

Analysis of the Effectiveness of Internal Control on the Quality of Financial Reports at the Ministry of Home Affairs, Republic of Indonesia

Dewi Vitri Rastikasari¹, F.X. Kurniawan Tjakrawala²

Study Program of Accountant Profession (PPAk), Business & Economic Faculty, Tarumanagara University

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Abstract- The internal control system on the SIMURP project at the Directorate General of Regional Development, Ministry of Home Affairs is implemented using the Government's Internal Control System. Financial management at the Directorate General of Regional Development uses the Agency Level Financial Application System in this paper we mention as SAKTI. The SIMURP project is carried out at the Directorate General of Regional Development which operates in the Water Resources sector and is part of the Sub Directorate of Public Works in the Directorate of SUPD II, Directorate General of Regional Development. Implementing internal control in financial management is intended to improve the quality of reporting at the Sub-Directorate of Regional Government Affairs II at the Directorate General of Regional Development, Ministry of Home Affairs. The aim of this research is to analyze the implementation of SIMURP project governance in the SAKTI in the Sub-Directorate of Regional Government Affairs II. This research is qualitative research with a case study approach. Data collection was carried out using interviews, observation, and documentation techniques. The selection of informants is based on certain criteria, namely by selecting administrative employees who act as users and users of SAKTI. Selection is based on employee knowledge and understanding of using the SAKTI application. In accordance with the provisions of the Republic of Indonesia Minister of Finance Regulation of PMK No. 171/PMK.05/2021 concerning the implementation of the SAKTI System. [7] The research results indicate that the SAKTI application at the SUPD II Directorate has been implemented well has had many positive influences and supports all main task activities and administrative functions at SUPD II.

Index Terms- *Internal Control over Financial Reporting* – ICoFR on SIMURP Project, SAKTI system, Directorate SUPD II

I. INTRODUCTION

a. Research Background

The case study research carried out is a review of the implementation of the effectiveness of internal control and formulating problems of the internal control for the SIMURP Project through the COSO ERM approach. This research was carried out period from 2019 to 2024. However, the focus of this research is on the transition period between the migration from an offline manual administrative process using the SAS system (Satker Application System) to a digital process using the Agency Level Financial Application System (SAKTI) for the 2019 – 2022 period, especially in the financial management process of the SIMURP Project.[1]

b. Scope of Problems

This research uses qualitative methods by applying theoretical studies. The case study research reviews the implementation of the effectiveness of internal control and formulating problems related to internal control, especially in the SIMURP Project. It is hoped that the results of this case study analysis will be able to identify and detect problems and control risks regarding internal control activities at Synchronization of Regional Government Affairs II as we mention as SUPD II and determine how effective the SAKTI application is in supporting the effectiveness of Internal Control over Financial Reporting.

c. Research Purposes

The purpose of this case study is to recognize the implementation of the SAKTI as a manifestation of internal control in the SIMURP project which is implemented at the Public Works Sub-Directorate, at the Directorate General of Regional Development, Ministry of Home Affairs.

d. Benefits of research

The results of this research can provide relevant recommendations for better control of digital financial management systems to the Directorate of SUPD II and, the Directorate General of Regional Development in general. This research also examines the effectiveness of internal control on the quality of financial reports at the Directorate of Synchronization of Regional Government Affairs II, Directorate General of Regional Development, Ministry of Home Affairs using an analysis method with the COSO ERM approach.

