporate value is integrity, collaboration, accountable, respect and excellence (I-CARE). By implementing accountable value, employees are expected to to be responsible for all actions or decisions taken, in accordance with applicable policies / regulations, taking into account risks. This value will drive employees to increase risk awareness.
      ii. The head of risk management is included in strategic meeting and decision making proses such as the Board of Commissioners meeting and Planning and Evaluation Committee.
      iii. The proses of decision making during Board of Commissioners meeting is supported by a risk assessment which includes information on potential risks, causes of risks, risk impacts and risk mitigation consequence of the decision.
   c. IDIC has fulfilled and executed effectively all criteria in dimension 1. Therefor the risk maturity score for dimension 1 is 5.

2. **Risk Maturity Assessment of Dimension 2 - Communication, Information and Reporting.**
   a. IDIC have set a regulation on internal and external communication, which include communication mechanisms to stakeholders.
   b. Information on risk management is filed and documented by system. Risk management unit however don't have full and direct access of all data and information due to the confidentiality of the document, specially document from external stakeholders.
   c. Risk management has access to report objectively and independently to top leader and also to the risk management committee.
   d. IDIC has actualized all criteria, however the risk management unit has limited access to confidential externals information where it can only be access directly by a certain working unit. In spite of that, risk management unit still can obtain that information from discussion or meetings with the working unit. Based on the evaluation, the risk maturity score for dimension 2 is 4.

3. **Risk Maturity Assessment of Dimension 3 - Organization, authority and interaction.**
   a. IDIC has an organizational structure, resource and adequate authority to carry out its duties and responsibilities according to the regulations.
   b. IDIC continues to build a risk management culture to ensure that risk management is integrated in all aspects of the organization, both at the strategic and operational levels.
   c. All working unit interact and able to collaborate to professionally to produce excellence output.
   d. IDIC has fulfilled and executed effectively all criteria in dimension 1. Therefor the risk maturity score for dimension 3 is 5.

4. **Risk Maturity Assessment of Dimension 4 – IT Tools and Analysis.**
   a. LPS has an information system built to support the overall risk management process. This system is used in the risk assessment process on a routine basis.
   b. LPS has a risk management information system that are used for risk assessment proses. However, the system can still be enhancement further to increase usability.
   c. The system has the ability to manage data, yet it cannot automatically generate reports that are submitted to stakeholders
   d. IDIC has actualized all criteria, it has a risk management IT system that are applicable for risk assessment proses. There are areas that still needs enhancement to improve. Based on the evaluation, the risk maturity score for dimension 4 is 4.

5. **Risk Maturity Assessment of Dimension 5 – Framework and Process**
   a. The risk management framework is built to support the achievement of IDIC strategic objectives, taking into account the International Organization for Standardization (ISO) 31000: 2018 Risk Management Principle and adjusting to IDIC corporate culture and strategies.
   b. Risk management are integrated into various process, including:
      i. Risk based standard operational procedure (SOP).
      ii. Planning and evaluation of the Annual Budget Work Plan (RKAT).
      iii. Individual performance for the ranks of Group Director and Executive Director.
   c. IDIC has fulfilled and executed effectively all criteria in dimension 1. Therefor the risk maturity score for dimension 5 is 5.

Risk Maturity IDIC

Based on the evaluation on each dimension, the result exhibit that IDIC risk maturity are at risk manage to risk enabled level. This confirm that IDIC is adequate to use risk based internal audit methodology to achieve higher value add for the IDIC.

Tebel 3: IDIC Risk Maturity (Semester I – 2020)

No	Dimensi Tingkat Manturitas Risiko	Maturitas Risiko
1	Risk management, strategy and decision making	5
2	Communication, information and reporting	4
3	Organization, authority and interaction	5
4	IT-tools and analysis	4
5	Framework and processes	5
Average Score – IDIC Risk Maturity Score (risk managed to risk enabled)		4,6

Risk based internal audit will allow internal audit to focus on areas that has high risk exposure and might interfere IDIC strategic goals and functions.

Application Of Risk Based Internal Audit In IDIC During The Corona Virus Pandemic Period.

During the corona virus pandemic, the government established several regulations that affect and strengthen the authority of the IDIC, such as:

1. Placement of funds by the Ministry of Finance to several banks (BRI, BNI, Bank Mandiri, BTN) to accelerate the recovery of the national economy.

   IDIC underwrites government funds in the event of a failure at a bank that receives a placement of government funds for the National Economic Recovery Program. This condition will affect the liquidity risk of IDIC in carrying out its functions and operational activities.

2. IDIC was given the authority to place funds for bank to maintain the liquidity of the IDIC dan/or to anticipate or handle the bank. The value of the placement of funds is a maximum of 2.5% of the assets of the IDIC for one bank with a maximum total of 30% of the assets of the IDIC.

The application of the risk based internal audit concept at IDIC will provide added value by minimizing corporate risks as explained above, regarding the potential risks arising from the economic condition due to the corona virus pandemic. The implantation of risk based internal audit can be carried out in the following business processes:

1. Internal audit conducts audits on the premium management unit to ensure that the work unit has communicated with banks to fulfill its obligations and has validated the accuracy of information and self-assessment reports on the bank's premium.

2. Monitor the effectiveness of IT-tools used to conduct bank surveillance and ensure that the surveillance unit has carried out banking analysis, particularly banks that receive placements of funds.

Reference

Chaudhari, S. (2017). A Guide to Risk Based Internal Audit System in Banks.

KPMG (2016). Seeking Value Through Internal Audit

Mody, C. A. (2018). Risk Based Internal Audit Plan: Developing a Risk Based IA Plan and Updating The Audit Universe

Murdock, H. (2016). *Operational auditing: Principles and techniques for a changing world*. CRC Press.

Otoritas Jasa Keunagan (2020). Statistik Perbankan Indonesia

The Institute of Internal Auditors Global (2017). Audit internal dan audit eksternal perbedaan peranan dalam tata kelola organisasi

The Institute of Internal Audit (2019), The Internal Audit Charter: A Blueprint to Assurance Success.

The Institute of Internal Audit (2017), The Internal Audit Charter: A different approach to risk maturity – a simple model

The Institute of Internal Auditors (IIA). (2015). International professional practice framework.

The Institute of Internal Auditors Global (2014). Risk based internal auditing. Charted Institute of Internal Auditors

The Institute of Internal Auditors Global (2014). Risk maturity assesment. Charted Institute of Internal Auditors.

Thornton, G. (2015). Enterprise Risk Management and Risk Based Internal Audit

HOSPITAL DEBTS AND RECEIVABLES MANAGEMENT BASED ON HOSPITAL FINANCIAL REPORTS OF DEBT AND RECEIVABLE IN JKN ERA: A CASE STUDY RS ABC

Zainab Hanifah [1] dan Indra Bastian [2]

ABSTRACT

Background: Information about debts and receivables became the main focus of hospital financial reports, especially in the JKN era. Late payment of BPJS Kesehatan, the negative difference between hospital rates and INA-CBGs that is too large, and audit findings by the financial audit agency have created asymmetric information between management and stakeholders. There is a need to further develop optional financial reports to help improve accounts payable and accounts receivable management. A detailed debts report and receivables report that can describe the actual financial condition of the hospital.

Objective: This research aims to prepare a complete, transparent, and accountable debts and receivables report.

Method: This study is a descriptive case study at ABC Hospital. The collection of data through interviews and questionnaires to see the acceptance of stakeholders on the draft reports of accounts payable and accounts receivable. Qualitative data analysis is based on the financial statements of ABC Hospital developed into debt report and receivable report based on generally accepted accounting principles.

Result and discussion: The debt report simulation presents disclosure of debt information with details of the source of debt accounts, aging of debt, and terms of debt. The receivables report simulation presents disclosure of accounts receivable with details of accounts receivable source, aging of accounts receivable, provisions for uncollectible accounts, and uncollectible value. Debt report and receivable report disclose information on accounts payable and account receivable in a comprehensive manner.

Conclusion and recommendation: Debt report and receivable report can be developed into additional reports beyond the standard financial statements as an effort to supervise and improve hospital accounts payable and accounts receivable management.

Key words: debt report, receivable report, accounts payable and accounts receivable management

[1] Universitas Gajah Mada, Indonesia
[2] Universitas Gajah Mada, Indonesia

1. Introduction

Financial reports act as a communication media between hospital management and hospital stakeholders. The financial report is also a form of hospital performance evaluation that can describe financial indicators. Some of them are indicators of liquidity and solvency as a measure of the hospital's ability to manage debts and receivables. In this era of National Health Insurance (JKN), debt and receivables are the main focus of hospital financial reports.

Late payments for BPJS *Kesehatan* patient services for more than 120 days have an impact on the hospital's financial cash flow. The domino effect of not-current financial cash flow causes the hospital cannot fulfill its obligations to its partners. In a study it was concluded that the late payment of BPJS *Kesehatan* claims had a very significant effect on the financial flows of hospitals, especially private hospitals. (Dewi et al., 2018).

Another factor affecting the importance of debts and receivables is the negative difference between hospital rates and the BPJS Health claim payment package, also known as Indonesia Case Based Groups (INA CBGs). The impact of late payment of BPJS *Kesehatan* claims and the large difference between hospital rates and INA CBGs, has a negative effect on hospital efficiency to operational services and quality of hospital services (Irwandy & Sjaaf, 2018). It was further stated that weak human resources, the absence of Standard Operating Procedures (SPO), and a financial accounting information system that was not optimal were cited as the main factors causing failure in the management of hospital receivables since the collaboration with BPJS Kesehatan was established. (Diba & Rosidi, 2017; Supriyadi & Asnawi, 2019).

This condition has an impact on asymmetric information regarding debt and receivables between hospital management and stakeholders. Especially for stakeholders who need accurate information on debts and receivable, such as owners or investors, directors, partners, and even government agencies. The existence of an audit of hospitals from the Badan Pengawasan Keuangan dan Pembangunan/BPKP (*Financial and Development Supervisory Agency*) of BPJS *Kesehatan* insurance services for private hospitals, strengthens the basis for the need for detailed information on accounts payable and receivable. On the other hand, a complete financial report is a form of accountability for the performance of financial workers which can reduce the risk of suspected fraud.

The Indonesian Accounting Guidelines Committee issued guidelines in the Presentation of Hospital Financial Statements (Indonesia, 2019) which added the accounts payable report as part of the financial statements. Thus, it is necessary to have debts and receivables report that describes the real financial condition of the hospital and becomes a substantial report for hospital management. This debts and receivables report can be an act as an internal control for hospital management to improve performance in managing debts and receivables. Then, as an effort to disclose informative debts and receivable data, how should hospital management deliver the report to hospital stakeholders. Some of these things underlie this research.

2. Method

This research is a qualitative descriptive study with a case study design. The research was conducted at ABC Hospital, which is a private specialized hospital located in Cileungsi, Bogor, West Java. The research was conducted in October 2020. Interviews were conducted with internal hospital stakeholders, including owners and leaders of hospital decision makers or top management. Meanwhile, questionnaires were distributed to external stakeholders of the hospital, namely third party insurers such as insurance and BPJS *Kesehatan*, as well as patients or members of the public with economic or financial or accounting educational backgrounds. The results of interviews and questionnaires are used to determine respondents' acceptance and expectations of the draft reports on debts and receivables reports. Simulations of debts and receivables reports are made based on the 2016 and 2017 ABC Hospital financial reports to see the comparison of the hospital's financial performance before and after working with BPJS *Kesehatan.* The simulation of debts and receivables reports is prepared based on generally accepted accounting principles.

3. Result

3.1 <u>Definition of debts and receivables statements</u>

The results of interviews and questionnaires to 3 internal stakeholders and 4 external stakeholders formulate that the debt report is a detailed report on current accounts that discloses the amount of debt, age of debt, terms of debt, and information. The receivables report is formulated as a detailed report on current accounts receivable which discloses the amount of receivables, age of accounts receivable, provision for uncollectible accounts, uncollectible amount, and information.

3.2 <u>The need for debt and receivable accounts reports</u>

The need for complete, transparent, and accountable of debts and receivables reports was felt important by all respondents, especially in the JKN era. The existence of a long grace period for payment of receivables, especially from BPJS Kesehatan to hospitals, caused hospital management to feel the need to provide detailed information on debts and receivables. In addition, in the current state of the COVID-19 pandemic, where hospital revenues have decreased significantly, detailed information on accounts that have a direct impact on hospital operations is very important and useful.

3.3 <u>Accounts Debts Report Simulation</u>

Debt report simulation is made from the process of recording the purchase journal and then entered into the debt ledger. Debt ledger consists of several information in the purchase journal, including the purchase ledger, debt ledger, and discounted purchase ledger. Then the detailed information is expanded in a subsidiary ledger template which is arranged based on supplier accounts payable. In the subsidiary ledger template, information on the amount owed, due date, purchase discount, and age of debt is detailed in the subsidiary ledger template. Based on this subsidiary ledger, a debt report containing the supplier's accounts payable, the nominal amount of the debt, the age of the debt, the maturity of the debt, and a description of the accounts payable are presented. Debt report simulation as in the flow of debt report simulation as seen in picture 1-4 below.

3.4 <u>Accounts Receivable Report Simulation</u>

Receivables report simulation is made from the process of recording the income receivable journal and then entered into the accounts receivable ledger. Accounts receivable ledger consists of several information in the income journal including the income ledger, accounts receivable ledger, and loss reserve ledger. Then the detailed information is expanded into a subsidiary ledger template which is prepared based on the accounts receivable guarantor of patient payments such as general (cash payment method), insurance (insurance coverage), company (company guarantee), and BPJS *Kesehatan* (BPJS Health insurance). The subsidiary ledger in the accounts receivable report contains detailed information on the nominal amount of the bill, invoice number, date of sending of invoices, number of uncollectible invoices, date of bill payment, age of accounts receivable, and information. Based on the information from the subsidiary ledger, the accounts receivable report is presented with details of the guarantor's receivables, the nominal amount of the receivables, the age of the accounts receivable, the provision for uncollectible, uncollectible value, and information. Accounts receivable report simulation as in the accounts receivable report simulation flow as seen in pictures 5-8 below.

Jurnal					Hal :
Tanggal		Nama Akun	Ref	Debet	Kredit
2017					
Desember	31	Pembelian			
		Hutang PT Y			

Picture 1. General Journal of Accounts Payable

Buku Besar		Pembelian				Hal:
Tanggal		Keterangan	Ref	Debet	Kredit	Saldo
2017						
Desember	31	Saldo Awal				
		PT Y				

Picture 2. Ledger of Accounts Payable

Buku Besar Pembantu									
Supplier									
PT Y									
Bulan	No Faktur	Tanggal Terima	Tanggal Tukar Faktur	Syarat	Tanggal Jatuh Tempo	Jumlah Nilai Faktur	Keterangan	Tanggal Bayar	Umur
				30 Hari					

Picture 3. Subsidiary Ledger of Accounts Payable

RSIA ABC
Catatan atas Laporan Keuangan
Laporan Hutang
Periode Berakhir 31 Desember 2016 dan 31 Desember 2017

HUTANG JANGKA PENDEK

Sumber Hutang	Umur (dalam hari)	Nilai Hutang 2016	Nilai Hutang 2017	Syarat Pembayaran	Keterangan
BSP	30	Rp 65.057.084	Rp 19.806.524		Keterlambatan pembayaran berdampak pada pemberhetian pemesanan sementara
	31 - 45	Rp 35.527.945	Rp 35.809.673	n/30	
	> 60	Rp 25.424.022	Rp 25.760.576		
	> 61 - 90	Rp 9.548.633	Rp 17.992.146		
MPI	30	Rp 17.507.452	Rp 2.022.054		Keterlambatan pembayaran berdampak pada pemberhetian pemesanan sementara
	31 - 45	Rp 34.978.641	Rp 10.301.158	n/40	
	> 60	Rp 21.098.547			
	> 61 - 90	Rp 8.281.815			
KALLISTA	30	Rp 25.077.645			Keterlambatan pembayaran berdampak pada pemberhetian pemesanan sementara
	31 - 45	Rp 15.437.820	Rp 10.923.484	n/30	
	> 60	Rp 12.260.885			
	> 61 - 90				
AAM	30	Rp 5.574.274	Rp 2.508.765		Keterlambatan pembayaran berdampak pada pemberhetian pemesanan sementara
	31 - 45		Rp 9.813.519	n/30	
	> 60				
	> 61 - 90				
PARIT PADANG	30	Rp 4.305.507	Rp 1.056.478		Keterlambatan pembayaran berdampak pada pemberhetian pemesanan sementara
	31 - 45		Rp 11.051.609	n/30	
	> 60				
	> 61 - 90				
Lain-lain	30	Rp 105.009.469	Rp 45.065.870		Keterlambatan pembayaran berdampak pada pemberhetian pemesanan sementara
	31 - 45	Rp 98.675.430	Rp 87.906.540	n/30	
	> 60	Rp 63.934.763	Rp 77.838.071		
	> 61 - 90	Rp 19.789.807	Rp 34.092.530		
Jumlah		Rp 567.489.739	Rp 391.948.997		
Pendapatan di terima di muka		Rp 52.700.000	Rp 35.900.000		Nilai ini adalah uang muka dari pasien.
Hutang Jasa Medis		Rp 176.487.709	Rp 246.286.330		Nilai ini adalah jasa medis bulan Desember yang belum dibayarkan.
Jumlah Hutang Jangka Pendek		**Rp 796.677.448**	**Rp 674.135.327**		

Picture 4. Notes to the Accounts, Debts Report of RSIA ABC

71

Jurnal				Hal :
Tanggal	Nama Akun	Ref	Debet	Kredit
2017				
Desember	31 BPJS Kesehatan	404		
	Pendapatan			

Picture 5. General Journal of Accounts Receivable

Buku Besar	Pendapatan				Hal:
Tanggal	Keterangan	Ref	Debet	Kredit	Saldo
2017					
Desember	31 Saldo Awal				
	BPJS Kesehatan				

Picture 6. Ledger of Accounts Receivable

Buku Besar Pembantu												
Rekanan												
BPJS Kesehatan												
Bulan	No Invoice	Tanggal kirim	Tanggal Verifikasi	Total Jumlah Tagihan		Jumlah Tidak Tertagih				Keterangan	Tanggal Bayar	Umur
				RS	INA-CBGs	Pending	Tidak Layak	Potongan Audit				

Picture 7. Subsidiary Ledger of Accounts Receivable

RSIA ABC
Catatan atas Laporan Keuangan
Laporan Piutang
Periode Berakhir 31 Desember 2016 dan 31 Desember 2017

PIUTANG KEGIATAN OPERASIONAL

Sumber Piutang	Umur (dalam hari)	Nilai Piutang 2016	Nilai Piutang 2017	Provisi tidak tertagih 2016	Provisi tidak tertagih 2017	Nilai piutang tidak tertagih 2016	Nilai piutang tidak tertagih 2017	Jumlah Piutang (Nilai - Nilai tidak tertagih) 2016	Jumlah Piutang (Nilai - Nilai tidak tertagih) 2017	Keterangan
Pasien Umum	0 - 30	Rp -	Rp -							Nilai Piutang adalah nilai yang masih diharapkan dapat dibayarkan. Nilai piutang tidak tertagih adalah nilai yang sudah tidak dapat diharapkan untuk diterima. Jumlah nilai piutang tidak tertagih adalah billing pasien yang tidak mempunyai kemampuan membayar. Manajemen memutuskan sebagai bad-debt.
	31 - 60	Rp -	Rp 162.400							
	61 - 90	Rp -	Rp 9.403.306							
	91 - 120	Rp -	Rp -							
	120+	Rp -	Rp 53.111.052							
	Jumlah	Rp -	Rp 62.678.775			Rp -	Rp 36.046.625	Rp -	Rp 26.632.150	
Pasien Jaminan Asuransi	0 - 30	Rp 158.469.299	Rp 186.053.882							Nilai Piutang tidak tertagih pada tahun 2016 disebabkan adanya asuransi yang sudah tidak beroperasional dan adanya fraud oleh pegawai rumah sakit. Manajemen memutuskan sebagai bad debt. Nilai Piutang tidak tertagih pada tahun 2017 adalah nilai layanan yang tidak dijamin oleh asuransi. Manajemen memutuskan sebagai bad debt.
	31 - 60	Rp 67.125.825	Rp 67.988.188							
	61 - 90	Rp 43.127.771	Rp 39.052.857							
	91 - 120	Rp 36.986.878	Rp 29.508.428							
	120+	Rp 58.006.837	Rp 21.984.788							
	Jumlah	Rp 363.716.610	Rp 344.588.143			Rp 85.948.339	Rp 1.289.400	Rp 277.768.271	Rp 343.298.743	
Pasien Jaminan Perusahaan	0 - 30	Rp 639.003.322	Rp 362.196.964							Nilai Piutang tidak tertagih pada tahun 2016 dan 2017 disebabkan adanya perusahaan yang menyatakan pailit sehingga tidak mampu memenuhi kewajibannya. Perusahaan memutuskan untuk menukar nilai piutang dengan barang produksi perusahaan. Dimasukkan ke dalam penambahan asset rumah sakit.
	31 - 60	Rp 14.051.027	Rp 536.566.050							
	61 - 90	Rp 484.535.100	Rp 423.830.301							
	91 - 120	Rp 263.996.600	Rp 378.909.745							
	120+	Rp 263.121.117	Rp 81.569.682							
	Jumlah	Rp 1.664.707.166	Rp 1.783.072.742			Rp 13.241.027	Rp 203.316.341	Rp 1.651.466.139	Rp 1.579.756.401	
Pasien Jaminan BPJS Kesehatan	0 - 30	Rp 115.304.200	Rp 639.066.200							Nilai piutang tidak tertagih merupakan selisih antara tarif rumah sakit dengan coding INA-CBGs dan coding yang gagal verifikasi. Detail lebih lanjut mengenai nilai piutang tidak tertagih ini terdapat dalam laporan terpisah.
	31 - 60	Rp 256.657.800	Rp 689.841.100							
	61 - 90	Rp -	Rp 335.280.600							
	91 - 120	Rp 35.760.703								
	120+	Rp 325.715.498	Rp 8.186.300							
	Jumlah	Rp 733.438.201	Rp 1.672.374.200			Rp 334.644.700	Rp 555.783.900	Rp 398.793.501	Rp 1.116.590.300	
Jumlah Piutang Kegiatan Operasional								**Rp 2.328.027.911**	**Rp 3.066.277.594**	Pada akhir tahun periode, rumah sakit hanya memiliki piutang kegiatan operasional.