II. THEORETICAL BASIS

The SAKTI system is an application used for all the Satker (Taskforce) to support the implementation of SPAN to arrange financial management which includes planning stages to budget accountability. Implementation of SAKTI integrates all existing Unit Works and has the main functions of planning, implementation, and budget accountability. SAKTI system applies the single database concept it is arranged by accounting entities and reporting entities of State Ministries/Institutions. All accounting entity and reporting entity transactions are carried out electronically. The SAKTI system covers the entire state financial management process in the Unit Work starting from the Budgeting process, Implementation, and monitoring to Reporting. [3]

Sudarto, in his journal entitled Development of an Integrated Financial Management Information System (IFMIS) in Indonesia, defines the Financial Management Information System (FMIS) as a series of integrated automation solutions that enable the government to plan, execute, and monitor budgets by assisting in the prioritization, execution, and reporting of expenditures. and monitor and report income. IFMIS, in accordance with Ministry of Finance policy, includes a number of modules supporting functional processes related to government financial management that manage all APBN transactions which in 2019 include revenue targets, expenditure targets, and financing targets. Implementing the SAKTI system is a means for work units to support the implementation of SPAN to carry out financial management which includes planning stages so budget accountability. SAKTI integrates all satker (Unit Work) applications.[2]

As the Minister of Finance Regulation PMK No. 203/PMK.05/2019 concerning Amendments to Minister of Finance Regulation Number 159/PMK.05/2018 concerning Implementation of Piloting of Institutional Level Financial Application Systems, hereinafter referred to as SAKTI, is an application used to support the implementation of state treasury and budgeting systems in government agencies including several modules have been prepared. [6]

The State Treasury and Budget System, herein that we mentioned as SPAN. This system is part of the state financial management system which includes the implementation of business processes and the DIPA treasury management information system, budget preparation, cash management, commitment management, payment management, revenue management, and reporting management. SAKTI system implementation is a series of activities that implement SAKTI using human resources, business processes, infrastructure, and SAKTI technology in State Ministries/Agencies' Working Units. [5]

The implementation of the SAKTI application is an integrated accounting and planning system from the Ministry of Finance to accommodate various matters related to planning, implementation, and reporting of budgets sourced from the APBN. This powerful application is expected to be able to engage various interests from the planning, realization, and reporting stages. So that the process of monitoring and evaluating budget implementation can also be carried out well. [11] This system was designed by the government to improve financial management of the use of funds through the KPPN office. With the new system, all implementing Unit Works have a good concept of the operation of the SAKTI through technical training.[12]

Committee of Sponsoring Organizations (COSO) of the Treadway Commission which is a comprehensive internal control framework for measuring the effectiveness of an entity's internal control. By implementing internal control in the COSO framework in this research, the Directorate General of Regional Development is able to evaluate financial performance and management in the entire internal control section. By this framework, the Directorate General of Regional Development is able to manage the risk management in line with the entity's objectives.

This research is to measure the effectiveness of internal control on the quality of financial reports at the Directorate of Synchronization of Regional Government Affairs II, Directorate General of Regional Development, Ministry of Home Affairs using an analysis method with the COSO ERM approach. The definition of risk management is a process that is influenced by the Board of Directors, management, and other personnel as a process within Taskforce that is applied to the established strategies and which is designed to identify potential cases that can affect the progress and manage risks and synchronized with the goals and objectives of the Taskforce.

The next development of COSO is COSO-ERM, Enterprise Risk Management where each unit of work has its own characteristics and different types of risks to handle it through internal control we must adapt to the company's internal and external conditions to avoid losses and also to detect potential losses that will occur happen. COSO-ERM is an organization that disseminates ideas regarding the development of frameworks and guidelines in managing enterprise risk management, internal control, and preventing losses. The COSO approach that was initially developed the COSO Internal Control Framework, which was used to evaluate internal control. [13]

However, the utilization of the COSO Internal Control Framework has a weakness in internal control, it does not look at the objectives and risks in business processes and only provides a little explanation of the results of the evaluation results. When a company decides to implement the COSO Internal Control Framework method it will be difficult to know which control system is most important, whether the controls implemented are able to overcome the risks, and whether there are no other important controls. COSO-ERM 2004, is a method for assessing internal control in the form of a cube where each side of the cube describes the conditions and framework of managing a company. COSO-ERM 2004 is depicted in three-dimensional cube form as follows:

1. The top side is the organization's goals, which consist of strategy, operations, reporting, and compliance, which are the four important elements of objectives in COSO-ERM.
2. The front side is the ERM component to achieve goals, this consists of the internal environment, objective setting, event identification, risk assessment, risk response, control activities, information, and communication and monitoring.
3. The side shows the scope of ERM implementation within the organization consisting of subsidiaries, business units, divisions, and entity levels.