Picture 8. Notes to the Accounts, Receivables Report of RSIA ABC

4. Disscussion

Information on current debt and current receivable is an important element in the calculation of liquidity ratios, especially in the calculation of the current ratio (current ratio). The liquidity ratio as a benchmark for the hospital's ability to repay short-term liabilities. A decrease in the liquidity ratio indicates a weakening of the hospital's ability to meet short-term obligations. Research result Putra & Wahyuningsih,(2018) dan Astoety et al., (2019) stated that the liquidity aspect is one of the analytical tools in assessing the hospital's financial performance. Thus, disclosure of debt and receivable accounts in more detail is expected to be able to help improve the management of hospital debt and receivable accounts.

In this presentation, the accounts debt report and the accounts receivable report focus on information on the nominal debt and the amount of the accounts receivable as well as the age of the debt and the age of the accounts. Then, additional information such as terms, provisions, and bad debt are also disclosed in the accounts debt and receivable reports to provide comprehensive information. When compared with the practice of presenting information on debt and information on hospital receivables that have been carried out by several hospitals, whose financial statements have been audited, some of this information is not included in the *Catatan dan Laporan Keuangan* (CaLK)/ notes to financial statements. In comparison with *Annual Report PT Siloam International Hospitals Tbk* (2019), in CaLK for accounts receivable accounts, receivables information only reveals the amount, age, and allowance for losses, but does not specify the source of accounts receivable that contributed the most to the amount of receivables with the longest age of accounts receivable..

In the RS ABC case study, the accounts receivable report simulation reveals more detailed accounts receivable information by presenting the additional information. As a result, the source of accounts receivable BPJS *Kesehatan* has the largest share in the amount of receivables and the longest life of receivables that have not been received. Disclosure of accounts receivable aging with detailed source becomes very crucial in the management of accounts receivable, receivable aging causes prolonged impact on the accounts receivable turnover. From this kind of information, hospital management is expected to be able to evaluate hospital receivables management. Moreover, at this time, hospital income is very dependent on BPJS *Kesehatan* patient services. Thus, detailed, transparent, and structured accounts receivable information will be able to assist hospital management in managing accounts receivable. This finding is in line with the results of previous studies by Dewi *et al.*, (2018), that the ability to manage accounts receivable will greatly impact the hospital's financial flows, especially in the case of BPJS Kesehatan accounts in private hospitals.

In addition, the debt information in the RS ABC debt report simulation, presents the ages of debts that are due and those that are past due. Furthermore, the terms of maturity of the debt accounts are also disclosed as a reference for whether the debt accounts have passed their maturity terms. As a comparison with *Annual Report PT Siloam International Hospitals Tbk* (2019), on the CaLK, debt accounts only presents nominal debt information with the 13 largest debt source accounts and a statement that the trade debts are under one year old.

The simulation debt report case study of ABC Hospital shows the average age of debt is in the period 31-45 days. This means that the delay in paying debts is not too significant. However, the consequences of late payment of debt can have an impact on the relationship with suppliers. In the case study of ABC Hospital, which is a private non-group hospital, the late payment of debts to suppliers has a significant impact. Thus, detailed information about the age of the debt can help hospital management improve debt management. The research by Ildephonse (2016) states that debt management is affected by effective contract management, including planning and controlling debt payments. This is to reduce late payments to suppliers which are a source of problems between the hospital and creditors.

5. Conclusion

Information that must be disclosed in the debt report is the nominal amount of debt, age of debt, terms of debt term, and information. The information that must be disclosed in the receivable report is the nominal amount of the receivables, the age of the receivables, the provision for uncollectible accounts, the uncollectible value, and the information. Debt reports and receivable reports need to be presented and disclosed as an effort to improve the management of hospital debt and receivable report in the JKN era by presenting detailed information on debts and receivables. Debt reports and receivable reports are presented separately so that they can provide a more complete, transparent, and accountable picture of the hospital's financial condition in accordance with generally accepted accounting principles. The concept of debt reports and receivable reports can be used as monthly reports that must be presented to internal hospital stakeholders. The concept of debt reports and receivable reports can be integrated with the hospital information management system, so that data accuracy is more guaranteed and data can be updated directly.

BIBLIOGRAPHY

Annual Report PT Siloam International Hospitals Tbk. (2019). https://doi.org/10.1007/978-94-007-7451-3_10

Astoety, A. A., Ratnawati, T., & Moehaditoyo, S. H. (2019). INFLUENCE LIQUIDITY, ACTIVITY AND GROWTH TOWARD PROFITABILITY PERFORMANCE WITH LEVERAGE AND CASH FLOW AS INTERVENING VARIABLES Study in Type C Hospital at The PT Nusantara Sebelas Medika. *Media Ekonomi Dan Manajemen*, *34*(2), 206–216.

Dewi, M. W., Kusuma, I. L., & Saputra, A. F. (2018). EFFECT OF BPJS (Social Insurance Administration Organization) RECEIVABLES MANAGEMENT AND INACTION OF BPJS CLAIM REPAYMENT ON PRIVATE HOSPITAL FINANCIAL FUNDS FLOW IN SURAKARTA. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, *2*(3), 1–10. http://www.jurnal.stie-aas/ijebar

Diba, S. Z., & Rosidi. (2017). *ANALISIS PENGELOLAAN PIUTANG PASIEN RAWAT INAP JAMINAN ASURANSI DAN PERUSAHAAN RUMAH SAKIT GATOEL KOTA MOJOKERTO TAHUN 2017*. http://repository.ub.ac.id/id/eprint/164013

Ildephonse, S. (2016). *PROCUREMENT PROCESS AND ACCOUNTS PAYABLE MANAGEMENT FOR KIBAGABAGA DISTRICT HOSPITAL, A PUBLIC HEALTH INSTITUTION IN RWANDA* (Issue July). Mount Kenya University.

Indonesia, K. P. A. R. S. (2019). *Penyajian Laporan Keuangan* (Issue 1).

Irwandy, I., & Sjaaf, A. C. (2018). Dampak Kebijakan Jaminan Kesehatan Nasional terhadap Efisiensi Rumah Sakit: Studi Kasus di Provinsi Sulawesi Selatan. *Media Kesehatan Masyarakat Indonesia*, *14*(4), 360. https://doi.org/10.30597/mkmi.v14i4.5144

Putra, I. S., & Wahyuningsih, S. D. (2018). Evaluasi Kinerja Pelayanan Dan Keuangan Rsud Yang Menerapkan Pola Pengelolaan Keuangan Blud. *Jurnal Penelitian Teori Dan Terapan Akuntansi*, *3*(2), 11–25.

Supriyadi, S. G., & Asnawi. (2019). ANALISIS MANAJEMEN PIUTANG PASIEN RAWAT INAP JAMINAN ASURANSI DI RUMAH SAKIT KABUPATEN KEDIRI TAHUN 2017. *Seminar Nasional Sistem Informasi 2019, 19 September 2019 Fakultas Teknologi Informasi – UNMER Malang*, *September*, 1695–1701.

Evaluation of Risk Management Implementation and Inspectorate General's Role in Risk Management (Case Study in The Ministry of X)

Metaria Tri Sandi Eda[*a] & Robert Porhas Tobing[b]

[a] Universitas Indonesia, Indonesia
[b] Universitas Indonesia, Indonesia

Abstract

With the enactment of RPJMN 2020-2024, implementing risk management is a must for all government institutes. Risk management must be applied in managing institute performance, in order to support the achievement of the objectives set out in the RPJMN. Ministry of X as a state institution is inseparable from risk. It has been in the media spotlight several times in a number of cases, ranging from issues of corruption, immigration issues, drug trafficking until riots in prison. The paper aims to evaluate the application of risk management in X Ministry and the role of the Inspectorate General as an internal audit in risk management. This research is a qualitative research with a descriptive analysis approach. The method used in conducting research is through observation and interviews. The evaluation was carried out using ISO 31000: 2009 and the standards issued by IIA. The results of the study are evaluations and suggestions for improving the effectiveness of risk management and the role of internal audit to provide added value, improve performance and achieve organizational goals. The implementation of risk management in X Ministry is still in the development stage and is at the level of risk aware, it has not been implemented in all work units. Risk management structure has not been established, it requires leadership commitment and a culture of risk awareness. There are weaknesses in risk management tools and Ministerial X Regulations, this research provides recommendations for improvement. The Inspectorate General has not yet carried out its core role as a third line of defence in providing assurance for the implementation of risk management, because it still focuses on risk management assistance activities and its consultancy role.

Keywords: Risk Management, Internal Audit, ISO 31000:2009

1. INTRODUCTION

Throughout 2019, there have been a number of cases that hit government agencies, both ministries and institutions, related to the inability to manage the risks they face resulting in violations and ignoring business factors, such as what happened to Jiwasraya and Asabri. Failure to manage risk makes the institution fail to achieve its goals. Learning from the case of default on maturing policies that happened to Jiwasraya, the Chairman of BPK asked every ministry and institution to strengthen risk management (okezone.com).

Risk management is a process of identifying, assessing, managing, and controlling potential events to provide adequate confidence about the achievement of organizational goals (AAIPI, 2013). The application of risk management is expected to anticipate a rapidly changing environment, develop corporate governance, optimize strategic management, secure organizational resources and assets, and reduce reactive decision making from top management (BPKP, 2014). One of the big challenges faced by every organization is ensuring whether the implementation of risk management is running efficiently and effectively, where risk management policies and processes have been designed to mitigate risks for the benefit of the organization. When risk management has been carried out, internal audit must provide assurance as part of its role to protect and enhance organizational value (IIA, 2019).

Some of the cases above, raise questions about the existence of internal audit, considering that the agency has implemented risk management. In implementing risk management, the three line of defence model is important. The existence of a monitoring system with three lines of defence involves the management function and the internal audit function in developing risk management. The role of internal auditors as the third line of defence is important, in order to assess the effectiveness of risk management implemented by the first line, and to ensure that the first and second line are running as expected. The current development of internal audit is to

become a trusted advisor (Chambers, 2017), requiring internal auditors to provide added value to the organization. Internal auditors, both in their roles as underwriting and consulting services, can contribute to corporate risk management in many ways. Starting from providing assurance for the risk management process, ensuring that risks have been properly evaluated, evaluating key risk reporting, facilitating risk identification and evaluation activities, training management in responding to risks and others.

The role of internal audit in government institutions is carried out by the government internal supervisory apparatus (APIP) consisting of BPKP, Inspectorate General, Provincial Inspectorate, District / City Inspectorate. Government Regulation Number 60 of 2008 concerning Government Internal Control System (SPIP) states that an effective APIP has the role of providing early warning and increasing the effectiveness of risk management in carrying out the duties and functions of government agencies; provide adequate confidence in the obedience, efficiency, efficiency and effectiveness of achieving the objectives of implementing the duties and functions of government agencies; as well as maintaining and improving the quality of governance in the implementation of duties and functions of government agencies. This is in line with IIA Standard 2120 which stipulates that the internal audit activity must evaluate the effectiveness and contribute to the improvement of the risk management process.

In the 2020-2024 National Medium-Term Development Plan (RPJMN), there are six components of mainstreaming which are useful for achieving development targets designed by the government, one of which is good governance. In this component, the application of risk management in managing agency performance is one of the indicators. Previously, the government had also regulated risk management in Government Regulation Number 60 of 2008 concerning Government Internal Control Systems (SPIP), which included risk assessment activities in the form of risk identification and analysis. In addition, in the 2015-2019 RPJMN, targets for risk management are set by requiring government institutions to reach the maturity level of the SPIP and the capability of the APIP level 3. Thus, currently implementing risk management is a must for all government agencies.

Ministry X is one of the ministries in charge of providing services in the legal sector. This ministry consists of eleven main units and has regional offices as vertical ministry agencies scattered in each province. The Inspectorate General, as APIP within the Ministry of X, in 2019 has obtained APIP level 3 capability through quality assurance on the results of the APIP capability level self-assessment carried out by BPKP, with a note that the risk-based Annual Supervision Work Program (PKPT) planning document must be fulfilled. This is because one of the key process areas at level 3, namely the element of professional practice, requires a risk-based audit planning. BPKP recommends the Inspectorate General to build risk management within the Ministry of X. In order to produce a risk register that can be used to compile risk-based PKPT. Ministry X itself already has regulations related to risk management, namely Ministerial X Regulation Number 5 of 2018 concerning the Implementation of Risk Management in the Environment of Ministry X, however during 2018 to 2019 risk management has not been running optimally. Though risk management is a management tool to achieve organizational goals.

A study on the application of risk management in state institutions engaged in the eradication of corruption, shows that ineffective application of risk management has an impact on decreasing organizational performance and can even lead to the dissolution of institutions as happened in several previous anti-corruption institutions (Sari, 2020). This is evidenced by the WDP opinion by the BPK in 2018 after years of the PQR Institute getting the WTP opinion. The ineffectiveness of risk management is seen from problems that have surfaced but were not previously identified as risks, as a result the institution is not prepared to face the risks that have turned into these problems. This institution faces various risks that have an impact on the corruption eradication agenda and have the potential to weaken and even dissolve the institution, for example, there is no solid basis for determining suspects and it is carried out by means of violence. The institution's contribution to the CPI score is also not on target, Sari (2020) is concerned that one of the causes is the implementation of risk management that has not been integrated.

Other studies have shown various positive impacts that can be obtained from the application of risk management. Research conducted by Shin and Park (2017) describes the success of internal audit at the group level of a company in Korea in increasing company value through the application of enterprise risk management which is integrated with management control. Risk management is used as a tool for monitoring subsidiaries, as well as evaluating the current risk of management activities, which in turn increases the company's value. The existence of risk management will make it easier for Ministry X to monitor all central and regional units scattered throughout Indonesia. Research by Zwikael and Ahn (2010) found that risk management practices moderate the effect of project risk on project success in several project scenarios. Even moderate risk management efforts can improve project performance. Although the level of risk reduces project performance, effective risk management planning was found to moderate this relationship. So sometime high-risk project can be completed better than low-risk projects. This finding is also supported by research conducted by Oehmen et al. (2014) on 291 new

product developments, which shows that risk management practices indirectly contribute to the success of projects and products. As well as directly contributing to better decision making, program stability and problem solving.

From some of the above studies, we can see the importance of the effectiveness of risk management implementation and the role of internal audit. The strengthening of both is in line with the government's goal of minimizing waste, fraud, abuse and mismanagement. When risk control is more effective, the better the prevention, detection and mitigation of the incidents of waste, fraud, abuse and mismanagement by the government (Braig et al., 2011). When both are ineffective, what the organization reaps is a decrease in performance, organizational weakness and failure to achieve organizational goals, even the worst leads to organization dissolution. The public sector faces a lot of uncertainty, because the budget needed to finance various public services and development programs is very large, and continues to increase from year to year, so it must be admitted that the risk of failure in the public sector is so high (Keban, 2017). Risk management is very important for more effective organizational performance, where this practice will help the organization achieve its objectives, and the role of internal audit is needed to ensure risk management practices are effective and reliable.

Ministry X is one of the ministries in charge of providing services in the legal sector. This ministry consists of eleven main units and has regional offices as vertical ministry agencies scattered in each province. Ministry X itself already has regulations related to risk management, namely Ministerial Regulation Number 5 Number Y Year 2018, but during 2018 to 2019 risk management has not been running optimally. In the last two years, assistance was only provided in 2018 in several regional offices and main units. However, there are several obstacles in its implementation, because the work unit is still unfamiliar and does not understand the existing tools and does not have a risk awareness culture. The preparation of a new risk register is limited to complementing supporting data for the development of an integrity zone towards a corruption-free area and a clean bureaucratic area serving, even though risk management is a management tool to achieve organizational goals.

On the other hand, during the last five years several technical implementing units under the auspices of the Ministry of X have attracted public attention several times through media coverage due to several cases such as drug trafficking, hand-arrest operations (OTT) to riots. From 2016 to 2019, several times employees and officials in the Ministry of X were targeted by hand-arrest operations, both by the KPK and Tim Sapu Bersih Pungutan Liar. Most recently, in 2019 one of the officials was arrested by the KPK for a foreign residence permit bribery case (Detik.com). In addition, there are several disturbances of security and order in the correctional work unit that still recur every year, such as drug smuggling, escapes, fights / torture, riots and other violations of order (LKIP, 2018). A number of these problems must be the concern of Ministry X, considering that this can have an impact on the achievement of Ministry X's goals in providing legal certainty to the public.

Findings and media coverage on several issues that have been recurring in recent years, including riots, corruption cases and drugs, can interfere with the legitimacy and public trust in Ministry X. This should encourage Ministry X to better manage its business processes by paying attention to these issues through efforts to improve and address existing problems and risks. This encourages researchers to evaluate the implementation of risk management in Ministry X, considering that this ministry also has a relatively large diversity of business processes, the distribution and number of work units in the regions, and limited resources for management and supervision. So that this ministry has quite a challenge in implementing risk management, so in order to avoid decreasing performance, weakening the organization and failing to achieve organizational goals and even dissolving the organization as described above, the application of risk management needs to be evaluated and its effectiveness increased. This study also evaluates the role of the Inspectorate General in risk management according to IIA guidelines.

2. LITERATURE REVIEW

2.1 Definition of Risk Management

Risk management is a process of identifying, assessing, managing, and controlling potential events or situations to provide adequate assurance about the achievement of organizational goals (AAIPI, 2013).

In government institutions, risk management is alluded to in Government Regulation Number 60 of 2008 in particular Article 13 to Article 17. Implicitly this regulation requires the leadership of government agencies to formulate a risk management approach and risk control activities needed to minimize risks and must concentrate on setting agency objectives, identification and analysis of risks and risk management when changes occur.

2.2 Risk Management Framework ISO 31000:2009

ISO 31000:2009 Risk Management - Principles and Guidelines is a standard that aims to provide generic principles and guidelines for the application of risk management. This standard provides an approach related to the relationship between principles, frameworks and processes in carrying out risk management to ensure effective implementation. The relationship or relation of these three things is illustrated in the following picture:
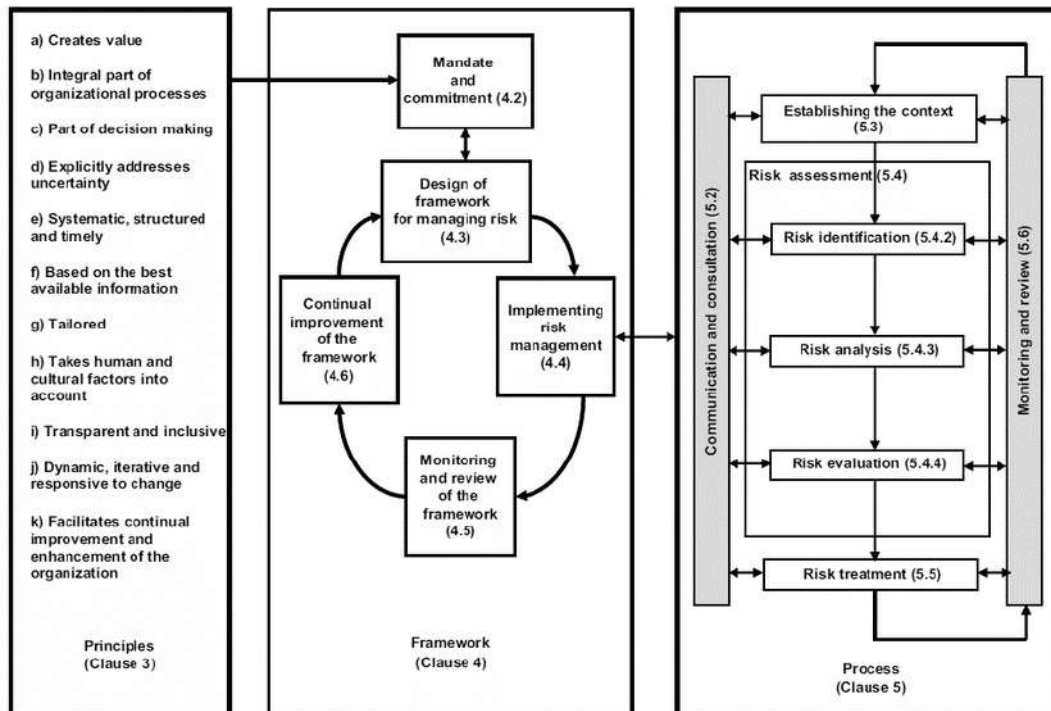
Figure 1. Relation between Principles, Framework and Process of Risk Management.

2.3 The Three Line of Defence

In building risk management capabilities, organizations have begun to adopt a model known as the "three lines of defence" or three layers of defence. Clear responsibilities must be defined so that each function group understands the boundaries of their responsibilities and how their position fits into the overall risk and control structure of the organization (IIA, 2013). In a position paper entitled "The Three Lines of Defence in Effective Risk Management and Control", IIA (2013) classifies three groups involved in the risk management process as follows:

- The first line of defense includes the operational manager or business function that carries out daily operational activities, who is the owner of the activity as well as the risk manager. This line is responsible for implementing corrective actions against processes and controls that are lacking.
- The second line of defense includes functions that oversee risk, such as the risk management function or the compliance function. This line is responsible for developing and monitoring the implementation of organizational risk management, as well as supervising how business functions are carried out within the corridors of risk management policies and in accordance with established SOPs.
- The third line of defense is the internal audit function, which provides confidence in the effectiveness of governance, risk management and control. This line is responsible for reviewing and evaluating the overall design and implementation of risk management. As well as ensuring that the first and second tier of defense runs as expected.

Based on this model, the main role of APIP as the third line of defence related to risk management is to assess the effectiveness of risk management implemented by the first line.