The four objectives in COSO-ERM consist of:

1. Strategic, there are goals and targets that are prepared in accordance with business governance in line with strategic objectives, business models, and external factors of the company.
2. Operations, the management and allocation of resource development for business processes, upstream value chains, and downstream value chains.
3. Reporting is reporting carried out through information collection, analysis, and communication involving information technology, financial aspects, internal aspects, and intellectual assets.
4. Compliance is the company's compliance with applicable laws and regulations that are binding on legal rules such as environmental norms, obligations as citizens, and all agreements contained in the company's contract requirements.[9]

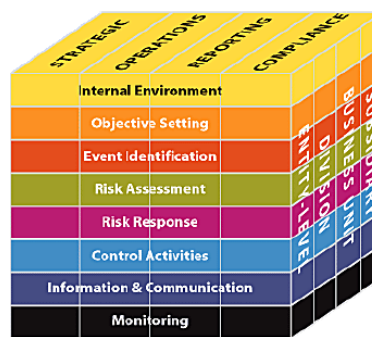


Figure 1. COSO-ERM dimension [4]

In COSO, there are 5 (five) stages of the internal control framework and identified as components as follows:

1. Control Environment,
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

2.1 SIMURP Project Transaction Cycle

The SIMURP Project transaction cycle at the Directorate General of Regional Development consists of planning, implementation, monitoring, evaluation, and reporting. The mechanism of the financial process figure as follows.

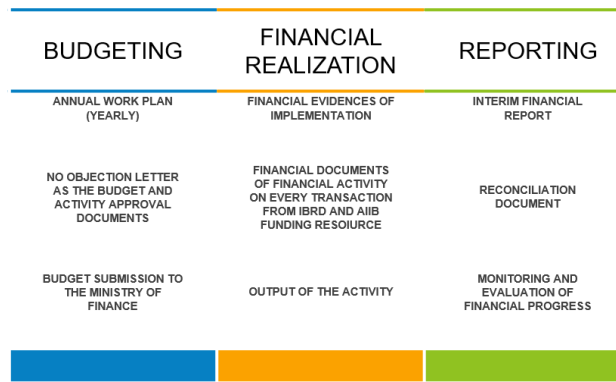


Figure 2. Financial Mechanisms in SIMURP Project

The SIMURP project is audited by BPK-RI regularly, both regularly at the SUPD II Directorate and with special loan audits at the Ministry of Public Works. The SUPD II Directorate has employed special operators to operate the SAKTI application in the expenditure and revenue budgeting section and in the treasury section. The financial management mechanism is further divided into three financial cycles that consist of the Budgeting Cycle, Expenditure Cycle, and Human Resource Cycle.[10]

III. RESEARCH METHODOLOGY

This research uses the qualitative method to analyze the implementation of the SAKTI. The research was conducted by collecting data through archival recordings/documentation, interviews, and observations. [14] The research was carried out at the Directorate of SUPD II, Directorate General of Regional Development, Ministry of Home Affairs, Jl. Taman Makan Pahlawan No. 20 Kalibata, South Jakarta. The choice of research location was based on the fact that the agency is one of the units that contribute to the implementation of SAKTI.