In the position paper entitled The Role of Internal Auditing in Enterprise Risk Management (IIA, 2009), the internal audit activity is described in the form of a fan consisting of 18 elements and 3 areas, namely activities that are roles and responsibilities in supporting the risk management process, which can become part of the auditor's role and which should not be the responsibility of the auditor. The series of internal audit roles can be seen in Figure 2.
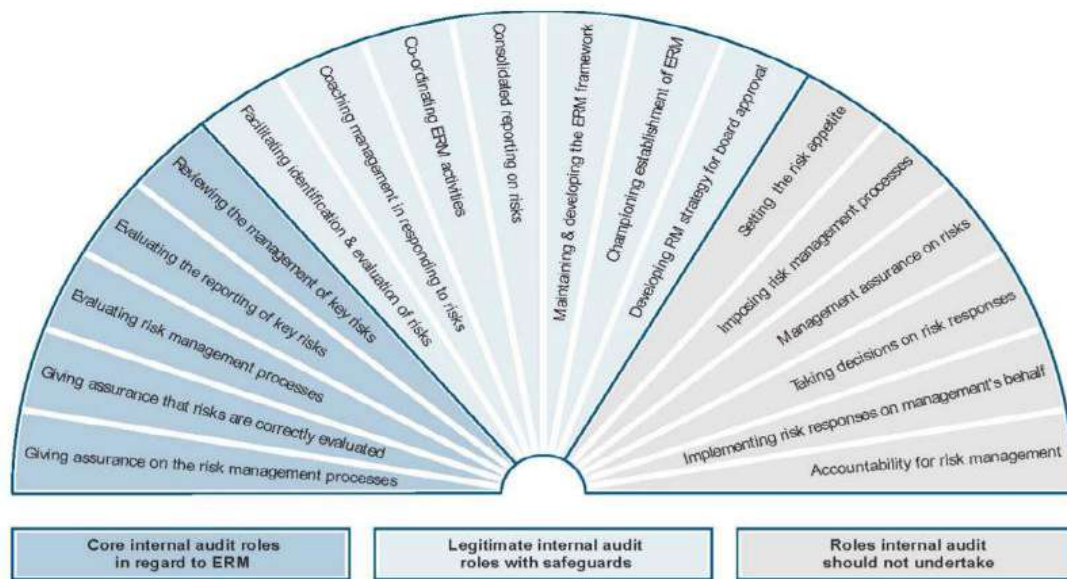
Figure 2. The Role of Internal Audit.

In order to maintain the effectiveness of internal audit activities, the responsibility given to internal auditors regarding risk management activities must be designed so that they do not interfere with their independence. This is because internal audit has an important role in supervising, monitoring and assessing the effectiveness of the organization's risk management and internal control activities. Assigning responsibility to internal auditors to determine risk appetite, shape risk management processes and others could create a clash of interest that could potentially interfere with their assessment of risk management effectiveness (crmsindonesia.org).

3. METHODOLOGY

This study uses a qualitative research method with a case study approach in order to understand and answer the phenomenon in detail. A case study was conducted on the implementation of risk management in Ministry X and the role of the Inspectorate General in risk management, by considering the implementation of risk management by other organizations that have been effective. In this study, data collection techniques were carried out through observation, non-formal oral interviews and documentation. The analysis was performed using descriptive analysis and content analysis. The research was conducted to provide input on the implementation of risk management in Ministry X, as well as to increase the role of the Inspectorate General as an internal audit in risk management by referring to the IIA position paper.

4. RESULT AND ANALYSIS

4.1 Evaluation of Risk Management Implementation

The risk management process at Ministry X consists of several stages starting with goal setting. This is followed by activities for risk identification, risk analysis, risk evaluation, risk management, and monitoring and review. The application of risk management is directed at managing risks that can hinder, delay and reduce the achievement of organizational goals. In general, the implementation of risk management within the Ministry of X has started and has been built, but the implementation is not sufficient.

Ministerial Regulation Number 5 of 2018 concerning Implementation of Risk Management in Ministry X Environment, which was established in February 2018, is the legal basis for implementing risk management in Ministry X in 2018. The Inspectorate General realizes that there are still many weaknesses in the Ministerial Regulation. The regulation does not yet regulate the justification mechanism and other technical guidelines related to the stages in the implementation of risk management at Ministry X, so there are many complaints from work units and the counterpart team to be able to produce good risk management documents, from risk identification to risk monitoring and review. The formulation of this Regulation is still merely providing the basic legal needs for the implementation of risk management, not seeing risk management as a tool to improve organizational performance. So that it needs to be further evaluated and revised in order to improve the implementation of risk management in the future.

The legal basis refers to the COSO II ERM and ISO 31000: 2009 adopted by the Badan Standardisasi Nasional for SNI ISO 31000: 2011. The existing regulations mandate all work units to implement risk

management based on the Ministerial Regulation Number 5. However, in practice, not all work units have implemented risk management in accordance with the applicable legal basis, only Echelon I Units and several Regional Offices have started implementing risk management based on existing regulations. Weaknesses in Ministerial Regulation Number 5 make it difficult for work units to implement risk management in their units. This is because there are no guidelines or guidelines for implementation and dissemination of these regulations. In addition, assistance for the preparation of new risk management is carried out at Echelon I and several Regional Offices. Due to limited personnel and budget, the Inspectorate General can only reach Echelon I Units and several Regional Offices, which are documented, although the implementation is not yet optimal. So that many units do not understand the contents of Ministerial Regulation Number 5 and the tools provided in carrying out the risk management process. In addition, there is still a wrong perception from the work unit regarding risk management, there is a concern that if the risk is disclosed and risk management applies, the existing risk list will be used by the Inspectorate General as APIP to conduct an audit.

The implementation of risk management in most work units is only limited to formality to fulfill data to support PMPRB and WBK activities, namely in the form of risk identification and risk analysis documents. Prior to the issuance of the Ministerial Regulation Number 5, the work unit at the Ministry of X had already implemented some stages of risk management, namely risk identification and analysis, both of which were part of the SPIP. So, it is expected that the work units that have built risk management through SPIP will find it easier to implement new policies regarding risk management stipulated in Ministerial Regulation Number 5. However, the fact is that some work units still use risk tables sourced from SPIP.

In the Goal Setting Form, there is no column to describe the parties most concerned with the risk management implementation process, as well as the duties and functions of UPR (Risk Owner Unit). Meanwhile, in the attachment to Ministerial Regulation Number 5, UPR is recommended to consider these things at the goal setting stage. If referring to the Ministry of Finance as best practice, the form at this stage should provide a section to describe the duties and functions as the scope of risk management implementation, list of stakeholders, related regulations, risk management structure, risk criteria, analysis matrix and risk level to risk appetite. Ministerial Regulation Number 5 has not regulated risk appetite, so in practice UPR has not used risk appetite in preparing its risk management. Even if the inherent risk and residual risk are defined, a risk appetite is needed for both to be useful. Based on the information obtained, the risk appetite has not been determined because not all work units have compiled a risk register, implemented risk management and the various characteristics of each work unit in Ministry X ranging from immigration, prisons, general law administration and others, so it is difficult to determine the risk appetite can be implemented in a balanced manner in all units of Ministry X. With different characteristics, the risks faced will also vary greatly according to the duties and functions of each work unit, so that the determination of risk appetite that applies to all work units is considered not commensurate.

At the risk identification stage, a Risk Register Form is generated. The existing forms tend to direct the UPR to identify risks for problems that have already occurred. Looking at the risk management document, UPR only focuses on common problems that occur, even though there are potential new risks that can become problems in the future, which should be able to be identified and handled before they become problems. Referring to best practices, it would be better if risk identification also used a top down and bottom up approach. So that the risk profile of UPR includes input risk and derivatives from lower levels and upper levels. Ministerial Regulation Number 5 has determined the risk category, but the existing form does not provide a column for this. Even though its use will make it easier for risk owners to identify and map risks later, to be more specific. In the Ministerial Regulation Number 5, the criteria for probability use the frequency of occurrence per unit time approach, but the minimum number of events for each likelihood criterion has not yet been explained, making it difficult for UPR to determine the possible scale of a risk. Meanwhile, the impact criteria use an object approach that is affected by the risk. Compared to existing best practice, the impact criteria are classified into several impact areas according to the type of risk event that may occur. It would be better if you use a quantitative and specific approach for each level of UPR in the organization. This will make it easier for UPR to produce a more precise level of risk.

In the risk analysis process, Ministerial Regulation Number 5 has explained that the output of the risk analysis is a Risk Map which is a visual representation of each residual risk based on the risk level value in the Risk Level Matrix. However, in the risk management formulation the Risk Map display is still in the form of a table in the form of a description of the remaining risk, likelihood value, impact, risk level and risk profile. The risk profile contains a color description sourced from the Risk Level Matrix. On the other hand, the work unit's risk list is still in the form of risks originating from performance indicators, it is better if risks are not only based on the negation of the performance indicators, but those that are actually faced, which are explored from the risks that exist according to their external or stakeholder

Risk evaluation aims to determine the priority of the risks that have been analyzed. Ministerial Regulation Number 5 has not explained the priority treatment of risks that have the same level of risk, what is considered the

risk takes precedence over other risks. For example, when there is the same level of risk, the risk priority is determined based on the highest impact value.

The risk management action plan is not an internal control that has been implemented, but rather a new step to deal with risks. However, in the Risk Management Action Plan Form in several work units, still use existing internal controls sourced from the Risk List Form as their action plan. If this is the case, the level of risk will be persistent and will not decrease because there are no new controls for risk. In addition, there is no integration between performance appraisal and risk management results so that action plans are neglected.

Monitoring and review has not started, because risk management is still under development. Since it was implemented in 2018, there has not been a report on the implementation of risk management at the Ministry of X. Only the Inspectorate General has prepared a risk management report in 2019. It would be better if in the future UPR reports on its risk management implementation regularly, namely quarterly.

The concept of three lines of defense is important in risk management. In its organizational structure, the Ministry of X does not yet have a second line of defense or known as the Internal Compliance Unit. However, in its risk management structure, Ministry X through Ministerial Regulation Number 5 of 2018 has been mandated to form a Risk Management Task Force which is still ad hoc, which functions as the second line of defense in implementing risk management. However, this function is not running optimally, there has been no implementation of the task of the Task Force that has been seen in the field to strengthen and build risk management within the Ministry of X. The ministry's organizational structure is suspected to be one of the causes. As a result, the implementation of risk management in Ministry X has become less disciplined, because there is no monitoring function yet. When referring to the Ministry of Finance, there is an Echelon IV unit specifically tasked with handling risk management, but if in the near future it is not possible for Ministry X to form a new function in its organizational structure, this task could be attached to the Personnel Division.

To find out how risk management is implemented in Ministry X, ISO 31000: 2009 is used to ascertain whether the Ministry of X has implemented risk management in accordance with the adopted standards as follows:

Tabel 1. Implementation of Risk Management on Ministry of X 2018-2019 in accordance with ISO 31000: 2009 Standards.

Component ISO 31000:2009	Implementation of Risk Management on X Ministry
Principle	
Creates value	Not yet. The budget spent for assistance, technical guidance, education and training has not shown optimal output. There are still several work units that do not understand or misunderstand the use of risk management tools. The Risk Management Structure established through Ministerial Regulation Number 5 has not carried out its role, this shows that the Leaders and Structural Officers of Ministry X do not believe in this principle.
An integral part of organizational processes	Not yet. Work units still consider risk management as an additional task that adds administrative burden on the organization.
Part of decision making	Not yet. Risk management is still at the development stage, policy making still does not involve risk management in it.
Explicitly addresses uncertainty	Already. In 2018, risk management began, by documenting risk management and identifying potential risks. Furthermore, Ministry X needs to control and handle risks to overcome uncertainty.
Systematic, structured and timely	Not yet. The implementation of risk management has not been implemented in all units, and has not been carried out consistently and on schedule, it is still a formality to fulfill data to support other activities.
Based on the best available information	Already. Using information obtained from historical data, experience, observations, forecasts and expert considerations.
Tailored	Already. At the beginning of the implementation, the Inspectorate General had collaborated with USAID to conduct a comparative study to the BPKP in drafting rules related to risk management to suit organizational needs. However, it is still necessary to revise Ministerial Regulation Number 5 so that it can be implemented more optimally.
Takes human and cultural factors into account	Already. By conducting own office training and training of trainers. Tools have considered the sources of risk that come from external and internal parties that can affect the achievement of organizational goals. However, risks from external parties are still categorized as uncontrollable risks.
Transparent and inclusive	Not yet. Risk management needs to involve all levels in Ministry X in a timely and timely manner. It requires the involvement of stakeholders, especially decision makers. Management and structural commitment to participate consistently is needed, in order to encourage the effectiveness of risk management implementation.
Dynamic, iterative and responsive to change	Not yet. Risk monitoring and handling have not been carried out, because implementation is still a formality.

Component ISO 31000:2009	Implementation of Risk Management on X Ministry
Facilitates continual improvement and enhancement of the organization	Already. The work unit can request assistance by the Inspectorate General in terms of preparing risk management. Ministry X has invested resources through training, and has started to remind risk management in every working visit it takes.
Framework	
Mandate & Commitment	Not yet. Commitment is not good enough, the risk management structure has not been implemented optimally. Leaders need to sign the Risk Management Charter. There is no more detailed guide for each level of UPR regarding the implementation of risk management.
Design & Framework for managing risk	Not yet. Do not have formal guidelines in preparing a more specific framework for each level in Ministry X, only a Ministerial Regulation is available on the implementation of risk management. In order to prepare a risk control self-assessment guide.
Implementing risk management	Already. However, the implementation is not optimal, and not all units have implemented it. It takes an active leadership role and easy guidance to help the implementation of risk management run optimally.
Monitoring & reviu of the framework	Not yet. Due to the current focus is still on the introduction and assistance of risk management.
Continual improvement of the framework	Not yet. However, there is already discourse to make improvements to Ministerial Regulations related to risk management implementation, in order to improve organizational performance.
Process	
Communication	Already. Things have been done, such as: • Risk management training for several employees in charge of planning and supervision (Inspectorate General). • Conducting a risk management workshop but only for employees within the Inspectorate General. • Assistance in the preparation of risk management by the Inspectorate General.
Context	Already. Through the explanation in Ministerial Regulation X Number 5 of 2018 concerning Application of Risk Management. External and internal factors need to be understood before identifying risks.
Risk Identification	Already. Risk identification has considered the sources of risk, causes and impacts. In Ministerial Regulation Number 5, it is explained that in identifying risks, you can use qualitative, quantitative qualitative methods, forecasts, ratings, leadership discussions, audit findings, and evaluation results.
Risk Analysis	Already. Risk analysis uses semi-quantitative formal techniques that refer to the scale of risk, in determining the consequences and likelihood of each risk, to produce a risk profile.
Risk Evaluation	Already. Risk evaluation is carried out by determining risk tolerance and risk indicators, in order to determine treatment and treatment priorities by ranking each risk.
Risk Treatment	Already. Risk management is the responsibility of the risk owner unit. However, in practice, the implementation of risk mitigation is not optimal, UPR still has difficulty in determining the handling indicators, namely output and targets.
Monitoring & Reviu	Already. Based on Ministerial Regulation Number 5, monitoring should be carried out periodically at least every 6 (six) months. However, from 2018 to 2019 there has not been any monitoring by the MR Task Force.

Based on the evaluation results in the table above, Ministry X has implemented risk management using ISO 31000: 2009, but there are some element that have not been implemented effectively, starting from the absence of confidence that risk management adds value, risk management has not been integrated with the process, has not been taken into consideration in decision making, has not been structured, systematic and timely, there is no assurance that relevant and adequate information is available for the risk management process, not all parties are involved in risk management, and risk management activities are still not responsive to change.

4.2   Evaluation of the Role of the Inspectorate General in Risk Management

To find out whether the role of the Inspectorate General, as an internal audit within Ministry X, on risk management is in accordance with the role of internal audit according to The Global IIA Position Paper (2009), an evaluation was carried out using the following checklist table:

Tabel 2. Evaluation of the Role of Internal Audit 2018 - 2019 in accordance with IIA Standards.

Internal Audit Roles	Y/N	Evidence
Core roles		
Giving assurance on the risk management processes	N	
Giving assurance that the risks are correctly evaluated	N	
Evaluating risk management processes	N	
Evaluating the reporting of key risks	N	
Reviewing the management of key risks	N	
Legitimate internal audit roles with safeguards		
Facilitating identification & evaluation of risks	Y	In the early year of risk management implementation, that is 2018, Ministry X provided assistance in compiling a risk list. However, the Inspectorate General has not conducted workshops and Focus Group Discussion to identify risks for all risk owners.
Coaching management in responding to risks	Y	Melakukan pendampingan pengelolaan risiko pada beberapa satuan kerja
Coordinating ERM activities	Y	The Inspectorate Region IV as the risk management coordinator, at the beginning of the application of risk management, has compiled a risk management form and coordinates the distribution and filling of forms to each Echelon I Unit, and collects these forms from each unit.
Consolidated reporting on risks	N	Only collecting Risk Management Forms from each work unit, not yet consolidating reporting.
Maintaining & developing the ERM framework	Y	By compiling a Ministerial Regulation related to the implementation of risk management in Ministry X which is adjusted to the risk management level of Ministry X which is still in the early stages of implementing risk management
Championing establishment of ERM	N	
Developing ERM strategy for board approval	Y	Formulation of Ministerial Regulation Number 5 Number 5 of 2018 as a legal basis for implementing risk management. As well as providing a risk management preparation form.
Roles that auditor should not undertake		
Setting the risk appetite	N	
Imposing risk management processes	N	
Management assurance on risks	N	
Taking decisions on risk responses	N	
Implementing risk response on management's behalf	N	
Accountability for risk management	N	

Based on the table above, it can be concluded that during 2018 to 2019 the Inspectorate General has not performed its core role in risk management as the third line of defense. The inspectorate has not confirmed whether the risk management process carried out by the organization is in accordance with the objectives. The role of evaluation is planned to be carried out in the fourth quarter of 2020 in accordance with the Inspectorate General's performance target. In the early years of risk management implementation, the Inspectorate General could act as risk management coordinator by becoming risk management manager.

5. CONCLUSION

The implementation of risk management at Ministry X is still not effective. The risk maturity level is still at level 2 (risk aware), where not all work units have implemented risk management. Its implementation is still just a formality to fulfill data to support other activities, it has not become an integral part of activities in the organization. Decision making is not based on risk assessment results. In addition, risk awareness has not yet been built in all risk owner units to every individual. This can be seen from the repeated findings of BPK and issues in the community for which a solution has not been found for several years. The following are some of the weaknesses that can be concluded from the results of the evaluation of risk management implementation and the role of the Inspectorate General of the Ministry of X as follows:

• The implementation of risk mitigation has not been optimal, so it is difficult to determine the indicators for handling (outputs and targets).
• There is no clear guidance on how to determine risk tolerance, risk indicators and safe limits, so in practice it uses more individual considerations.
• There is a different calculation formulation between the risk management tools from the Inspectorate General with the explanation in Ministerial Regulation Number 5, especially in the section on risk management and monitoring.
• The number of competent personnel in risk management is still limited.
• The lack of socialization, the lack of assistance in risk management,

- the basic risk culture that has not been developed
- and the weaknesses in Ministerial Regulation Number 5 have resulted in the implementation of risk management in Ministry X not being optimal.

The suggestions that can be given in order to improve the risk management process within Ministry X and increase the effectiveness of the Inspectorate General's role are as follows:

- First, The Ministry of X needs to build and maintain leadership commitment and build a culture of risk awareness at all levels, so that all individuals have an awareness of the importance of linking risk management in the implementation of their daily tasks, especially in achieving organizational goals. And then, the Inspectorate General needs to socialize the applicable Ministerial Regulation Number 5, then conduct a workshop. In order to achieve a common perception in each unit of risk owner Maximizing the five elements in the risk management process can be carried out through the provision of risk management training to all units on a regular basis, in order to produce competent human resources in the field of risk management, so as to help the effectiveness of risk management implementation in the unit.
- In the future, the Ministry of X is be expected will provide general risk management guidelines containing guidelines for the implementation of risk management for each risk owner unit, such as those in PMK No. 191 / PMK.09 / 2008 concerning Implementation.
- In addition, education and training on risk management are important to support the development of effective risk management.
- Improve internal audit competence in risk management and other areas of supervision so that it can become a trusted advisor and strategic partner of the work unit at Ministry X.
- In the future, risk management can be linked to KPIs or performance allowances, to encourage the implementation of risk management.
- Top management needs to ensure that the organizational culture supports risk management, for example by implementing a reward system as a form of appreciation for the achievements of staff and units related to risk management.
- Considering that Ministry X does not have an Internal Compliance Committee or an Internal Compliance Unit, the Inspectorate General can form an Ad Hoc Working Team for Risk Management development but still refers to the IIA. Regarding the construction of an Ad Hoc Work Team at the Inspectorate General, it is necessary to make improvements to the quality of its human capital. But in the future, Ministry X is expected to form an Internal Compliance Unit position in the organizational structure, so that it can oversee the development of risk management within the Ministry X.

REFERENCES

Asosiasi Auditor Intern Pemerintah Indonesia. (2013). *Standar Audit Intern Pemerintah*. Jakarta: Asosiasi Auditor Intern Pemerintah Indonesia.

Braig, S., Gebre, B., & Sellgren, A. (2011). *Strengthening Risk Management in The US Public Sector* (Working Papers No. 28). Washington DC: McKinsey & Company.

BPKP. (2014). *Audit Intern, Modul Pembentukan Auditor Ahli*. Bogor: Pusat Pendidikan dan Pelatihan Pengawasan BPKP.

BPKP. (2016). *Tata Kelola, Manajemen Risiko, & Pengendalian Intern, Modul Pembentukan Auditor Ahli*. Bogor: Pusat Pendidikan dan Pelatihan Pengawasan BPKP.

BPKP.go.id. *BPKP Berikan Piagam Maturitas SPIP dan Kapabilitas APIP pada Kemenkum HAM*. Diakses 26 Februari 2020. http://www.bpkp.go.id/polsoskam/berita/read/23010/90/Penyerahan-Piagam-Maturitas-SPIP-dan-Kapabilitas-APIP-pada-Kementerian-Hukum-dan-HAM.bpkp

Cnbcindonesia.com. *'Penyakit' Jiwasraya-Asabri Sama: Terjebak di Saham Lapis 3*. Diakses 27 Februari 2020. https://www.cnbcindonesia.com/market/20200114100818-17-129779/penyakit-jiwasraya-asabri-sama-terjebak-di-saham-lapis-3

Crmsindonesia.org. *Fungsi Manajemen Risiko dan Internal Audit.* Diakses 31 Maret 2020. https://crmsindonesia.org/publications/fungsi-manajemen-risiko-dan-internal-audit/

Crmsindonesia.org. *Perbandingan COSO ERM-Integrated Framework Dengan ISO 31000: 2009 Risk Management Principles Snd Guidelines*. Diakses 31 Maret 2020. https://crmsindonesia.org/publications/perbandingan-coso-erm-integrated-framework-dengan-iso-31000-2009-risk-management-principles-and-guidelines/

Economy.okezone.com. Kasus Jiwasraya, BPK Minta Kementerian Lembaga Perkuat Manajemen Risiko. Diakses 27 Februari 2020. https://economy.okezone.com/read/2020/01/06/20/2149779/kasus-jiwasraya-bpk-minta-kementerian-lembaga-perkuat-manajemen-risiko

IIA (The Institute of Internal Auditors). (2010). *IPPF Practice Guide: Assessing the adequacy of risk management using ISO 31000:2010.* Altamonte Springs, Florida: Global Headquarters.

--. (2009). *IIA position paper: The role of internal auditing in enterprise-wide risk management*. IIA-UK: Irlandia. Diakses 3 Mei 2020. https://www.iia.org.uk/media/78513/the_role_of_internal_audit_in_enterprise_risk_management.pdf

--. (2013). *IIA position paper: The three lines of defense in effective risk management and control*. Altamonte Springs, Florida: Global Headquarters. Diakses 5 Mei 2020. https://na.theiia.org/standards-guidance/Public%20Documents/PP%20The%20Three%20Lines%20of%20Defense%20in%20Effective%20Risk%20Management%20and%20Control.pdf

Keban, Yeremias T. (2017). Risk Management: A Neglected Vital Instrument in Public Administration in Indonesia. *Management Research and Practice*, Vol. 9.

Oehmen *et al*. (2014). Analysis of The Effect of Risk Management Practices on The Performance of New Product Development Programs. *Technovation,* 34(8). http://dx.doi.org/10.1016/j.technovation.2013.12.005

Sari, Anggraeni Puspita. (2020). Analisis Penerapan Manajemen Risiko dan Peran Audit Internal Terhadap Manajemen Risiko Pada Lembaga PQR.

Shin, I., & Park, S. (2017). Integration of Enterprise Risk Management and Management Control System: Based on A Case Study. *Investment Management & Financial Innovations, 14,* 19-26.

Wright, Rick A. (2013). *The Internal Auditor's Guide to Risk Assessment*. Florida: The Institute of Internal Auditors Research Foundation.

Zwikael & Ahn. (2011). The Effectiveness of Risk Management: An Analysis of Project Risk Planning Across Industries and Countries. *Risk Analysis.* Vol.31 No.1.

BPK, Laporan Hasil Pemeriksaan atas LK Kementerian X Tahun 2018.

Kementerian X, Laporan Kinerja Instansi Pemerintah Tahun 2018.

* Corresponding author. Tel.: 087888016114
E-mail: metaria.trisandi@gmail.com

Analysis of Local Governments Readiness in Implementation

PP Number 12 Year 2019

(An Empirical Study on the Rokan Hulu Regency)

Nur Azlina*[a], Rofika[b], Indra Bastian[c], Ahrun Naza[d],

a,b,d,Accounting Study Program, Universitas Riau, Indonesia

cAccounting Study Program, University Gajah Mada, Indonesia

Abstract

In recent times, central government issued Government Regulation 12 of 2019 which requires all of local governments to implement it fully later than two years after published, namely 2021. This study seeks to examine the effect of human resources competency, organizational commitment communication, information technology, and leadership style on the readiness of local government in the implementation Government Regulation 12 of 2019. The method used is a quantitative research method. Samples used include all the regional work units in the district government Rokan Hulu. The method of determining the sample is by using census sampling method. The data processing method used by researchers is the multiple regression analysis with SPSS version 25.0 software. This research posits that human resources competency, organizational commitment, communication, information technology, and leadership style give a significant influence on the readiness of local government in the implementation Government Regulation 12 of 2019. This shows that local government need to always improve aspects of human resource competency, organizational commitment, communication, information technology, and leadership style to ensure alignment with the legislation in facilitating Government Regulation 12 of 2019. This research is intended for use by local governments as a perusal in formulating policies related to the implementation of Government Regulation 12 of 2019.

Keywords: *Human resources competency, Organizational commitment, Communication, Information Technology, Leadership Style, and Readiness of Local Governments.*

1. **Introduction**

In the modern era, state institutions really need a clean and strong government (type of a clean or good governance). Since the promulgation of law number 23 of 2014 which replaces law number 32 of 2004 concerning regional government, it has indicated that there are dynamics in the development of governance in the regions in order to answer problems faced by local governments. This policy change has had a considerable impact, one of which is that the central government needs to revise government regulations on regional financial management, namely Government Regulation or PP 58 of 2005 because it is no longer in line with the development of existing regulations in the current government. Therefore,

In Government Regulation or PP 12 of 2019 the management of regional finances must be carried out in an orderly, efficient, economical, effective, transparent and responsible manner by paying attention to a sense of justice, appropriateness, benefits for the community, and obeying laws and regulations. The basic difference between PP 12 of 2019 and PP 58 of 2005 concerning regional financial management is in the budgeting aspect, namely the existence of a performance element in each budgeting document which is expected to be able to improve the quality of performance-based budgeting. In the administrative aspect, namely returning the verification function in the Regional Apparatus Organization (OPD) and the separation of duties between the parties who authorize, keep money, and those who carry out records. In the aspect of accountability, namely local government financial reports based on Government Accounting Standards. In addition, other changes in PP 12 of 2019 are in the structure of the Regional Expenditure Budget (APBD), which changes according to PP 71/2010 concerning Government Accounting Standards.

One of the most important things that is emphasized regarding the implementation of PP 12 of 2019 is that local governments are required to implement this regulation no later than 2 years since this regulation is promulgated, namely no later than 2021. Therefore, local governments need to prepare and start implementing changes according to the PP 12 of 2019 is gradually in the transition period in order to mitigate the risk of the obstacles and problems that will be faced in implementing the regulation, so that the quality of LKPD and Unqualified Opinion (WTP) that have been achieved so far can be maintained and even improved. (Harianjogja.com. 2019).

By obliging local governments to implement PP 12 of 2019 no later than 2021, will have an impact on the readiness of local governments in Indonesia in implementing the regulation.Rokan Hulu Regency is one of the districts in Riau Province which must also implement this PP 12 Year 2019 as soon as possible. This is one form of compliance of the Rokan Hulu Regency Government in implementing regulations that have been established by the central government. The Rokan Hulu Regency Government has previously received Unqualified Opinion (WTP) for three consecutive years from the Supreme Audit Agency (BPK), and it is hoped that by implementing PP 12 of 2019, the Rokan Hulu district government will still be able to maintain this predicate.

Several research results on the analysis of the readiness of local governments to implement PP 12 of 2019 show different results. Based on researchNur Azlina, Ahrun Naza, Julita (2020) showed that the competence of human resources affects the readiness to implement regulatory changes. Meanwhile, the results of research conducted by I Gusti Ngurah Agung Suaryana, Ni K. Lely Aryani Merkusiwati and I Gusti Ayu Eka Damayanthi (2017) show that the quality of human resources has no effect on the readiness of implementing accrual-based SAP.Based on research Basri, Hasan. Heru Fahlevi, Syarifah Hanifa Soraya (2016) showed that organizational commitment has an effect on readiness to adopt an accrual accounting system. Meanwhile, research conducted by Purwaningrum, Idha (2017) shows that organizational commitment has no effect on the application of Accrual-based SAP.

Then, based on Pratiwi's research, Annisa Intan, et al. (2017) showed that communication has a significant effect on the readiness to implement accrual-based SAP. Meanwhile, research from Iznillah, M. Luthfi and Azlina Nur (2015) shows that communication has no effect on the application of accrual-based SAP. Based on Indriania's research, Mirna.dkk (2018) shows that information technology affects the readiness of local governments in the application of accrual accounting. Meanwhile, the research of Sukamdaru, Haryono, Bambang Subriti, and Endang Marditi (2017) shows that the quality of information technology has no effect on regional administration reform on accrual-based financial reports. Furthermore, based on Sari's research, Rissa Paramita, (2017) show that the leadership style has a positive effect on accrual-based SAP implementation. Meanwhile, the research results of Arih, Tyas Ninditha, et al (2017) show that leadership style has no effect on accrual-based SAP implementation.

The motivation of this study is to reconfirm the theories that underlie the relationship between variables and also to test the inconsistency of the results of previous studies. This research is a development of research by Indriania, Mirna., Ratna Mulyanya, Nadirsyaha and Munandara, Wahyu (2018) entitled Readiness of Local Government in the Implementation of Accrual Accounting: The Case of Local Government in Aceh, Indonesia. The difference between this research and the research is by adding the variables of organizational commitment, communication and leadership style as independent variables. In addition, researchers took a different research location, namely the Regional Government Organization of the Rokan Hulu Regency Government.

The problem in this research is to prove empirically whether human resource competence, organizational commitment, communication, information technology and leadership style affect the readiness of local governments to implement PP 12 of 2019. It is hoped that this research can contribute to the development of government accounting and contributions to the government regions as a consideration in formulating policies related to the implementation of PP 12 of 2019, so as to improve the quality of regional financial management towards the creation of good governance and governance.

2. Literature Reviews and Hypothesis

2.1. Readiness of Local Governments in Implementing PP 12 of 2019

According to Ara (2014) readiness to change is a comprehensive attitude that affects on an ongoing basis by content, process, context, and individuals, collectively reflects the breadth of an individual or group of individuals as a cognitive and emotional increase to accept, agree, and adopt a plan specifically intended to change the status quo. Then the readiness of an organization to change according to Ramnarayan & Rao (2011) is organizational adaptation in order to find ways to realign the organization with a changing environment.

Organizational readiness to change also refers to how much organizational members assess change, how these changes benefit them and how they assess three determinants of the ability to implement change, namely task demands, availability of resources and existing situational factors. When the readiness of the organization to change is high, members of the organization will be more interested in initiating / initiating change, exerting greater effort for these changes, showing greater persistence, and displaying more cooperative behavior towards change which will ultimately help the effectiveness/success of implementing change.

According to Ramnarayan, there are six dimensions related to an organization's readiness to change, namely:

1. Commitment to plans, priorities, programs and objectives
2. Attention to innovation / change
3. Attention to lateral integration

4. Attention to vertical integration
5. Environmental scanning, networking and learning from others, building individual or group capabilities

2.2. The Effect of Human Resource Competence on Local Government Readiness in Implementing PP 12 of 2019

According to Moeheriono (2014) competence is a basic characteristic of a person that indicates how to think, behave and act and draw conclusions that can be done and maintained by a person at a certain time. Human resource competence reflects the quality of effort that a person gives in a certain time to produce goods and services. Weaknesses in regional financial management based on the latest regulations, namely Government Regulation Number 12 of 2019 can be avoided by the availability of human resources who can understand PP Number 12 of 2019. This is emphasized by the opinion of Davis (2010) which states that the success of regional financial management based on government accounting standards has an effect on regulatory factors, namely human resources.

Previous research conducted by Basri, Hasan, et al (2016) showed that human resource competence affects the readiness of government agencies in implementing accrual-based accounting. This is in line with research conducted by Permana, Ida Bagus Gede Bayu, and Wiratmaja, I Dewa Nyoman (2016) which shows that human resources have a significant effect on the readiness of implementing accrual-based local government financial reports. So based on the theory and previous research it shows that the higher the competence of human resources in understanding PP 12 of 2019, the higher the level of application of these regulations will be. Based on the description above, the proposed hypothesis is:

H1: Human Resources Competence affects the readiness of local governments in implementing PP 12 of 2019.

2.3. The Effect of Organizational Commitment on Local Government Readiness in Implementing PP 12 of 2019

According to Wibowo (2016), it is explained that commitment is the feeling, attitude and behavior of an individual who identifies himself as part of the organization, is involved in the process of organizational activities including financial management and is loyal in achieving organizational goals. Changing local financial management habits to comply with the latest regulations is not easy, so it requires a strong commitment from the organization to make changes to employee performance in order to implement PP 12 of 2019 effectively and efficiently. Employees who have a strong commitment will work optimally so that the organization they work for can achieve success and will have little chance for them to be involved in things that can harm the organization because they have a high sense of loyalty.

Previous research conducted by Marsdenia, and Arthaingran, Mutiha (2016) showed that organizational commitment has a positive effect on accrual-based SAP implementation. This is in line with research conducted by Alghizzawi Research, Moawiah Awad (2019) showing that organizational commitment affects the readiness of government agencies in implementing accrual-based accounting. So based on the theory and previous research, it shows that the higher the organizational commitment in implementing PP 12 of 2019, the level of application of these regulations in the organization will increase. Based on the description above, the proposed hypothesis is:

H2: Organizational commitment affects the readiness of local governments in implementing PP 12 of 2019.

2.4. The Effect of Communication on the Readiness of Local Government in Implementing PP 12 of 2019

According to Effendy (2018), communication is the process of delivering a message by someone to another to inform or change attitudes, opinions or behavior, either directly orally or indirectly through the media. Good communication is very important for the effectiveness of any group or organization. No matter how great an idea is, it will be useless if it is not passed on and understood by others. Effective communication within an organization will be able to increase productivity, especially in the efforts of local governments to implement PP 12 of 2019 concerning regional financial management. In addition, continuous communication from the central and local governments is also needed. As a new regulation that is quite different from the old regulation, Of course, it has the potential for resistance to every OPD employee to stick to the old regulations and are reluctant to follow changes. For this reason, it is necessary to formulate various technical policies and socialization to all related parties, so that the implementation of PP 12 of 2019 can run smoothly without any resistance.

Previous research conducted by Pratiwi, Annisa intan, et al (2017) and Putri, Dewi Utami and Silviana (2017) showed that communication has a significant effect on the readiness of accrual-based SAP implementation. So based on the theory and previous research, it shows that the better the communication carried out by OPD in socializing and implementing PP 12 of 2019, the higher the level of readiness of local governments in implementing these regulations.

Based on the description above, the proposed hypothesis is:

H3: Communication affects the readiness of local governments in implementing PP 12 of 2019.

2.5. The Effect of Information Technology on the Readiness of Local Government in Implementing PP 12 of 2019

According to Sutabri (2014) information technology is technology whose function is used to process data, including processing, obtaining, compiling, storing, and manipulating data in various ways to produce quality information that is used for personal, business and government interests. Preparation of an adequate information system is very important in local financial management based on PP 12 of 2019 so that it can run effectively and efficiently. The more advanced the information technology used by OPDs in implementing a regional financial management policy, the higher the level of readiness for implementation of the policy.

The results of research conducted by Ajhar, Akram, and Pituringsih, Endar (2015) and Pratiwi, Annisa intan, et al (2017) show that information technology has an effect on the readiness to implement accrual-based SAP and the accountability of the performance of government agencies. So based on the theory and previous research, it shows that the more adequate OPD information technology is in local financial management according to PP 12 of 2019, the higher the level of readiness of local governments in implementing these regulations.

Based on the description above, the proposed hypothesis is:

H4: Information Technology affects the readiness of local governments in implementing PP 12 of 2019

2.6.   The Effect of Leadership Style on the Readiness of Local Government in Implementing PP 12 Year 2019

According to Danim (2015) leadership is any action that is carried out by an individual or group to coordinate and give direction to other individuals or groups who are members of a particular container to achieve predetermined goals. The implementation of PP No.12 of 2019 requires someone who can coordinate and provide the right direction to implement the regulation. So that the stronger the support from the leadership in an organization for the implementation of a policy, the higher the success rate of a policy.

Previous research conducted by Sari, Rissa Paramita, (2017) and Putra, I Wayan Gede Yogiswara Darma and Ariyanto, Dodik (2015) showed that leadership style influences accrual-based SAP implementation. So based on the theory and previous research it shows that the better the leadership style of each OPD, the higher the level of readiness of local governments in implementing a regulation.

Based on the description above, the proposed hypothesis is:

H5: Leadership style affects the readiness of local governments in implementing PP 12 of 2019.

2.7.   Research Model

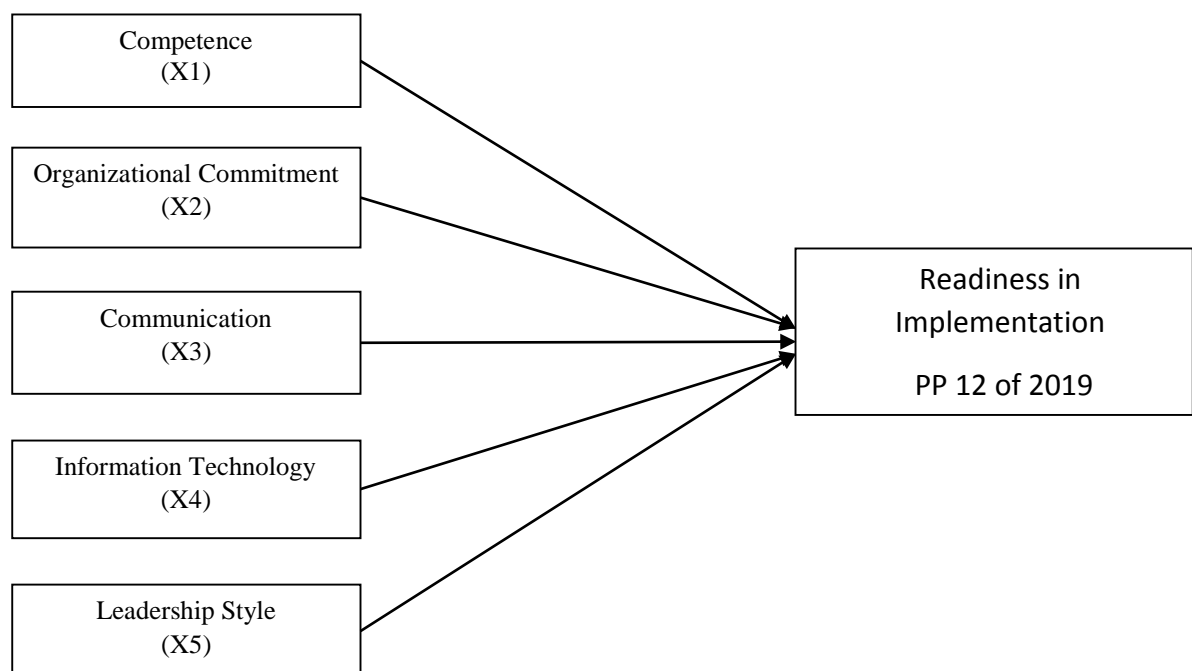Based on the above hypothesis, the appearance of the research model is as follows:

Figure 1. Research Model

3.   Research Methods

3.1.   Population and Sample

Population in This research is all Regional Apparatus Organizations (OPD) in the Government of Rokan Hulu Regency, Riau Province, amounting to 29 OPD. The samples in this study were all Regional Apparatus Organizations (OPDs) in the Rokan Hulu Regency Government obtained using a saturated sampling method. The data used in this study are primary data and were obtained using a questionnaire instrument. Sources of data from this study are the opinions or perceptions of respondents at each OPD in the Government of Rokan Hulu Regency, Riau Province, which consists of the Head of the Finance Sub-Section, Finance Sub-Division Staff, Budget User Proxy (KPA) and Technical Activities Officer (PPTK).

3.2.   Operational Definition and Variable Measurement

To provide a clear picture and facilitate the conduct of research, the researcher needs to provide an operational definition and measurement of the variables to be studied. The dependent variable in this study is the readiness to implement PP 12 of 2019. While the dependent variable consists of human resource competence, organizational commitment, communication, information technology and leadership style.

a.   Readiness for Implementation of Government Regulation Number 12 Year 2019
The variable of readiness for implementation of Government Regulation No.12 of 2019 in this study will be measured using 7 question items adopted from the studyHolt (2007). Measurement indicators consist of aspectsappropriateness, change efficacy, management support, personal benefits. Measurements use a Likert scale with a score of 1 to 5.

b.   Human Resources Competence
Competence is measured using 6 question items developed by Edison et al (2016). There are three measurement indicators used, namely attitudes, abilities and knowledge. Measurements use a Likert scale with a score of 1 to 5.

c.   Organizational Commitment
Organizational commitmentmeasured using 6 question items developed by Wibowo (2016). There are 3 measurement indicators used, namely, affective commitment, continuity commitment, normative commitment. Measurements use a Likert scale with a score of 1 to 5.

d.   Communication
Communication is measured using 9 question items developed by Hetti Herlina (2013). There are 3 measurement indicators used, namely, clarity of communication, consistency of communication, and communication dissemination media. Measurements use a Likert scale with a score of 1 to 5.

e.   Information Technology
Information technology is measured using 7 question items developed by Indriasari (2008). There are 3 measurement indicators used, namely, tools, financial data management, and maintenance. Measurements use a Likert scale with a score of 1 to 5.

f.   Leadership Style
Leadership style measured using 6 question items developed by Khikmah (2013). There are 6 measurement indicators used, namely submission of goals to be achieved, emphasis on the importance of tasks, emphasis on the importance of work efficiency, establishing good relationships with certain people when carrying out tasks, flexible task discussions, establishing good relationships with subordinates. Measurements use a Likert scale with a score of 1 to 5.

3.3. Data Analysis Methods

The data analysis tool used is the SPSS (Statistical Package for Social Science) software version 25. The data collected was analyzed using statistical analysis tools, namely multiple linear regression analysis to measure the relationship between the independent variables and the dependent variable. Multiple regression analysis is used by the researcher, if the researcher intends to predict how the state of the dependent variable fluctuates, if two or more independent variables are manipulated predictor factors. value (Sugiyono, 2012).

Then the regression equation in this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

Where :
Y   = Readiness to Implement PP No.12 of 2019
α   = Constant
$\beta_1 - \beta_7$ = Regression coefficient
X1   = Human Resources Competence
X2   = Organizational Commitment
X3   = Communication
X4   = Information Technology
X5   = Leadership Style
E   = Error

4. Results and Discussion

4.1. Descriptive Statistics Results

In this study, the number of questionnaires distributed was 116 questionnaires with a 100% return rate. There were 112 questionnaires that were feasible to be processed, or 96.6% of the 116 questionnaires that were distributed, while 6 questionnaires were not suitable for processing or 3.45%.