This research uses data collection methods with observation techniques by looking directly into the field to find out directly about the implementation of the SAKTI in Directorate SUPD II, Directorate General of Regional Development in the Ministry of Home Affairs on SIMURP Project. [8] The interview method was carried out for a maximum of 30 minutes using a recording device with research the informants who technical staff using the application. In conducting the research, there were 8 questions in the interview session with related parties which will be discussed further. Data analysis units and techniques contain indicators such as verification, compliance, and evaluation. Data collection from informants uses the following basic questions:

1. What and how do you know about the SAKTI application?
2. What differentiates the implementation of the SAKTI system from the previous system?
3. How effective is the implementation of the SAKTI system compared to the previous system?
4. What are the obstacles in implementing the SAKTI application system?
5. Who is involved in implementing the SAKTI system in SUPD II?
6. Who is responsible for implementing the SAKTI system in SUPD II?
7. Where is the SAKTI application system implemented, for example, document flow and business processes?
8. What is the flow of data input and management in the SAKTI application system for operators in the budgeting sector?
9. What is the flow of data input and management in the SAKTI application system for treasury operators?
10. How to control every job carried out by the operators?

The result of the interview was documented as additional information from other sources from books, journals, and regulations related to the implementation of the SAKTI. The data analysis technique is to classify the problems to focus the findings to facilitate understanding of the data collected. Presentation of data, a collection of information that provides an overview of the entire research is simplified so that it is easy to read.

IV. RESULT AND DISCUSSION

Analysis of internal control, especially in the SIMURP project through the implementation of SAKTI, is part of an integrated process of activities carried out routinely by the leadership and all staff who have the authority to provide adequate confidence in achieving goals through effective and efficient activities so that the reliability of financial reports and compliance with statutory regulations.

4.1 COSO ERM Method

Details of the internal control process through the COSO-ERM method in its implementation by the SUPD II Directorate. COSO-ERM uses 8 (eight) main components where the COSO-ERM internal control method is on the front side, consisting of:

4.1.1 Internal Environment (Internal Environment)

The Directorate General of Regional Development as per Presidential Decree 11 of 2015 article 18 has the function of carrying out the formulation and implementation of policies in the field of government affairs and fostering regional development in accordance with statutory provisions. The basic elements in the applied control environment consist of management's philosophy, operating style, and Risk Appetite; Board of Directors; commitment to integrity; ethical values and competence; organizational structure; methods used in assigning authority and responsibility; and human resource policy standards, including Recruitment and Evaluation

In the SIMURP project, the internal environment is quite varied. The operating style, both performance and personnel, is in the same condition as the government structure in general and is assisted by consultant services in the form of technical assistance. However, personnel recruitment is actually attempted to meet the needs and standards required by the project by obtaining approval through a statement on a no-objection letter from the World Bank and AIIB. Project management has been tried as hard as possible, however, there are still various shortcomings and weaknesses because all activity procedures are still carried out conventionally and traditionally.

4.1.2. Determining organizational goals (Objectives Setting)

Determination of strategic targets, operational targets, reporting targets, and compliance targets is stated in a brief statement in the loan agreement IBRD 8891-ID and AIIB L0060A and is clarified in the Project Appraisal Document which includes the Project Development Objectives that must be achieved by the Ministry of Home Affairs within a period of 6 years. The Project Development Objectives that have been determined are that the main beneficiaries of the project are through the development and revitalization of Irrigation Commissions in each Province and Regency and the internalization of Irrigation System Management and Development activities into regional planning documents in both provinces and districts.

4.1.3. Risk Identification

The risk of working with a manual system is that there may be obstacles in achieving project goals in terms of financial management and document verification. Several things regarding risks identified as containing threats are the emergence of errors and problems related to archiving documents the occurrence of input errors in transaction processes that are still manual, the risk of uncertainty in completing the process, and the risk of actual deviations from what is expected. This affects the process of reconciling budgeting and expenditure data and preparing financial reports. Government agencies that have formulated their goals and targets always have risks that may occur which hinder the achievement of goals so government agencies in order to achieve goals effectively and efficiently must carry out risk management or risk assessment by identifying, analyzing, and mitigating risks. In article 13 paragraph 1 of PP 60 of 2008, namely the Government Regulation concerning the Government Internal Control System (SPIP), it is stated that the Head of Government Agencies is obliged to carry out a Risk Assessment and in paragraph 2 it is said that the Risk Assessment consists of Risk identification and analysis. Risk management is nothing other than the application of risk management. Risks can come from within or from outside the organization and can be in the form of operational risks or fraud risks, all of these risks must be managed so that the organization's goals are achieved effectively and efficiently.