The characteristics of the respondents from this study indicate that the respondents were dominated by women (55 people or 50.89%), respondents aged 31-40 years (53 people or 47.32%), respondents with undergraduate strata (85 people or 75.89%) , and respondents with work experience of more than 10 years (47 people or 41.97%).

Table 1. Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
Human Resources Competence	112	16.00	30.00	24.23	3,681
Organizational Commitment	112	20.00	29.00	24.84	2,158
Communication	112	24.00	45.00	33.12	5,177
Information Technology	112	18.00	35.00	27.35	4,150
Leadership Style	112	16.00	30.00	24.12	3,120
Readiness to Implement PP 12 of 2019	112	24.00	34.00	28.63	1,973
Valid N (Listwise)	112				

Source: Processed Data SPSS 25.0, 2020

Based on the statistical test above, it is known that the human resource competency variable has a minimum value of 16, a maximum value of 30 and an average value (mean) of 24.23 with a standard deviation of 3.681. The organizational commitment variable has a minimum value of 20, a maximum value of 29 and an average (mean) value of 24.84 with a standard deviation of 2.158. The communication variable has a minimum value of 24, a maximum value of 45 and an average (mean) value of 33.12 with a standard deviation of 5.177. The information technology variable has a minimum value of 18, a maximum value of 35 and an average (mean) value of 27.35 with a standard deviation of 4,150. The leadership style variable has a minimum value of 16, a maximum value of 30 and an average value (mean) of 24. 12 with a standard deviation of 3,120. The variable of readiness for implementation of PP 12 Year 2019 has a minimum value of 24, a maximum value of 34 and an average value (mean) of 28.63 with a standard deviation of 1.973.

4.2. Validity and Reliability Test Results

Based on the results of the validity test that has been conducted, it shows that the variables of human resource competence, organizational commitment, communication, information technology and leadership style have valid criteria for each statement item, this can be seen from the rcount value which is greater than rtable α5% = 0.185. Because all statement items from each variable have been declared valid, the statement items for all variables can be used for further testing. Based on the results of the reliability test, all the questionnaire statements of the dependent and independent variables in this study are reliable because they have a Cronbach's Alpha value > 0.60.

4.3. Classical Assumption Test Results

4.3.1. Data Normality Test Results

The normality test aims to test whether in the regression model the confounding or residual variables have a normal distribution (Ghozali, 2016). In this study, data normality testing can be seen from a normal probability plot.
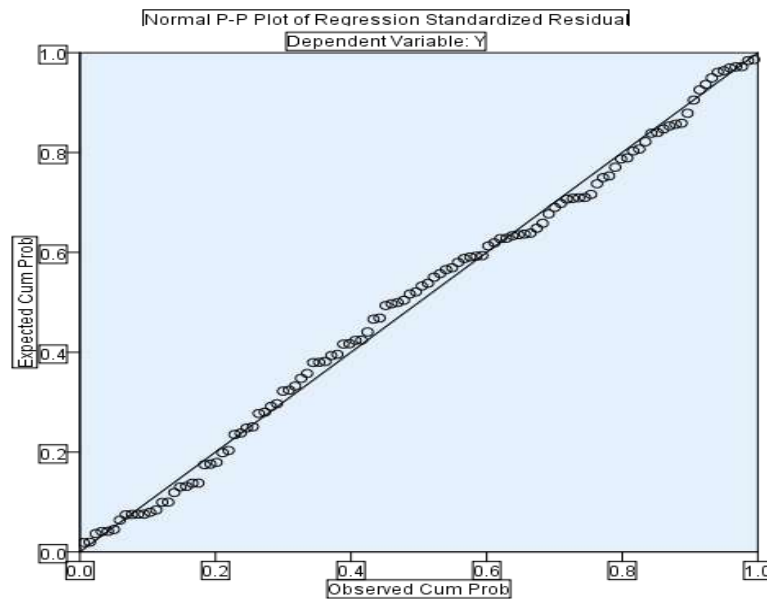
Figure 2. Data Normality Test Results

The results of the normality test showed that Asymp value. The Sig is 0.200 with a significant level well above 0.05. Then the dots spread out around the diagonal lineand follow the diagonal line, so it can be concluded that the regression model meets the assumption of normality.

4.3.2. Multicollinearity Test Results

Multicolonierity test aims to test whether the regression model found a correlation between independent or independent variables(Ghozali, 2016). To detect the presence or absence of multicollinearity in the regression by looking at the tolerance value and Variance Inflation Factor (VIF). Guidelines for a regression model that is free of multicollinearity are the value of the Variance Inflation Factor (VIF) < 10 and Tolerance > 0.10.

Table 2. Multicollinearity Test Results

Model	Collinearity Statistics		Information
	Tolerance	VIF	
Human Resources Competence	.783	1,276	There is no Multicollinearity
Organizational Commitment	.866	1,155	There is no Multicollinearity
Communication	.745	1,342	There is no Multicollinearity
Information Technology	.832	1,202	There is no Multicollinearity
Leadership Style	.782	1,279	There is no Multicollinearity

a. Dependent Variable: Readiness to Implement PP 12 of 2019

Source: Processed Data 2020

97

In the table of the results of the calculation of data analysis above, the VIF value for all independent variables <10 and *tolerance* > 0.10. It can be concluded that the regression model is free from multicollinearity.

4.3.3. Hateroscedasticity Test Results

The heteroscedasticity test aims to test whether in the regression model there is an inequality of the variance of the residuals between one observation and another (Ghozali, 2016). If the plot graph shows a dot pattern that is wavy or widened then narrowed, it can be concluded that heteroscedasticity has occurred. However, if there is no clear pattern, the dotted fiber spreads above and below the number 0 on the Y axis, then heteroscedasticity does not occur (Ghozali, 2016).
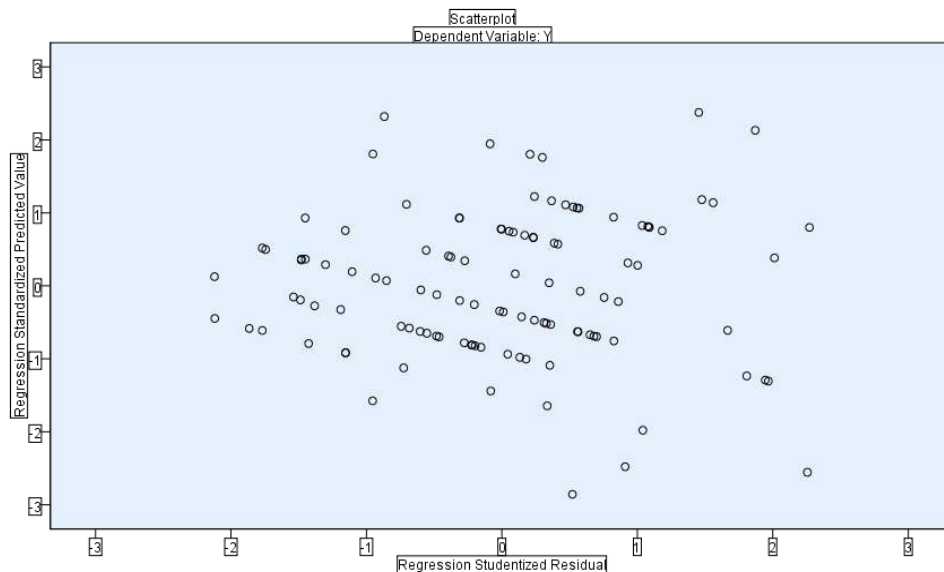

Figure 3. Heteroscedasticity Test Results

Heteroscedasticity Test Results in research It can be seen that the dots spread randomly, do not form a certain clear pattern, and are scattered above and below the number 0 on the Y axis, so it can be concluded that in this study there is no heteroscedasticity.

4.4. Coefficient of Determination

The coefficient of determination (R^2) aims to measure the ability of the model to explain the variation in the dependent variable. The coefficient of determination is between zero and one. The small value of R^2 means that the ability of the independent variable to explain the dependent variable is limited. Meanwhile, the R^2 value which is close to one means that the independent variable provides almost all the information needed to predict the variation in the dependent variable (Ghozali, 2016).

Table 3. Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	, 898a	, 807	, 798	.8887

Source: Data processed by SPSS 25.0, 2020

Known value *Adjusted* R^2 of 0.798. This means that the contribution of the influence of the independent variable to the dependent variable is 79.8%. While the remaining 20.2% is influenced by other variables that are not included in this regression model.

The t statistic test shows how far the influence of one independent variable individually is in explaining the variation of the dependent variable (Ghazali, 2016). The results of the multiple linear regression analysis test for the influence of human resource competence, organizational commitment, communication, information technology and leadership style on the readiness of local governments in implementing PP 12 of 2019 can be seen in Table 4.

5. Table 4. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,368	1,246		4,308	.000
	Competence	.268	.026	.499	10,353	.000
	Organizational Commitment	.141	.042	.154	3,351	.001
	Communication	.066	.019	.173	3,501	.000
	Information Technology	.120	.022	.252	5,388	.000
	Leadership Style	.324	.031	.512	10,600	.000

a. Dependent Variable: Readiness to implement PP No.12 of 2019

Source: Processed Data SPSS 25.0, 2020

4.5.   Discussion

4.5.1.   Hypothesis Testing Results on Human Resources Competence on Readiness to Implement PP 12 of 2019

From the data obtained in the table above, it can be seen that t count > t table, namely 8,123 > 1.984 and sig. t 0.000 < 0.05, thus H0 is rejected and H1 is accepted. From the results of these tests, there is a decision, namely the competence of human resources has an effect on the readiness to implement PP 12 of 2019.

In terms of Government readiness Rokan Hulu Regency in implementing PP 12 of 2019 on the aspect of human resource development, the local government has begun to prepare and implement changes according to PP 12 of 2019 in stages in the transition period to mitigate the risks of constraints and problems will be faced in the implementation of these regulations. In this study provides evidence that the placement of employees is in accordance with their educational background, employee knowledge and understanding of PP 12 of 2019, employee mastery of the hardwere and software that will be used in implementing these regulations, the ability of employees to adapt to changes. The results of this study support Basri's research, Hasan.

4.5.2. Hypothesis Testing Results Organizational Commitment to Readiness to Implement PP 12 of 2019

From the data obtained in the table above it can be seen that t count > t table, namely 2.765 > 1.984 and sig. t 0.007 < 0.05, thus H0 is rejected and H2 is accepted. From the results of these tests, there is a decision, namely organizational commitment has an effect on the readiness to implement PP 12 of 2019.

In terms of Government readiness Rokan Hulu Regency in implementing PP No. 12 of 2019 on the aspect of organizational commitment, regional financial administration leaders and employees have committed to realizing success in implementing regional financial management policies based on PP 12 of 2019. This is indicated by a feeling of belonging to the organization by employees, the better employee performance, high employee loyalty to the organization, and high team morale within the organization. The results of this study are in line with research conducted by Marsdenia, and Arthaingran, Mutiha (2016) showing that organizational commitment has a positive effect on accrual-based SAP implementation.

4.5.3. Hypothesis Testing Results Communication to Readiness to Implement PP 12 of 2019

From the data obtained in the table above it can be seen that tcount (3,501) > t table (1.984) and Sig. (0.001) < (0.05). This shows that Ho is rejected and H2 is accepted. So that the results of this study accept the third hypothesis which states that communication affects the readiness of local governments in implementing PP 12 of 2019.

In terms of the readiness of the Rokan Hulu Regency Government in implementing PP 12 of 2019 on the communication aspect, the local government has carried out socialization and communicated well to employees about the procedures and policies of PP 12 of 2019, because the more communication or socialization is carried out, the better it will be readiness for implementation of PP 12 of 2019. Organizational leaders also provide clear instructions and leaders also evaluate employee performance related to the implementation of PP 12 of 2019. This research also proves that it is necessary to implement correct and timely work reports, a means that helps employees in implementation of PP 12 of 2019, the importance of coordination meetings and the establishment of informal groups within the organization to help smooth the implementation of PP 12 of 2019. The results of this study support previous research conducted by Pratiwi, Annisa Intan, et al, (2017) and Putri, Dewi Utami and Silviana, (2017)) shows that communication has a significant effect on the readiness to implement accrual-based SAP.

4.5.4. Results of Information Technology Hypothesis Testing on Readiness to Implement PP 12 of 2019

From the data obtained in the table above, it can be seen that tcount (5,388) > t table (1.982) and Sig. (0.000) < (0.05). This shows that Ho is rejected and H2 is accepted. So that the results of this study accept the fourth hypothesis which states that information technology affects the readiness of local governments in implementing PP 12 of 2019.

In terms of the readiness of the Rokan Hulu Regency Government in implementing PP 12 of 2019 on the aspect of Information technology, the local government has ensured that there are adequate information system facilities to carry out tasks and manage financial transaction data in the local government using the right software. Then the local government also has an internet network that can be used as a liaison between work units in sending information data. The computerization of all financial

management activities also indicates that the readiness of the local government in implementing PP 12 of 2019 is good, and the accountability report for regional financial management has been generated from an integrated information system. The results of this study are in line with the research conducted by Ajhar, Akram,

4.5.5. Hypothesis Testing Results of Leadership Style on Readiness to Implement PP 12 of 2019

From the data obtained in the table above it can be seen that tcount (10,600) > t table (1.984) and Sig. (0.000) < (0.05). This shows that Ho is rejected and H2 is accepted. So that the results of this study accept the fifth hypothesis which states that leadership style affects the readiness of local government in implementing PP 12 of 2019.

In terms of the readiness of the Rokan Hulu Regency Government in implementing PP 12 of 2019 on the aspect of leadership style, the leaders of all regional apparatus organizations (OPD) have socialized the regulation to their subordinates, provided instructions and directions to their subordinates to make technical guidelines for regional financial management related to the implementation of PP 12 of 2019. Then in their routine work, the leadership always evaluates employee performance, always emphasizes the importance of teamwork and always holds meetings and discussions when implementing a policy. The results of this study are in line with research conducted by Putra, I Wayan Gede Yogiswara Darma, and Ariyanto, Dodik (2015) and Sari, Rissa Paramita, (2017) which show that leadership style has a positive effect on accrual-based SAP implementation.

5. Conclusions, Implications and Suggestions

Based on the results of this study, several conclusions can be obtained. First, human resource competence affects the readiness of local governments in implementing PP 12 of 2019 in the regional apparatus of the Rokan Hulu Regency Government. Second, organizational commitment affects the readiness of local governments in implementing PP 12 of 2019 in regional organizations of the Riau Provincial Government. Third, communication has an effect on the readiness of local governments in implementing PP 12 of 2019 in the regional apparatus of the Rokan Hulu Regency Government. Fourth, information technology has an effect on the readiness of local governments in implementing PP 12 of 2019 in regional organizations of the Rokan Hulu Regency Government. Fifth,

This study has several limitations. First, the interview method was not carried out in the study, given the busyness of the respondent. Second, this study uses the variables of human resource competence, organizational commitment, communication, information technology and leadership style towards local government readiness in implementing PP 12 of 2019, it is estimated that there are still many other variables that are not examined in this study.

Some suggestions are recommended to future researchers. First, this research was only conducted in the Rokan Hulu Regency Government. It is hoped that the next researchers can take a wider population, so that the results can be generalized widely. Second, further researchers are expected to add other variables so that the results can be more accurate and varied. Future researchers are expected to use other methods of data collection, so that the results can be more objective and reliable.

Reference

Ajhar, Akram dan Endar Puturingsih. 2015."*Faktor-Faktor Yang Mempengaruhi Kesiapan Penerapan SAP Berbasis Akrual Dan Akuntabilitas Kinerja Instansi Pemerintah (Studi Empiris Pada Pemerintah Daerah Kabupaten Dompu"*. Jurnal Akuntansi Aktual, Vol.3, No.1, Hal.62–73.

Aldiani, Sulani, 2010."*Faktor-Faktor Pendukung Keberhasilan Penerapan Peraturan Pemerintah No.24 Tahun 2005 Pada Pemerintah Kabupaten Labuhan Batu"*. Jurnal Akuntansi 12, Departemen Akuntansi Fakultas Ekonomi Universitas Sumatera Utara.

Alghizzawi, Moawiah Awad, dan Rosnia Binti Masruki. 2019.*" Organizational Commitment and The Readiness Towards Accrual Accounting: The Moderating Role Of Job Satisfaction"*. International Journal of Asian Social Science. ISSN (e): 2224-4441 ISSN(p): 2226-5139 DOI: 10.18488/journal.1.2019.92.169.178 Vol. 9, No. 2, 169-178.

Arih, Tyas Ninditha, Sri Rahayu dan Annisa Nurbaiti. 2017." *Analisis Factor-Faktor Yang Mempengaruhi Implementasi Standar Akuntansi Pemerintahan Berbasis Akrual Pada Pemerintah Kota Bandung*". Jurnal Manajemen Indonesia. Vol.17. No.1.

Asri, Fadhillah. 2015.*"Faktor-Faktor Yang mempengaruhi Kesiapan Penerapan Standar Akuntansi Pemerintah Berbasis Akrual."*(*Jom.FEKON Vol.2, NO.1 Februari 2015)*. Universitas Riau, Pekanbaru.

Azwan, Mohammad Man, 2015."*Penerapan Standar Akuntansi Pemerintahan Berbasis Akrual: Sebuah Analisis Deskriptif". Skripsi diterbitkan*. Fakultas Ekonomi dan Bisnis Universitas Hasanuddin. Makassar.

Basri, Hasan, dkk, 2016," Determinants of Government Agencies' Readiness in Adopting Accrual Accounting System – A Study in the Local Agencies of Indonesian Ministry of Religious Affairs". Jurnal of Accounting, Finance and Auditing Studies, Vol 2, Nomor 4, Syiah Kuala University.

Badan Pemeriksa Keuangan Republik Indonesia. Laporan Hasil Pemeriksaan Laporan Keuangan Pemerintah Daerah (LKPD) Kabupaten Rokan Hulu. https://www.bpk.go.id. Diakses pada 17 November 2019.

Cahyana. Budi. (2019, November 21)." Implikasi PP 12 tahun 2019 Terhadap penyusunan LKPD". Harian Jogja. Diakses dari http://m.harianjogja.com.

Edison, Emron, Yohny Anwar, dan Imas Komariyah. 2016."*Manajemen Sumber Daya Manusia"*. Bandung.CV.Alfabeta.

Ghouzali, Imam. 2016." *Aplikasi Analisis Multivariate dengan Program SPSS"*. Edisi Ke Tujuh. Semarang: Badan Penerbit Universitas Diponegoro.

Hamdani, 2019."*Peraturan Pemerintah Nomor 12 Tahun 2019 Tentang Pengelolaan Keuangan Daerah".Seminar Nasional Maksi UGM*.Yogyakarta.

Holt, D, T, Armenakis,A, A,Field, H.S.& Harris, S.G. 2007." *Readiness For Organizational Change: The Systematic Development Of A Scale"*.The Journale Of Applied Behavioral Science, 43(2), 232-255.

Indriani, Mirna, dkk. 2018." Readiness of Local Government in the Implementation of Accrual Accounting: The Case of Local Government in Aceh, Indonesia". Jurnal Dinamika Akuntansi dan Bisnis Vol. 5(1), 2018, pp 87-100.

Indriasari, Desi. 2008."Pengaruh Kapasitas Sumber Daya Manusia, Pemanfaatan Teknologi Informasi Dan System Pengendalian Intern Terhadap Nilai Informasi Pelaporan Keuangan Pemerintah Daerah". Jurnal SNA, Palembang, Politeknik negeri Sriwijaya.

Jantong, Alfonsus dan Roekhudin, Nurkholis. 2018. "*Faktor-Faktor Yang Mempengaruhi Kesiapan Penerapan SAP Berbasis Akrual Pada Pemerintah Daerah",*5(2),158-169.Universitas Brawijaya.Malang.

Marsdenia, dan Arthaingran, Mutiha. 2016.*"Faktor-Faktor Yang Mempengaruhi Keberhasilan Implementasi SAP Berbasis Akrual : Sebuah Studi Empiris Pada Pemeritah Kabupaten Bogor".*4(2), 66-92. Universitas Indonesia.

Moeheriono, 2014. *"Pengukuran Kinerja Berbasis Kompetensi Edisi Revisi*". Jakarta: PT Raja Grafindo Persada.

Nurbarani, Myrna, 2009.*"Reformasi Birokrasi Pemerintahan Surakarta".Tesis dipublikasikan*. Universitas Diponegoro.

Putri, Dewi utami dan Silviana. 2017. *"Pengaruh Kompetensi Sumber Daya Manusia, Komitmen Organisasi Dan Fungsi Komunikasi Terhadap Penerapan Standar Akuntansi Pemerintah Berbasis Akrual Pada Satuan Kerja Perangkat Daerah Di Kota Bandung"*. 561-579. Universitas Atmajaya.

Peraturan pemerintah Nomor 12 Tahun 2019 Tentang Pengelolaan Keungan Daerah.

Peraturan Pemerintah Nomor 58 Tahun 2005 Tentang Pengelolaan Keungan Daerah.

Peraturan Kepala Badan Kepegawaian Negara Nomor 7 Tahun 2013 Tentang Pedoman Penyusunan Standar Kompetensi Manajerial Pegawai Negeri Sipil.

Permana, Ida Bagus Gede Bayu, dan Wiratmaja, I Dewa Nyoman. (2016)."*Pengaruh Sumber Daya Manusia, Komitmen Organisasi, System Informasi Pada Kesiapan Penerapan Laporan Keuangan Pemerintah Daerah Berbasis Akrual".* 16(3),2260-2287.

Pratiwi, Annisa intan, Dkk. 2017. *"Teknologi Informasi, Sumber Daya Manusia, Komitmen Dan Komunikasi Terhadap Kesiapan Implementasi Akuntansi Berbasis Akrual Pada Pemerintah Kota Bandung (Studi Kasus :Dinas Pengelolaan Keuangan Dan Aset Daerah Kota Bandung Periode 2015)"*. 4(2), 1612-1619. Universitas Telkom. Bandung.

Priyatno, Duwi. 2012."*Teknik Mudah Dan Cepat Melakukan Analisis Data Penelitian dengan SPSS".*Yogyakarta.Gavaq Media.

Putra, I Wayan Gede Yogiswara Darma, dan Ariyanto, Dodik. 2015." Faktor-Faktor Yang Mempengaruhi Penerapan Standar Akuntansi Pemerintahan Berbasis Akrual". E- Jurnal Akuntansi Universitas Udayana Vol.13 hal 14-32, ISSN: 2302-8556.

Putri, Dewi utami dan Silviana, 2017. "Pengaruh Kompetensi Sumber Daya Manusia, Komitmen Organisasi Dan Fungsi Komunikasi Terhadap Penerapan Standar Akuntansi Pemerintah Berbasis Akrual Pada Satuan Kerja Perangkat Daerah Di Kota Bandung." Jurnal Proceeding. ISSN- 2252-3936.

Ramnarayan, S. dan Rao, T. V. (2011). *Organization Development: Accelerating, Learning and Transformation*. Sage Publication.

Robbins, Stephen P and Timothy A Judge. 2014. *Perilaku Organisasi Edisi 16*. Salemba Empat. Jakarta.

Sharma, J.P. and N. Bajpai, 2010. "Organizational commitment and its impact on job satisfaction of employees: A comparative study in public and private sector in India". International Bulletin of Business Administration, 9(1): 7-19.

Suaryana, I Gusti Ngurah Agung, Ni K. Lely Aryani Merkusiwati and I Gusti Ayu Eka Damayanthi.2017. "Determinants Factors and Consequences of Accrual-Based Government Accounting System Implementation in Denpasar City Government". International Journal of Economic Research ISSN : 0972-9380.vol 14 number 15(3).

Sugiyono, 2012. Metode *Penelitian Pendidikan: Pendekatan Kuantitatif, Kualitatif, dan R&D*. Alfabeta, Bandung.

Sukamdaru, Haryono, Bambang subroto and Endang Mardiati. 2017." Understanding Factors Affecting Local Administration Reform on AccrualBased Financial Statements". Journal of Accounting and B usiness Education 2(1), P-ISSN 2528-7281 E-ISSN 2528-729X.

Soegiarto, Soekidjan, Sp, KJ, 2009. "*Komitmen Organisasi Sudahkan Menjadi Bagian Dari Kita*". Jakarta: Rineka Cipta.

Syarifudin. 2019."*Ini Poin-Poin Revisi Keuangan Daerah*".Dalam *https:///www.kontan.co.id.* Diakses 15 November 2019.

Weiner, B. J. (2009). "*A theory of organizational readiness for change".* Implementation science, Vol.4, No.67, hal 1-9

Wibowo. 2006."*Manajemen Perubahan*". Jakarta: Raja Grafindo Persada.

Wibowo. 2016."*Manajemen Kinerja*", Edisi Kelima, Penerbit: PT.Rajagrafindo Persada,Jakarta.

Implementation of Government Accounting Standards During Pandemic and Internal Auditor Support in Preventing Fraud.

Syarifah hatijah[a], Indrawati Yuhertiana[b]

"Master of Accountancy, UPN Veteran , Surabaya, East Java, Indonesia

ABSTRACT

This paper aims to discuss the implementation of government accounting during the pandemic in Indonesia and the role of the Government's Internal Supervisory Apparatus in realizing accountability for the professional, credible, transparent and accountable State Revenue and Expenditure Budget for the 2020 Fiscal Year.

All government internal supervisors, both at the central and regional levels, are required to continue to maintain the implementation of handling Covid-19 and continue to collaborate, innovate, and help each other to create accountability for handling Covid-19 in their respective regions. Therefore, the government must continue to cooperate with the Financial and Development Supervisory Agency as internal auditors, as well as all internal supervisory officials in ministries / agencies and local governments. Handling the covid-19 pandemic requires speed but at the same time it is emphasized that speed must not neglect accountability, transparency and good management. This paper also describes public sector accounting reforms. Reform of the government accounting system in Indonesia began with the issuance of Law Number 17 of 2003 concerning State Finance. The law mandates that the government accounting system in Indonesia, which was previously cash-based, must change to an accrual basis. In its implementation, several obstacles arise, ranging from changes in the mindset of actors in the public sector, limited human resources to the political will of each regional head. This study uses a qualitative approach with descriptive type of research. The data collection technique uses literature study, namely through a review of various literature studies and regulations related to the research topic. Data can be obtained from books or literature such as articles, online media, research results that have relevance to the title of the article.

The implication of this study is that the implementation of government accounting during a pandemic must still meet accountability, transparency and good governance according to applicable standards. The Government Accounting Standards Committee has issued guidelines for implementing relevant Government Accounting Standard Statements related to government programs and activities carried out in the context of handling the Covid-19 Pandemic.

Keywords: public : public sector, accounting reform, internal auditors, fraud.

INTRODUCTION

Indonesia and all countries in the world are facing major challenges to restore the economy affected by the Coronavirus Disease 2019 pandemic. The Covid response and economic recovery program is an extremely important program, designed in an atmosphere of compelling crisis. Emergency or urgency is very important. Speed in handling the Covid-19 pandemic is very important, but at the same time it is emphasized that speed must not neglect accountability, transparency and good management. At the end of March 2020, the Government of Indonesia has designated the Covid-19 Pandemic as a national level Non-Natural Disaster. The government issued a Government Regulation in Lieu of Law (Perppu) Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the Corona Virus Disease 2019 (Covid-19) Pandemic and / or in the Context of Facing Threats Endanger the National Economy and / or Stability The Financial System, as stipulated in Law Number 2 of 2020 on May 16, 2020. This Perppu provides broad powers for the Government to take the necessary steps and policies, so that the impact of the Covid-19 Pandemic does not spread and can be resolved immediately. The government implemented various policies to handle the Covid-19 Pandemic in the fields of health, social safety nets, and national economic safeguards which have an impact on changes in fiscal and budgeting policies. The Central and Local Governments revise the 2020 APBN / APBD through refocusing and reallocation of non-priority spending to be diverted to efforts to accelerate the handling of the impact of the Covid-19 Pandemic. The budget changes are realized and accounted for in the form of financial reports (LKPP / LKPD). Government financial transactions related to these steps and policies must then be accounted for in government financial reports in accordance with Government Accounting Standards.

In emergency situations, especially related to the Covid-19 pandemic, there are many Government transactions whose implementation requires very fast, urgent and massive handling. This of course must be followed by strengthening good governance. The principle of prudence, accountability and absolute transparency must still be maintained, so that every state financial transaction can be properly managed and accounted for. Thus, the opinion opinion or financial report quality can be maintained and can be continuously improved. Regional heads are required to always prioritize accountability in the management of state finances in the emergency handling of the Covid-19 pandemic and the implementation of the national economic recovery program.

It takes a strong commitment from all stakeholders, so that it can be a very valuable asset for the synergy of state financial management in handling the Covid-19 pandemic and national economic recovery which is carried out in a transparent and accountable manner. Thus, the quality of the financial reports of all government entities can be maintained, continue to obtain unqualified opinion, and have a real impact in realizing a prosperous, advanced, just and prosperous society, as is the ideal of the Indonesian nation.

The government has reallocated and refocused the budget to prioritize handling the Covid-19 pandemic in Indonesia. Extraordinary and quick steps have been taken based on Perppu No.1 of 2020 which regulates state financial policies and financial sector policies. Situmulus has been given by the government in various aspects,

including health aspects, social security network aspects, and business aspects. Handling the covid-19 pandemic needs to be done quickly, however, we must not abandon the principles of transparency and accountability in its management. Therefore, the Government Internal Supervisory Apparatus or APIP must continue to oversee so that the preparation and use of the budget is accountable and in accordance with the provisions.

Handling the Covid-19 pandemic requires synergy and collaboration from various elements of the government, including from the internal control unit. APIP (Government Internal Supervisory Apparatus) as government internal supervisors, is expected to be able to oversee government financial accountability in handling Covid-19. All government internal supervisors, both at the central and regional levels, are expected to continue to maintain the implementation of handling Covid-19 and continue to collaborate, innovate, and help each other to create accountability for handling Covid-19 in their respective regions.

METHODOLOGY

The form of research used is a qualitative approach with descriptive research type. In this study, to obtain an understanding of the implementation of government accounting standards during the pandemic and how government internal control officials provide assistance and supervision in preventing fraud.

Data collection techniques using literature study, namely through a review of various literature studies and regulations related to research topics. Data can be obtained from books or literature such as articles, online media, research results that have relevance to the title of the article. The data used are secondary data

REVIEW OF RELATED LITERATURE

2.1 Teori Fraud Triangle

Fraud triangle theory was initially developed by Donald Cressey (1953) with an approach using three components, namely, pressure, opportunities and rationalisation. These components are fraud enablers. Having one of these components along with intent can motivate any individual to commit fraud, which develops the fraud diamond model. Added to the three components was the capability of an individual to commit fraudulent acts (Wolfe and Hermanson, 2004). The fraud triangle was further expanded by adding competence and arrogance (Horwarth, 2014). The component of competence is an approach to an individual's ability to override internal controls and to control situations, as a person is expected to commit fraud. Arrogance is a lack of conscience, where an individual would feel entitled to receive resources and not be covered by related policies and procedures of the organisation. (Zahari,2020)

2.2 Definition of Public Sector Accounting

The definition of accounting for the public sector is a process of collecting, classifying, analyzing, and preparing financial management reports in public institutions. according to Mardiasmo (2009) in (Arjuli, 2019) defining public sector accounting is as follows: "Public sector accounting is an information tool both for the government as management and an information tool for the public".

Meanwhile, according to (Prof. Indra Bastian, 2019) Public sector accounting is an accounting technique and analysis mechanism that is applied to the management of public funds in high state institutions and departments under them, local governments, state-owned enterprises (SOEs), municipally-owned corporations, NGOs and social foundations. as well as on public and private sector cooperation projects.

This financial management report will later be used by public institutions to provide financial information to those in need. In essence, this financial management report is very helpful when there is a decision making.In carrying out work, public organizations and institutions are always required to make the management of social and economic costs more efficient. If the demands for public accountability by various public institutions are strengthened, public sector accounting will be recognized as a science for managing public finances.

Accounting for the public sector is used for transparency to the public to fulfill public rights. The public sector referred to in this accounting consists of government agencies at the regional and central level and non-government agencies. In fact, hospitals and educational institutions also need this type of accounting.
Usually, the process of classifying and analyzing financial management reports carried out by the public sector is different from the processes carried out by the private sector. This difference occurs because countries, especially government organizations, of course have their own accounting system standards. So, the process must be adjusted to the accounting standards adopted by the institution.

2.3   Public Sector Accounting Reform

To increase transparency and public accountability in order to support the implementation of regional autonomy and fiscal decentralization, it is necessary to reform public sector accounting. The aspects needed in these reforms are the need to have government accounting standards and the need to change the accounting system from single entry to double entry. In general, public sector accounting reforms in world countries start from the traditional accounting phase towards modern accounting.Demands regarding financial accountability, efficiency, and effectiveness in the public sector make public sector organizations in the world undergo changes. In (Rizky & Setiawan, 2019). This change is from a traditional system which has the characteristics that budgeting is incrementalism, uses line-items and tends to be centralized which seems rigid to a flexible system.

Initially, government accounting bookkeeping traditionally adopted the basis of cash accounting with single entry records. The reforms towards modern accounting changed the cash basis to an accrual basis. The accounting system has traditionally been based on cash accounting with a single entry recording system. Meanwhile, the modern accounting system maintains an accrual basis with a double entry recording system. In the traditional accounting system, economic transactions that increase the amount of cash will be recorded on the receiving side and economic transactions that result in reduced cash will be recorded on the expenditure side. the entity. So that the government never displays the balance sheet as a commonly known form of financial report that can describe the government's financial position. The traditional accounting system that uses a cash basis only recognizes cash inflows and outflows (Indra, 2006). The final financial account will be summarized in a cash book, so that financial reports cannot be generated due to the absence of data on assets and liabilities.

The cash-based accounting system has several weaknesses, including: (a) more complex information that is actually required by users of financial statements cannot be provided by a cash-based accounting system; (b) the relevance of financial statements for decision makers is very lacking, because the cash basis focuses only on cash flows and ignores other resource flows. (c) liability to the public is limited to the use of cash only, no liability for the management of other assets and debts or liabilities is included.
.
(Suryanto, 2018) explained that the application of a cash-based accounting system has not played a role as a tool to increase the accountability of the performance of the government bureaucracy in providing public services to the public. The output generated by cash-based accounting is often inaccurate, late, and uninformative, so it cannot be relied on in decision making.

Accrual basis accounting according to Asfiansyah (2015) is considered better than cash basis. Accrual-based accounting is believed to be able to produce financial reports that are more reliable, more accurate, comprehensive, and relevant for economic, social and political decision making. The application of the accrual basis is basically to determine the amount of costs required to produce public services and determine the price of services that are charged to the public. Accrual-based accounting distinguishes between cash receipts and the right to receive cash, as well as cash disbursements and the obligation to pay cash. Therefore, with the income accrual system and costs are recognized when they are earned or incurred, regardless of whether the cash has been received or disbursed, and recorded in the accounting records and reported in the financial statements of the period concerned.

Reform in the financial sector calls for financial reports that can be used by parties in need, both internally and externally. Therefore, the basis of accounting that can meet these demands is the accrual basis.

In the journal (Yuhertiana & Indrawati, n.d.), the following are some countries that use accrual accounting

	Acrrual accounting for individual agencies & departements	Consolidated whole of governmental accrual accounting	Accrual budgeting
Australia	Since 1995	Since 1997	From fiscal year 1999-2000
Canada	Fr fiscal year 2001-2002	Fr fiscal year 2001-2002	No
Finland	Since 1998	Since 1998	No
Germany	Permitted since 1998	no	No
Iceland	Since 1992	Since 1992	Since 1998
Ireland	Pilot launched in 1995	no	no
Netherlands	Pilot launched in 1994	no	No
New Zealand	Since fiscal year 1991-1992	Since fiscal year 1991-1992	Since fiscal year 1994-1995
Sweden	Since 1994	Since 1994	No
United Kingdom	Launched in 1993;all by fiscal year 1999-2000	planned	Fr fiscal year 2001-2002
United States	Since fiscal year 1997-1998	Since fiscal year 1997-1998	No

Sumber: OECD,PUMA,199a,p.4 in OECD Journal Models of Public Budgeting Reform, 2001.

However, because the application of the accrual basis fully in the financial accounting system requires many changes in human resources and technology, the application of the accrual basis in Indonesia is carried out gradually through a transition process (Abdul Halim, 2004).

2.4   Phases of Government Accounting Development in Indonesia
Indra Bastian (2010: 138) explains the definition of Government Accounting Standards as follows: "Government Accounting Standards are accounting principles applied in preparing and presenting government financial reports. Thus, SAP is a requirement that has legal force in an effort to improve the quality of government financial reports in Indonesia ". Government accounting in Indonesia has been running since the New Order era until the Reform era emerged. . (Suryanto, 2018) The important phases of the development of government accounting in Indonesia include:
a)   Era Before Regional Autonomy
     The implementation of state finances before 1975 had not used an accounting system. At that time, the management of state finances only used an administrative system, known as state financial administration. The implementation of government financial management is based on:
     1)   Law No. 5 of 1974 concerning the Principles of Government in the Regions;
     2)   Government Regulation No. 5 of 1975 concerning Management, Accountability and Supervision of Regional Finances; and
     3)   Government Regulation No. 6 of 1975 concerning Preparation of the Regional Budget, Implementation of Regional Financial Administration, and Compilation of Regional budget Calculations.
          In this phase, the government administration system is still done manually, because there is no known integrated computerized system. In addition, in this phase Indonesia does not yet have Government Accounting Standards. The government's financial accountability report to the legistilative assembly is in the form of a State Budget Calculation (PAN) which is presented based on the contribution of budget calculations from ministries / agencies that are compiled manually and in single entry. The government submits State Budget Calculation reports to the legistilative assembly within 2-3 years.

b)   The Era of Regional Aoutonomy Transition

In the phase of the autonomy transition era, local governments began to be able to use a more informative recording system for outsiders and internal local government parties. The technical implementation is based on Government Regulation Number 105 of 2000 concerning Regional Financial Management and Accountability. Local governments have been able to provide more measured and transparent information related to regional financial management.

Concurrent regional autonomy and fiscal decentralization in Indonesia led to changes in the budget format and financial reporting. In line with that, the Kepmendagri No. 29 of 2002 which began to introduce the use of modified cash basis accounting as well as double entry book keeping for government financial records. Government Financial Reports have been prepared even though there is no accounting standard. The financial statements consist of balance sheets, budget realization reports and notes to financial reports. However, the financial statements that have been prepared have not been able to describe the real condition, because they are not the result of a consolidation of the work units under the Regional Government.

c)   Era after Regional Aoutonomy Transition.

Reform of the government accounting system in Indonesia began with the issuance of Law Number 17 of 2003 concerning State Finance. The law mandates that the government accounting system in Indonesia, which was previously cash-based, must change to an accrual basis. Recognition and measurement of accrual-based income and expenditure shall be carried out no later than 5 (five) years after the issuance of the law. Changes in the basis of government accounting, from cash basis to accrual basis, are carried out gradually. This means that government entities apply a cash toward accrual basis during the transition period. In this regard, the cash toward accrual basis came into effect for the preparation of financial reports and budgets in 2005. In fact, Government Regulation No. 1 of 2004 stipulates that the accrual basis should be implemented no later than the 2008 fiscal year. However, this mandate is not feasible to implement. Considering that the accrual-based Government Accounting Standard became effective in 2010. This accrual-based Government Accounting Standard is a standard as a guideline for presenting accrual basis financial information with cash-based Budget Realization Reports. Taking into account standard users who are still in the learning stage, government entities can implement a cash toward accrual basis Government Accounting System until no later than five years after the 2010 fiscal year, namely 2015. To bridge the process of changing from cash-based accounting to accrual-based accounting as mandated by Law Number 17 of 2003, the government has issued Government Regulation Number 24 of 2005 concerning Government Accounting Standards. Government Regulation No. 24 of 2005 using a cash towards accrual approach in the accounting recording system.

These standards serve as guidelines for the government in preparing financial reports. Financial reports according to Government Regulation no. 24 of 2005 in outline consists of the Budget Realization Report, Balance Sheet, Cash Flow Statement and Notes to Financial Statements, which are known as cash toward accrual basis. Although cash toward accrual basis has not fully applied accrual basis, in essence, cash toward accrual basis mostly refers to accrual based accounting practice. (Risnaningsih, 2016) Government Regulation No. 71 of 2010, which is basically the government compiling the Government Accounting System which refers to the accrual-based Government Accounting Standards. In Accrual-Based Government Accounting Standards recognized are revenues, expenses, assets, debt, and equity in reporting, as well as revenues, expenditures, and financing in reporting on budget implementation recognized based on the basis set out in the State Budget / Regional Revenues and Expenditures Budget. If previously the main government financial report was only a Budget Realization Report, then one of the things that distinguishes accrual-based Government Accounting Standards from cash-toward accrual basis is the financial statements, which consist of balance sheets, operational reports, cash flow reports and reports on changes in equity, all of which prepared on an accrual basis.

Meanwhile, the budget report is prepared on the basis of the prevailing accounting basis in that sector, which until now is still on the basis of cash. In the Government Accounting Standards or accrual-based Government Accounting Standards , the change from cash to accrual basis to accrual basis is carried out by modifying Government accounting standards by referring to the International Public Sector Accounting Standards by taking into account the provisions of applicable laws, so that the structure of Government Accounting Standards Statement in Government Regulation No. 24 of 2005 has not changed much.

DISCUSSION

3.1 The Role Of Government Accounting to Promote Good Governance

Accrual-based government accounting standards are expected to be more systematic towards better financial management as one of the financial reform agendas in Indonesia, as well as challenges in the current era of globalization, namely the demand for accountability and transparency in government administration with government accounting (Tarigan and Nurtanzila. 2013)

Until now, the state of public sector administration in Indonesia is not very encouraging. This is reflected in the low quality of public services and rampant practices of corruption, collusion and nepotism related to public services. Various attempts have been made to remedy this situation. However, efforts to make these changes often meet with failure or un intended outcome. Jeremy Pope in his book (Simanjuntak, 2005) The Development of a National Integrity System mentions several causes for the failure of efforts to change or reform in the public sector:

a. Limited power at the top level, the new leader wants to face challenges effectively, but in fact the new leader is inherited by corrupt government machines that hinder efforts to change.
b. Lack of commitment at the top level.
c. Promises that are too ambitious give rise to unrealistic and unattainable expectations.
d. Reforms took place gradually and in uncoordinated circumstances.
e. Reform relies heavily on the law, which is an uncertain instrument when it has to be used to change human behavior or be too regulating to lead to oppression, abuse of power and the emergence of other corrupt regimes.
f. Reformasi tended to ignore those at the top, the so-called "big fish", and focused more on the "petty class"
g. Reforms are not focused or produce results, so they fail to meet real change for society.
h. An institutional mechanism for reform was not established after its main supporters disappeared from the stage.

However, in the last decade that culminated in the promulgation of three state finance packages, there has been a very strong impetus for reforming government accounting in Indonesia. Several important factors driving the rapid growth of government accounting in Indonesia lately include:

1) The stipulation of three packages of laws governing State Finances Article 32 (1) of Law no. 17 of 2003 concerning State Finance mandates that the accountability report for the implementation of the State Expenditure Budget / Regional Expenditure Budget is in the form of financial reports that are prepared and presented in accordance with government accounting standards.
2) The enactment of laws on regional government and laws on the balance between central and regional government finances. Article 184 paragraph (1) of Law no. 32 of 2004 concerning Regional Government states that financial reports are prepared and presented in accordance with Government Accounting Standards stipulated by Government Regulations.
3) The accounting profession The Indonesian Institute of Accountants (IAI) has long wanted an accounting standard in the public sector that is parallel to the preceding accounting standards in the commercial sector. The involvement of the Indonesian Institute of Accountants can be seen from the encouragement by IAI to form a standard committee in the public sector, the participation of the General Chairperson of the IAI DPN in the Consultative Committee of the Government Accounting Standards Committee, the participation of IAI members in the Working Committee of the Committee on Government Accounting Standards, the

establishment of the IAI Public Sector Accountants Compartment, and various seminars, discussions, and workshops organized by the IAI Public Sector Accountants Compartment.

4) Government bureaucracy is a compiler and at the same time a user who is very interested in the existence of a reliable government accounting. With the promulgation of the three state finance packages as well as laws related to regional government, it has encouraged both central and local government agencies to seriously prepare resources for the development and preparation of government financial reports. In addition, the chairmen of the provincial, district and city government associations, each of whom is ex officio, also sits as a member of the Consultative Committee of the Government Accounting Standards Committee

5) The public (non-governmental organizations and people's representatives) through non-governmental organizations and people's representatives in the People's Representative Council, Regional Representative Council, and Regional People's Representative Council also pay attention to good governance practices in Indonesian government. The enactment of laws relating to the three packages of state finance and regional government is a reflection of the active contribution of the people's representatives in the House of Representatives. In addition, accountability for the implementation of the State Revenue Expenditure Budget / Regional Expenditure Budget requires approval from the People's Representative Council / Regional People's Representative Council.

6) Private Sector The attention of the private sector may not be very significant because government accounting does not have a very direct impact on the activities of the private sector. However, the use of information technology and the development of accounting-based information systems will encourage some business actors in the private sector to take part in it.

7) Academics Academics especially in the accounting sector pay considerable attention to the development of knowledge in the field of government accounting. This concern is closely related to the preparation of human resources who have mastery in the field of government accounting to meet the needs of operational personnel and accounting managers in government. Several members of the Government Accounting Standards Committee currently come from universities. In addition, the accounting department at higher education institutions has long provided undergraduate students with government accounting courses. Several universities have also started to offer specialization in public sector accounting in their master program of accounting.

8) International World (lenders and investors) World Bank, ADB, and JBIC, are international institutions (lenders), which have an interest in developing good public sector accounting in Indonesia. This accounting development is expected to increase the transparency and accountability of development projects funded by these institutions. This institution, either directly or indirectly, has played a role in encouraging the realization of government accounting standards that support changes in government accounting in Indonesia.

9) State Audit Agency (BPK) Law no. 17 of 2003 and Law no. 15 of 2004 states that the accountability for the implementation of the State Revenue Expenditure Budget and Regional Expenditure Budget is audited by the State Audit Agency (BPK). In order to provide its opinion, the State Audit Agency requires a generally accepted government accounting standard. The State Audit Agency's (BPK) attention to the development of government accounting is very large, marked by the participation of this institution in the discussion of three packages of laws with the House of Representatives, the participation of the State Audit Agency in various workshops and seminars on government accounting, and the formation of a technical team formed by the Chairman of the State Audit Agency to discuss technical aspects of government accounting standards with the Government Accounting Standards Committee's Working Committee. In addition, article 32 (2) Law no. 17 of 2003 mandates that government accounting standards be stipulated by a Government Regulation after prior consideration from the State Audit Agency. For drafting government accounting standards which are currently in the process of establishing government regulations, State Audit Agency has provided considerations to the government through a letter from the Head of the Audit Board addressed to the President on January 17, 2005, asking the President to immediately ratify the Government Accounting Standards

10) The Government Internal Supervisory Apparatus (APIP) which includes the Provincial Internal Audit Agency (Bawasda), the Inspector General, and the State development audit agency are government internal auditors whose role is to assist leaders in the realization of a good internal control system so as to encourage increased

performance. government agencies at the same time prevent the practices of Collusion, Corruption and Nepotism. Government accounting is very closely related and its impact on the internal control system so that internal auditors must inevitably have the ability in government accounting so that they can play a role in encouraging the application of government accounting that is being developed.

3.2 Implementation Of Govermnment Accounting Standards during the Covid-19 Pandemic

The Governmental Accounting Standards Committee has issued Guidelines to be used in the application of the Governmental Accounting Standards (PSAP) which are relevant to government programs and activities carried out in the context of handling the Covid-19 Pandemic. This manual is not a standard statement and is not intended to provide an interpretation of the Governmental Accounting Standards Statement.(Standar & Pemerintahan, 2020)

Application of Government Accounting Standard Statements in Preparing Financial Statements during the Covid-19 Pandemic

In order to provide guidance on the application of Government Accounting Standards in preparing financial reports during the Covid-19 pandemic, the Government Accounting Standards Committee provides an explanation, as follows:

1. The Government Accounting Standards Committee considers that there is no part of the Government Accounting Standards that becomes invalid due to the Covid-19 Pandemic until the date of issuance of this guide.
2. Preparers of financial reports use appropriate and relevant Government Accounting Standards in recording and reporting transactions and conditions that occur. Several Government Accounting Standard Statements and Technical Bulletins related to the handling of the Covid-19 Pandemic include:
   a. Statement of Government Accounting Standards 01 Presentation of Financial Statements
      To deal with the Covid-19 Pandemic, the Government issued a policy to increase debt in order to fund spending on handling the Covid-19 Pandemic. The delay in some government activities is likely to cause supplies to take longer not to be distributed and construction work to be delayed completion. This will cause a significant change compared to the previous year, so it must be explained in the notes to the financial statements.
   b. Statement of Government Accounting Standards 02 Cash Based Budget Realization Report (LRA).
      The Covid-19 Pandemic handling program will have an impact on changes to the 2020 State Expenditure Budget / Regional Expenditure Budget and its realization will be reported in the Budget Realization Report (LRA). The items in the Budget Realization Report will experience significant changes compared to the previous year, therefore these changes must be explained in the notes to the financial statements.
   c. Statement of Government Accounting Standards 04 Notes on government financial report/s(CaLK).
      In the context of adequate disclosure, information on the handling of the Covid-19 Pandemic can be disclosed adequately, including:
      1) The financial and macroeconomic fiscal policy section explains the impact of the Covid-19 Pandemic on fiscal entities and policies, budget changes and macroeconomic conditions affected by the Covid-19 Pandemic.
      2) A summary of the achievement of financial targets explains the impact of the Covid-19 Pandemic on financial achievement.
      3) The accounting policy explains that the handling of the Covid-19 Pandemic is not presented in an extraordinary post because the influence of the Covid-19 Pandemic has almost spread throughout all financial statement posts. For this reason, the impact of the Covid-19 Pandemic will be explained in the disclosure of financial report posts that were significantly affected.
      4) Financial report posts that had a significant impact on the Covid-19 Pandemic explain changes in these items as a result of budget reallocation or refocusing, for example: unexpected expenditures, goods spending, and capital expenditures. The impact of a decrease in economic activity that has

an impact on income and several government policies that have an impact on increasing debt, delays in government projects that have an impact on construction on completion and supplies.

d. Statement of Government Accounting Standards 06 Investment Accounting

Government policies in order to stabilize the financial system are carried out through the placement of state capital in State-owned enterprises (SOEs) / corporation / private, either through direct investment or through financial institutions, as well as the possibility of decreasing the value of government ownership due to the loss of state-owned enterprises

e. Statement of Government Accounting Standards 09 Obligations

Government obligations that have been determined based on regulatory provisions and existing contracts are recognized in accordance with the Government Accounting Standards Statement on Obligations. The special debt policy carried out in the context of handling the Covid-19 Pandemic needs to be explained in the notes to the financial statements.

f. Technical Bulletin 13 Grant Accounting

Activities of giving grants by the Central Government to local governments, to institutions or to the community directly, as well as activities to provide grants by local governments to institutions or to the community directly or receiving grants by the government from the government or other institutions as well as those from the community directly reported in the financial statements following the provisions or referring to this Technical Bulletin.

g. Technical Bulletin 19 on Accrual-Based Social Assistance Accounting

Accounting and financial reporting for government assistance programs aimed directly at the community in the form of providing social assistance is referred to in this Technical Bulletin.

h. Technical Bulletin 24 on Accrual-Based Tax Revenue Accounting

This technical bulletin can be used as a guide in financial reporting in the field of taxation.

3. The Covid-19 pandemic is an extraordinary event. However, the handling of the Covid-19 Pandemic was carried out based on statutory provisions and budgeting which are fully under the control of the Government. The impact of the handling of the Covid-19 pandemic affected the government's fiscal policy and had an impact on the macro economy, thus affecting almost all posts in financial reports. For this reason, it is not necessary to present special items in the Operational Report and add new items to the Financial Statements, except for additional information in the notes to the financial statements as stated in point 2.c.

4. The government can provide additional information explaining the impact of the Covid-19 Pandemic and the activities the government has carried out in order to deal with the Covid-19 Pandemic. The preparation of this additional information can be adjusted according to managerial needs or the requirements of laws and regulations. The information that can be presented includes, among others:

a. General information on the impact of the Covid-19 Pandemic on health, economy and financial policy.

b. Steps taken by the government in dealing with the Covid-19 Pandemic.

c. Budget refocusing and budget reallocation carried out in the context of health, social safety nets and economic strengthening.

d. An explanation for the decline in revenue as a result of changes in macroeconomic conditions.

e. Budget changes due to refocusing and budget reallocation for handling the Covid-19 Pandemic. This guide serves as a guideline for preparing government financial reports during the Covid-19 Pandemic. The Government Accounting Standards Committee will monitor and improve the guidelines if there are things that need to be adjusted. The central government and regional governments can determine certain accounting policies if needed.

3.3 Potential for fraud in Handling the Covid-19 Pandemic

Fraud (fraud) is a deliberate fraud that causes losses without realizing it by the aggrieved party and provides benefits to the perpetrator of the fraud. Fraud generally occurs because of pressure to commit fraud or an urge to take advantage of existing opportunities and there is (generally accepted) justification for such actions.

In accelerating the handling and prevention of covid-19, the Government has conducted budget refocusing and budget reallocation through optimization of Unexpected Expenditures (BTT) which prioritize 3 things: 1) health management and other health-related matters; 2) handling of economic impacts, especially keeping the business world in the respective regions alive; and 3) provision of a social safety net (JPS). Of course, the three priorities above have the risk of fraud, from the procurement of goods / services both medical equipment, personal protective equipment, rehabilitation of isolation rooms, basic necessities, distribution of Social Safety Nets to economic safety net capital assistance or JPE.

3.4 The Role of Government Internal Oversight in Preventing Fraud During Pandemic

Role and Function of Internal Audit A shift in the philosophy of internal auditing from the old paradigm to a new one, marked by a change in the orientation of the role of the internal auditor profession as a watchdog to become a consultant and partner for management. The paradigm shift in the role of internal audit has consequences for a more proactive approach to auditing and a more focused audit on risk-based audits, so that internal auditors play a role in identifying and analyzing the risk of organizational activities. (Asy ' et al., 2013)

The role of internal audit oversight itself, based on the definition of the Institute of Internal Auditors, is as an independent and objective insurance and consulting activity designed to add value and improve organizational operations. Meanwhile, there are at least 3 (three) functions of the internal audit, namely:

1) Determine whether the company's internal control is good or not;
2) Determine the reliability of information prepared by management; and
3) Determine the level of effectiveness and efficiency of various operational activities of the organization.

The work effectiveness of the Government Internal Supervisory Apparatus, in accordance with Government Regulation Number 60 of 2008 concerning Government Internal Control Systems can be measured by at least fulfilling the following criteria:

1) Providing adequate confidence in the obedience, efficiency, efficiency and effectiveness of achieving the objectives of implementing the duties and functions of government agencies;
2) Providing early warning and increasing the effectiveness of risk management in carrying out the duties and functions of government agencies; and
3) Maintain and improve the quality of governance in the implementation of duties and functions of government agencies.

Changes during this pandemic did not change the three roles of the Government Internal Supervisory Apparatus. In effect, every task of the Government Internal Supervisory Apparatus has been planned at the beginning of the year by making an Internal Audit Plan. The pandemic period that has been present since March, of course, was not indicated when the Internal Audit Plan was made. so that it becomes irrelevant if forced to stick to these plans. From an economic point of view, it would be a waste, if the internal audit still insists on working on the audit plan. In this time of pandemic, there is no way we can work with everything we assume. It is necessary to make a priority scale for the work to be carried out, so that it can still provide added value at this time. In order to choose the priority scale, it is necessary to have good communication between Internal Audit and Management. Internal audit is expected to be able to talk and interact with management, that the current function of the Government's Internal Supervisory Apparatus is to assist consultations, not just for auditing. Because right now we are facing a disaster, so we must focus on try to help, not just acting as a watch dog. During this pandemic, all of us, including internal auditors, are expected to have a sense of crisis. It is hoped that the Government Internal Supervisory Apparatus will be willing to remove the hat of their internal auditors and make several modifications in several areas, particularly by (1) Identifying high risk areas using the probability & impact risk assessment method; (2) Conduct intensive supervision regarding the potential risk of fraud, (3) ensure whether crisis management, disaster recovery, business contingency plans have been established, so that crisis management can be carried out systematically, (4) Conduct internal supervision (internal control) over high risk areas, in order to identify fraud risk detection, (5) Carrying out monitoring activities related to compliance and effectiveness, (6) increasing the role of advice and insight (consultancy / advisory) especially related to governance, risk and control;

(7) Continuously improving and utilizing information technology to support the implementation of fast and intensive internal control (Continuous Auditing); (8) conducting real-time assurance (minimizing after the fact);

(9) Adopting a Collaborative Approach (intensive communication between the audit team and stakeholders to provide advisory during the pandemic period; and (10) Alignment of audit plans in accordance with the pandemic period. Internal audit must be able to provide control services in real time. No need to wait after a new incident is audited, but real time assistance can be provided to mitigate deviations that occur, while still monitoring the controls carried out, and providing other alternative consulting services. , it is hoped that the Internal Auditor can carry out their role more effectively and can provide added value to the organization.

The Government's Internal Supervisory Apparatus acts as Quality Assurance, namely ensuring that an activity can run efficiently, effectively and in accordance with the rules in achieving organizational goals. The focus of the implementation of the "supervision and inspection" task is to take preventive action, namely preventing errors in the implementation of programs and activities by the Regional Government Work Units and correcting mistakes that have occurred to be used as lessons so that these mistakes do not recur in the past. will come. On the basis of this role, all internal government supervisors both at the central and regional levels are required to continue to maintain the implementation of Covid-19 handling and continue to collaborate, innovate, and help each other to create accountability for handling Covid-19 in their respective regions.

Therefore, the government must continue to cooperate with the Financial and Development Supervisory Agency as an internal auditor, as well as all active officials in ministries / agencies and local governments. Handling a pandemic requires speed but at the same time it is emphasized that speed must not compromise accountability, transparency and good management.

The government internal supervisory apparatus must carry out supervision to ensure that the objectives are achieved and / or so that there is no risk of failure and fraud in the future. Social assistance to the community can be distributed effectively and distribution of medical devices can be done in a timely manner.

In anticipation of several policies related to handling covid-19, first, escorting financial accountability by State development audit agency (BPKP) to the central and regional governments, by forming a technical escort team. At the regional level, the Head of the State development audit agency has issued a letter No. S-336 / K / 2020 dated 23 March 2020 to Governors throughout Indonesia, and the technical team at State development audit agency representatives will provide assistance to local governments in terms of financial accountability for handling Covid-19; second, assistance by the government internal supervisory apparatus or APIP in this case the Inspectorate which is oriented towards risk mitigation and prevention of irregularities. APIP is asked to provide assistance to regional apparatuses that handle the procurement of goods / services for handling Covid-19 and periodically report to the Inspector General of the Ministry of Home Affairs in accordance with the Inspector General Letter of the Ministry of Home Affairs Number 700/859 / IJ dated March 26, 2020; third, safeguarding and escorting strategic development related to APBN and APBD allocations in the context of overcoming Covid-19 by the prosecutor's office in accordance with the letter JAM Intelligence No. R-TI-03 / D / Dek / 03/2020 dated 30 March 2020 and confirmed again by the letter JAM Intelligence No. B-563 / D / Dpp / 04/2020 dated April 20, 2020. There are two substances of security by the prosecutor, namely the security pattern in the form of coordination in terms of providing legal opinions and supporting investigations / security functions related to distribution and distribution of protection budgets. social; fourth, strengthening coordination between APH and APIP if there are reports of public complaints of irregularities in the use of the covid-19 control budget so that the prosecutor's office puts forward coordination with APIP and related agencies to ensure the truth of public reports. Although, of course there are challenges and obstacles that must be experienced by the Government Internal Supervisory Apparatus in carrying out their role during this pandemic, namely (1) limited travel outside the city for conducting audits; (2) The risk of having an auditor infected with a virus that must be quarantined, thus impacting on the implementation of the audit plan by reducing the number of members of the audit team; (3) Conditions for working in a Work From Home manner which can be disrupted at any time, due to unstable internet or network connections; and (4) The number of employees (auditee) is limited in the office, so that they are unable to fully assist the auditor in fulfilling requests for the required audit information. In facing these challenges and obstacles, adjustments need to be made, especially in the accountability of supervisory duties.

CONCLUSION

In implementing the regional financial accounting system, it must be based on accrual-based government accounting standards, namely Government Regulation No. 71/2010. The benefits of implementing a regional financial accounting system based on Government Regulation No. 71/2010 concerning Government Accounting Standards are aimed at increasing accountability and management reliability. government finance through the preparation and development of government accounting standards. During the pandemic, the Government accounting Standards Committee has issued Guidelines to be used in the application of the relevant Government Accounting Standard Statements (PSAP) related to government programs and activities carried out in the context of handling the Covid-19 Pandemic. This manual is not a standard statement and is not intended to provide an interpretation of the Governmental Accounting Standards Statement. Refocussing of Activities and Budget Reallocation, as well as Procurement of Goods and Services in the Context of Accelerating Handling of Corona Virus Disease 2019 (Covid-19), can be another potential fraud that might develop related to budget management for handling the COVID-19 pandemic in Indonesia. Therefore, in implementing the government budget related to accelerating the handling of the Covid-19 pandemic, assistance is needed by the Government Internal Supervisory Apparatus who acts as Quality Assurance, namely ensuring that an activity can run efficiently, effectively and in accordance with the rules in achieving organizational goals.

REFERENCES

Arjuli, D. (2019). Jurnal Humaniora Pengaruh Kebijakan Pertanggungjawaban Akuntansi Sektor. *Jurnal Humaniora, Vol. 3, No. 1, April 2019 : 26-35*, *3*(1), 26–35.

Asy ', M. A., Prasetyono, A., & Haryadi, B. (2013). Peran Dan Fungsi Satuan Pengawasan Intern Dalam Pencegahan Fraud Pada Perguruan Tinggi X. *JAFFA Oktober*, *01*(2), 99–112.

Prof. Indra Bastian, P. D. (2019). Lingkup Akuntansi Sektor Publik. *Lingkup Akuntansi Sektor Publik*, 1–52.

Risnaningsih. (2016). IMPLEMENTASI DAN KENDALA SISTEMAKUNTANSI PEMERINTAH DAERAH BERBASIS AKRUAL Writer: *Universitas Tribhuwana TunggadewiMalang*, *XI*(2). http://ejournal.stiedewantara.ac.id/

Rizky, H. P., & Setiawan, D. (2019). Perkembangan Penelitian Akuntansi Sektor Publik di Indonesia. *Assets: Jurnal Akuntansi Dan Pendidikan*, *8*(2), 94. https://doi.org/10.25273/jap.v8i2.4647

Santoso, U., & Pambelum, Y. J. (2008). Pengaruh Penerapan Akuntansi Sektor Publik Terhadap Akuntabilitas Kinerja Instansi Pemerintah Dalam Mencegah Fraud. *Jurnal Administrasi Bisnis Unpar*, *4*(1), 14–33. https://doi.org/10.26593/jab.v4i1.363.

Simanjuntak, B. H. (2005). Menyongsong Era Baru Akuntansi Pemerintahan Di Indonesia. *Jurnal Akuntansi Pemerintah*, 1–15.

Standar, K., & Pemerintahan, A. (2020). *PANDUAN PENERAPAN STANDAR AKUNTANSI PEMERINTAHAN (SAP) PADA MASA PANDEMI COVID-19*.

Suryanto, S. (2018). *Prodi ilmu pemerintahan fisip unikom*. 6.

Tedi Rustendi. (2018). *Fraud Pencegahan Dan Pengungkapannya Dalam Perspektif Audit Internal* (Issue Januari). https://www.researchgate.net/publication/336114251%0AFRAUD:

Yuhertiana, & Indrawati. (n.d.). *REFORMASI AKUNTANSI SEKTOR PUBLIK: MEWUJUDKAN PELAYANAN PUBLIK YANG LEBIH BAIK MELALUI PELAPORAN KEUANGAN PEMERINTAHAN YANG AKUNTABEL Indrawati Yuhertiana*. 1–17.

Bastian, Indra. 2010. Akuntansi Sektor Publik: Suatu Pengantar. Erlangga, Jakarta

Zahari, A.I., Said, J. and Arshad, R. (2020), "Organisational fraud: a discussion on the theoretical perspectives and dimensions", *Journal of Financial Crime*, Vol. 27 No. 1, pp. 283-93. https://doi.org/10.1108/JFC-04-2019-0040

Tarigan dan Nurtanzila.(2013),"Standar Akuntansi Pemerintahan dalam Mewujudkan Akuntabilitas dan Transparansi Pengelolaan Keuangan Daerah**",**Jurnal Kebijakan & Administrasi Publik JKAP Vol 17 No 1 - Mei 2013 ISSN 0852-9213

Yayasan pendidikan Internal Audit. (2008). Pengendalian Internal & ManajemenRisiko. Jakarta : YPIA.

https://www.kemenkeu.go.id/publikasi/siaran-pers/siaran-pers-rakernas-akuntansi-dan-pelaporan-keuangan-pemerintah-2020-mewujudkan-akuntabilitas-dalam-penanganan-pandemi-covid-19-dan-pemulihan-ekonomi-nasional, 22 September 2020.

https://setkab.go.id/peran-internal-audit-dalam-pengawasan-pelaksanaan-kebijakan-di-masa-status-kejadian-luar-biasa/

https://www.tempo.co/abc/5446/pemerintah-indonesia-diminta-terbuka-dan-tegas-dalam-tangani-virus-corona

https://www.ayosemarang.com/read/2020/04/25/55953/mengatasi-bencana-covid-19-tanpa-takut-terkena-becana-korupsi, 25 April 2020 Penulis Adib Auliawan Herlambang.

ANALYSIS OF INTERNAL CONTROL AND EFFORTS TO PREVENT FRAUD ACCOUNTING IN EDUCATION SECTOR DURING THE PANDEMIC (School Operational Assistance Fund)

Farida Maria Dewi [a] , Indrawati Yuhertiana [b] ,

[a] *Master of Accountancy, Universitas Pembangunan Negeri (UPN) VETERAN, Surabaya, Jawa Timur, Indonesia*
[b] *Universitas Pembangunan Negeri (UPN) VETERAN, Surabaya, Jawa Timur, Indonesia*

ABSTRACT

Corruption cases in the public sector have increased in recent years. The practice of misuse of the budget in the education sector during a pandemic. This happens because the internal control system is ineffective, the budget in the education sector during the pandemic. This happens because the internal control system is already effective so that it provides an opportunity to commit fraud. The objectives of this study are (1) to determine the application of internal control based on the concept of Good Corporate Governance (GCG) as an effort to prevent potential accounting fraud, (2) to determine the obstacles faced in implementing internal control based on the concept of Good Corporate Governance (GCG) as an effort to prevent potential for accounting fraud, (3) knowing the steps taken to overcome the obstacles faced in implementing internal control based on the concept of Good Corporate Governance (GCG) as an effort to prevent potential accounting fraud. This research uses a qualitative approach with a descriptive approach. The data used in this research are primary and secondary data in the form of interviews, observations, documentaries, and literature studies. The results showed that the implementation of internal control in the public sector on the concept of Good Corporate Governance (GCG) has not run optimally.

Keywords : Accounting Reform, Public Sector , Uninte n d ed Outcome, Fraud

INTRODUCTION

Fraud has developed in various countries, including Indonesia. Generally, fraud is related to corruption. Indonesia is a country with a high level of corruption. In the last two decades, Indonesia is still subject to high levels of corruption. Of the 168 countries reviewed, Indonesia ranks 88th in the corruption perception index (Transparency International 2016). Various attempts have been made to eradicate corruption. Indonesia's corruption perception index has not changed significantly. Corruption is one of the causes for the low index of Indonesia's global competitiveness. Corruption and inefficient government bureaucracy have become major obstacles to the business world in Indonesia. Efforts to suppress and minimize fraud incidents are activities that should be carried out seriously both by management and by internal audit in the central and regional government sectors. The factors that cause fraud cannot be separated from the concept of the fraud triangle, namely pressure, opportunity, and rationalization which is called the fraud triangle (Nahartyo &., 2018).

Opportunities to carry out fraud exist throughout the organization and are greatest in areas where internal control is weak (Dewi & Ratnadi, 2017). The education sector is also inseparable from fraudulent practices. The education sector has long been pointed out as one of the wetlands for corrupt practices in this Republic. Education is one of the areas that receive the highest budget. Indonesia Corruption Watch considers the education office to be one of the most corrupt institutions in Indonesia. Indonesia Corruption Watch noted that in the education sector, the most dominant mode of corruption is mark-ups for procurement of goods and services. Education budget. One of them is the School Operational Assistance (BOS) fund. The obligation of the school to report the detailed School Operational Assistance budget to the Ministry of Education and Culture still does not fully guarantee that BOS funds are safe from corrupt practices if they are not accompanied by other efforts, such as transparency and supervision from the community. School Operational Assistance Fund is a government program that is used to provide non-operational costs in accordance with the technical guidelines for School Operational Assistance funds.

The government has decided that the School Operational Assistance funds during the Covid-19 pandemic can be used more flexibly, including to support online teaching and learning activities, including purchasing internet quotas by teachers and students, procuring disinfectants, and other supporting facilities. However, in terms of accountability, the use of these education support funds must still meet the aspects of transparency and accountability. Moreover, from experience so far, the risk of fraudulent management of School Operational Assistance funds can occur at all levels. Fraud in the management of School Operational Assistance funds occurs

in almost all processes, from planning, implementation, reporting, even supervision / monitoring. At the planning stage, fraud on BOS funds was in the form of planning that was not in accordance with the real conditions, collusion in fulfilling the criteria for BOS recipients, bribes, and gratuities for applying for School Operational Assistance. At the implementation stage, fraud was found in the form of setting certain parties as vendors, gratuities in the procurement process, inflating prices, fictitious activities, and the use of School Operational Assistance funds for personal gain. Other fraud in this stage is in the form of use that is not in accordance with the provisions, embezzlement of BOS funds, and illegal fees in channeling funds. In the reporting process, there was accountability that was not in accordance with the regulations, evidence of fictitious accountability, double financing, to falsification of evidence of accountability. While at the supervision stage, violations in the form of bribes and gratuities are in the process of supervising school operational assistance.

For internal control, all parties related to the management of BOS funds are asked to report cases they encounter to the authorities, or make the whistleblower's system effective towards clean governance. Public sector accountants are also expected to play an optimal role in guarding the accountability of these School Operational Assistance funds.

THEORETICAL BASIS

The theoretical basis used in this research is:

1. Fraud Triangle The Fraud Triangle is a Model Fraud Triangle (Cressy 1953) shows that corruption can occur due to three conditions: pressure to engage in acts of corruption, opportunity, and rationalization. Pressure can take the form of a need to achieve performance targets, personal satisfaction, or fear of failure (Murphy and Free 2016). Opportunities to commit fraud can be materialized when organizational control systems are weak or when organizational culture and management styles support corruption (Laxman, S., R. Randles, 2014). Rationalization is associated with a person's willingness to commit corruption and his ability to shift responsibility to other parties (Nahartyo, 2018)

2. Perception theory is a psychological factor that has an important role in influencing a person's behavior. Each individual or group has very different perceptions influenced by individual interpretations. Perception according to Robbins (2005) is a process where individuals organize and interpret their sensory impressions in order to give meaning to their environment. However, what a person receives can fundamentally differ from objective reality. Individual behavior is based on their perception of reality, not reality itself (Yanti & Purnamawati, 2020)

3. Fraud According to Tuanakotta (Tuanakotta, Theodorus, 2012) is an illegal act committed by one person or group of people on purpose or in a planned manner that causes a person or group to get profit, and harm other people or groups. Fraud can occur due to a number of reasons, namely weak internal controls, lack of understanding of regulations so that compliance with rules or regulations is weak or can lead to the establishment of policies that are not up to date, and weak monitoring. One of the ways that companies can do to prevent fraud is to reduce the chances of fraud by paying attention to policies in an organization (Yanti & Purnamawati, 2020).

4. Internal Control The Committee Of Sponsoring Organization Of Treadway Commission (COSO, 2013) defines internal control as follows: "Internal control is a process, effective by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement. of objectives relating to operations, reporting, and compliance". Referring to the above definition, internal control is a process that is an integral part of an organization's operational activities that aims to provide adequate assurance on the effectiveness and efficiency of the organization, the reliability of financial reporting, and the organization's compliance with laws. Internal control creates a basis for job descriptions that must be done by individuals according to their function because it is expected to guarantee the protection of the organization's funds, ensure that there is effective and efficient asset management, and that the financial reports are accurate (Lingga, 2017).

RESEARCH METHODOLOGY

This research is a descriptive study, using a qualitative approach. In this study, we want to gain an understanding of the implementation of internal control based on Good Corporate Governance (GCG) in an effort to prevent potential fraud in the education sector during a pandemic, to find out the obstacles in implementing internal control based on the concept of Good Corporate Governance (GCG) in an effort to prevent potential fraud and also the steps used in dealing with obstacles in implementing internal control based on the concept of Good Corporate Governance (GCG) in an effort to prevent potential fraud. The focus of this research is on the policies implemented in Schools for Beneficiaries in Lamongan Regency, East Java. Related to internal control as an effort to prevent

potential fraud during a pandemic. Sources of data used in this study are divided into two data categories, namely: Primary data is data obtained from interviews with informants in this study: Principals, Deputy Principals, Treasurers, Teachers and employees in schools receiving aid funds, data secondary in this study in the form of notes or historical reports of school operations. The data collection methods used in this research are observation, interview, documentation, and literature study.

The data analysis technique used in this study refers to the Milles and Huberman concept, namely the interactive model data analysis method. Milles and Huberman (1984) (Miles, 1984). Activities in data analysis according to Milles and Huberman, namely: Data reduction, data display, Conclusion drawing / verification. Testing the validity of the data is carried out to prove whether the research being carried out is truly scientific research as well as to test the data obtained. Data validity tests in qualitative research include credibility, transferability, dependability, and confirmability tests (Sugiyono, 2017).

RESULTS AND DISCUSSION

According to Tuanakotta (2012: 28) Cheating is an action carried out by one person or group that is carried out illegally with a planned purpose that causes a person or group to benefit, and harms other people or groups. Fraud can occur due to a number of reasons, namely weak internal controls, lack of understanding of regulations so that compliance with rules or regulations is weak or can lead to the establishment of policies that are not up to date, and weak monitoring. One of the ways that schools can do to prevent fraud is by reducing the chances of fraud by paying attention to policies and regulations in school. School X to prevent the potential for accounting fraud, it is necessary to improve the policies that apply to school X by implementing the concept of Good Corporate Governance (GCG) as an internal control in preventing potential accounting fraud. To minimize risks to the management of BOS funds, the government is currently trying to simplify the bureaucracy for the distribution of BOS funds. Starting this year, the mechanism for channeling BOS funds is carried out from the State General Treasury directly to schools, so that it can cut bureaucracy, minimize delays, maintain accountability, and distribute simultaneously in 34 provinces. In addition, Regular School Operational Assistance during the Covid-19 emergency can be used to purchase pulses, data packages, and / or paid online education services for educators and / or students in the context of implementing learning at home. BOS funds can also be used to purchase hand sanitizing fluids or soaps, disinfectants, masks, or other hygiene and health support. Sutanto said, based on Permendikbud Number 19 of 2020 concerning Technical Guidelines for Operational Assistance for Regular Schools, the allocation of funding for school administration activities can be used to purchase hand sanitizing liquids or soap, disinfectants, masks or other hygiene support. BOS funds can also be allocated to finance power and service subscriptions, to purchase pulses, data packages, and / or paid online education services for educators and / or students in the context of implementing learning from home. Meanwhile, the payment of honorariums, the percentage of honorarium of 50% does not apply during the Covid-19 emergency period, according to changes in the policy of the BOS funds 2020 (Sari, Rifki, & Karmila, 2020)

This was expressed by the Principal: "The policy that I took to prevent fraud cases applied the concept of Good Corporate Governance (GCG) as an internal control, namely transparency, accountability, responsibility, independence and fairness.

The implementation of internal control is based on the concept of Good Corporate Governance (GCG) as an effort to prevent potential accounting fraud at School X.

The policy on internal control which is based on the concept of Good Corporate Governance (GCG) applies to Principals, Deputy Principals, Treasurers, Teachers and school employees. As a first step to gain understanding by interviewing several informants related to the implementation of internal control based on the concept of Good Corporate Governance (GCG) in an effort to prevent potential accounting fraud as a whole. The Internal Control Process of an organization consists of five elements by the 2013 Committee of Sponsoring Organizations (COSO), namely the control environment, risk assessment, control activities, information and communication and supervision. The results of interviews obtained various statements from informants about the implementation of internal control based on the concept of Good Corporate Governance (GCG) in an effort to prevent potential accounting fraud in accordance with the components of internal control according to COSO (2013), the concept of Good Corporate Governance (GCG) can be implemented accordingly. with internal control components, namely:

1. Organizational Control Environment is implemented by: Transparency in the management of school funds. The first principle in the application of good governance is transparency. Transparency is a form of

reciprocity between an organization and external parties or the public through organizational information disclosure. The practice of school transparency is seen from the management of education funds in these schools, both in the management of education guidance funds and school operational assistance funds. Schools still disclose the limited use of BOS funds and education guidance funds. The use of school funds was not fully realized, in this case the use of BOS funds in a transparent manner. Most of its management is known only by the internal school. Likewise with school funds that are routinely paid by students every month, parents / guardians only know the nominal amount and the general use of these funds. In theory, the control environment is related to the Glifandi Attribution theory, 2011 which explains that the actions taken by a person are caused by causal attributes. So the actions of a leader or person who is given authority or power are influenced by the attributes of the cause. Fraudulent actions can be influenced by the existence of an internal control system and monitoring by superiors. To deal with the problem of accounting fraud, monitoring is needed, to get good monitoring results, an effective internal control is needed (Wilopo, 2006).

2. Risk assessment, independence in educational institutions such as schools can be seen from the role of leaders in managing and managing the organization. School independence focuses on minimizing conflicts of interest between leaders and other parties. The policies in BOS funds, investment and utilization of surplus funds are still influenced and dependent on other parties, by identifying the risks that may occur after the implementation of an internal control policy based on the concept of Good Corporate Governance (GCG) is not implementing an internal control policy based on the concept of Good Corporate Governance (GCG).) well. The causes are self-awareness of each individual, the influence of socio-cultural factors, environmental factors where he lives and a lack of understanding of the concept of Good Corporate Governance (GCG). Assessment of risk is associated with the fraud scale theory, where the fraud scale theory is a theoretical development of the fraud triangle theory. In this scale fraud theory, one can find out the possibility of fraud or fraud by observing the pressure, opportunity and integrity of the perpetrators who will commit fraud, while risk assessment is the process of identifying, analyzing, monitoring and managing risks that may occur in the implementation of implemented policies. So, the risk assessment and the fraud scale theory have a similarity where the risk assessment and the fraud scale theory both observe or identify the possibilities that will occur in the future.

3. Control activities in the financial department at School X are implemented by means of: accountability in the management of school funds. The implementation of good organizational governance is seen from the accountability of the organization. Accountability in the management of school funds is a form of accountability for the use of funds that have been obtained, both for school funds which are accountable to the school principal and the accountability of BOS funds to the Education Office. The form of school responsibility for the use of school funds sourced from students by reporting all activities whose sources of funding are school funds. Based on the audit that has been carried out on the school, it shows that there are gaps caused by the information that does not reflect the existing information. The results of the examination from the government regarding the use of operational assistance funds, the school has used it according to its designation as regulated in Permendikbud No.3 of 2019 regarding technical instructions for regular school operational assistance. Until now, schools still have the trust of the government to manage aid funds from the government. Control activities are carried out to ensure that the direction of the principal is carried out in order to minimize the risk of achieving the school's vision and mission. When controlling activities are associated with the Gone theory, there are four factors that cause fraud, namely greed, opportunity, need and disclosure. These factors can be minimized by having good control activities.

4. Information and communication. Information refers to the existing accounting system, Fairness in School Fund Management. The indicator for assessing the governance of an organization is fairness (equality). Equality meant in schools is fair treatment of recipients or users of school funds. For example, in the distribution of BOS funds that were given to students, there was no standard mechanism related to screening of recipients, only based on the results of interviews when registering. There was no direct survey regarding the condition of potential beneficiaries. Based on school regulations, the priority recipients of school assistance funds are students who are poor and students who excel. However, all decisions in determining the recipient of these assistance funds are largely within the full authority of the School Principal. So that the distribution of BOS funds is vulnerable to being channeled to the wrong people. The factor of closeness between parents / guardians of students and the principal can reduce the principal's objectivity in distributing school funds so that the principle of justice is ignored. The assessment of the feasibility of being a beneficiary based on the results of the interview still contains high subjectivity, moreover, it is not followed by a direct observation of the condition of the prospective beneficiary in the field. Based on this information, there are findings that may occur, that based on the results of an interview a student is entitled to receive this grant. Meanwhile, communication is reflected in how to communicate in conveying opinions or ideas. Signaling

theory is a theory that relates to existing information which shows the existence of information asimacts between company management and parties with an interest in company information such as financial reports. Melewar (2008: 100) states signal theory shows that companies will provide signals through action, information and communication. By providing signals through good information and communication from the company.

5. Supervision can be done with responsibility in the management of school funds, the implementation of good governance must also be supported by the quality of organizational responsibility. Schools as educational sector institutions that provide educational services to the community must be able to account for the allocation of school funds to interested parties in the form of financial reports. Accountability for the use of BOS funds must be reported through a mechanism established by the government. The form of reporting is carried out using an information system that has also been required by the government. This has an impact on the obligations that must be fulfilled by the school in relation to the responsibility for making financial reports. Similar to the responsibility for making school internal fund financial reports, the school is also obliged to make financial reports in accordance with established rules. Responsibility for allocating school funding is seen from the level of conformity of the realization of school funding with the rules or procedures established by the school or legally conformity. In general, the realization of school funds must be in accordance with the planning of school funds. The allocation of funds for education in schools is still found in activities that were not originally budgeted for by the school, but were still held. If it is related to the Gone Theory, it is a theory that causes or encourages fraud proposed by Bologna in 1999 which consists of greed, opportunity, need and disclosure.

The concept of Good Corporate Governance (GCG) can be implemented in accordance with the components of internal control, namely the control environment, risk assessment, control activities, information and communication, supervision. From the results of observations using the recommendations of the COSO (Committee of Sponsoring Organizations of Tradeway Commission) which consists of 5 elements, it can be seen that the internal control system applied to school X has not been fully said to be good, where there are still weaknesses in the risk assessment which is influenced by several individual factors.

The obstacles faced in implementing internal control with the concept of Good Corporate Governance (GCG) as an effort to prevent potential accounting fraud at school X

Policies made by schools do not always run well, there are still obstacles. Internal control is based on the concept of Good Corporate Governance (GCG) in an effort to prevent potential accounting fraud in school X, there are still obstacles. including:

1. Pressure. Fraud or fraud in the world of goods / services procurement by means of marking up the procurement of goods and services could be because the treasurer is under pressure from superiors or other parties who need money from the process incorrectly. Superiors or other parties put pressure on the treasurer at school.
2. Justification (Rationalize), this happens because of self-justification in committing fraudulent procurement of goods / services because they have bad actions, dishonest character, lack of self-integrity and lack of compliance with legislation so that it can hinder the implementation of internal control policies based on the concept of Good Corporate Governance (GCG). Where this is due to a lack of understanding of the concept of Good Corporate Governance (GCG) so that it is not maximal in implementing the policies set by school X.
3. Ordinary opportunities were created when they were created through a planning system carried out by the leadership such as when preparing a school operational budget plan.

The obstacles that exist are associated with the fraud triangle theory, where this theory was put forward by Donald Cressey in 1953 which explains the factors a person commits fraud or fraud. These factors are pressure, opportunity, and rationalization. Moral education is very influential on cheating where if someone has a low moral education, that person will take advantage of the opportunity to meet their needs and rationalize all ways to get benefits.

The steps used to overcome obstacles in the implementation of internal control with the concept of Good Corporate Governance (GCG) as an effort to prevent the potential for accounting fraud in school X

1. Prevention of fraud due to pressure factors is to jointly improve the procurement ecosystem and integrity of Government PBJ actors.
2. Because fraud on the basis of this justification causes someone to behave greedily, the prevention in the procurement of goods and services at school is through the imposition of a firm witness in the event of fraud.
3. Continuous improvement of regulations and automation of procurement implementation, starting from the introduction of electronic tenders (e-procurement), with the SIPLAH application. In addition to these general provisions, there are many internal control techniques that can be carried out by each work unit involved in the implementation of Procurement. Goods and services at school.

CONCLUSION

Based on the results of the discussion in this study, it can be seen that in implementing the principles of governance, there are still obstacles, namely pressure, opportunity, and rationalization. Based on the discussion related to transparency, schools are still not open to achieving good school governance. On the other hand, the application of the principle of responsibility in schools has actually gone quite well. However, schools still find weaknesses in applying the principle of responsibility in the management of school funds. Likewise, the application of the principles of independence and fairness in schools is still not optimal. Thus, of the five principles of good management of school funds, it shows that schools are still not optimal in implementing all these principles. The implementation of good organizational governance in schools must improve the existing pattern of activities to fulfill each of these principles. The five principles that are applied optimally can improve the implementation of good governance in schools.

This study analyzes the implementation of good governance in schools in only one small part of the activity, namely the school fund management activities. This research has not focused on other activities, so this research cannot represent the condition of good governance in schools as a whole. This study cannot see the application of corporate governance in terms of school financial reports, because school financial data is sensitive school data so that the information on school financial data obtained is only based on the results of interviews obtained. Another limitation is that there is no concept that specifically describes good governance in schools.

ACKNOWLEDGMENTS

REFERENCES

Dewi, K. Y. K., & Ratnadi, N. M. D. (2017). The Effect of Internal Control and Integrity on the Tendency of Accounting Fraud in the Regional Work Units of Denpasar City. E-Journal of Accounting, 2017 (1), 917–941.

Laxman, S., R. Randles, and A. N. (2014). The Fight Against Fraud. Internal Auditor, February, 49-53. International Journal of Project Management. https://doi.org/10.1016/j.ijproman.2015.12.009

Lingga, R. T. & R. A. (2017). System As Predictor in Local Government. Mitigate It? Internal Control Systems as a Predictor of Accounting Fraud Can Individual Loyalty Mitigate It? State Financial Governance & Accountability, 3 (2), 113–129.

Miles, M.. & H. A.. (1984). Laxman, S., R. Randles, and A. Nair. (2014). The Fight Against Fraud. Internal Auditor, February, 49-53.

Nahartyo, E., &. H. (2018). Magnitude of Corruption, Rationalization, and Internal Control Quality: an Experimental Study on Subsequent Offense. Indonesian Journal of Accounting and Finance, 15 (2), 164–179. https://doi.org/10.21002/jaki.2018.09

Sari, W., Rifki, A. M., & Karmila, M. (2020). Distance Learning During the Covid Emergency 19. Journal of Mapp Pesona, (1), 12.

Sugiyono. (2017). Qualitative and Quantitative Research Methods R & D. Bandung: Elfabeta.

Tuanakotta, Theodorus, M. (2012). Forensic Accounting and Investigative Auditing. Bogor: Publishing Institute, Faculty of Economics, University of Indonesia. Jakarta.

Yanti, K. R. P., & Purnamawati, G. A. (2020). Analysis of Internal Control and Efforts to Prevent Accounting Fraud in the Hospitality Sector. Accounting Student Scientific Journal, 11 (1), 2614–1930.