By managing the risks, Organizations/Government Agencies can reduce losses resulting from risks. If it is not handled, it becomes an actual problem that causes financial losses and involves legal and reputation problems. The risk faced when implementing an offline manual system is the vulnerability of the document process, verification, and approval as well as the document approval flow. Under these conditions, weaknesses in financial management and internal control are still very large. Identification of potential risks using an offline manual system that was detected were weaknesses in terms of personnel or officers implementing the budgeting document submission process, disbursement of funds, and document verification; with an offline manual system, the data processed has the potential to influence the level of document neatness; using offline manual processes requires larger storage space; if an error occurs in recording, it will take more time to correct the error; The potential for the financial management process to take a long time. The following is the flow of SIMURP Project loan disbursement at the SUPD II Directorate, Directorate General of Regional Development, Ministry of Home Affairs.

4.1.4. Risk Treatment

Risk Treatment for all risks related to the implementation of the offline manual at SUPD II, Directorate General of Regional Development which has been mitigated and anticipated with risk management steps through risk management as follows:

4.1.4.1. Risk identification, through risks that cannot be managed before being identified. This stage is a process for identifying risk sources, risk events, causes, and possible consequences of risks that will occur.

4.1.4.2. Risk analysis; by determining the level of remaining risk that is acceptable and if it is not acceptable then what strategies can be developed to deal with new risks and then measuring the extent to which the strategy is successful in reducing the risk. In this case, the risk being analyzed is related to documentation both electronically and physically, and because the creation of budget document files

and disbursement of funds is still carried out by human workers and has not been automated, the risk of calculation errors, typing errors and loss of files is very large. The existence of a SAKTI application system which is integrated between the planning section, finance section, and administrative administration section in each Directorate will facilitate and increase the effectiveness and efficiency of the performance process and improve the quality of financial reports

4.1.4.3. Risk evaluation is carried out with the aim of determining risk priorities based on the results of risk analysis and evaluating risk management efforts that have been carried out.

4.1.4.4. Risk management (mitigation); is an effort to handle risks that do not fall into the acceptable category. Risk management can be done by reducing the possibility of risk occurring, such as the need to reconcile financial data regularly to reduce the impact of risk, and avoid risk, and by switching from an offline manual system to the SAKTI application system which is integrated in every section, the risk of data errors can be minimized. and reduced.

4.1.4.5. Control Activities

SIMURP Project financial management control activities. Due to the transition period from the old system to being completely digital, it is very important to carry out training for each implementing operator. Therefore, there is a need for coordination and communication between departments as well as checking data for the suitability of documents that have received approval for data input.

Authority over transactions and activities is carried out adequately for all documents including budget submissions, invoice submissions, and receipts as well as disbursement in each process must be in accordance with established standard operational procedures. In an effort to control this control activity, one way that can be done is to create backup dates and secure documents. The administration and administration department at the SUPD II Directorate needs to consider making a copy of the data as a backup for financial documents. This is very important to ensure that these documents and data are stored in a safe location and protected from unauthorized access.

4.1.4.6. Risk Assessment

Internal control over financial management and verification of SIMURP Project documents is carried out in layers. In terms of budgeting, when a budget allocation is submitted to the DIPA at the beginning of the year or when a revision of the DIPA is carried out in the middle or at the end of the year, verification and validation are carried out on the activity implementation plan that has been approved by the lender. The first layer in the financial plan submission control process, in which the creation of budget submission documents based on the current year's Annual Work Plan and Overall Work Plan, starts with each relevant Sub-Directorate and then coordinates with the Directorate's Planning Section, Planning Bureau, Inspectorate General and Finance Section of the Directorate General. Foster Regional Development as part of internal control. This process also applies to the fund disbursement process. Efforts to protect records and document data still need to be activated because awareness of the collection of data, documents, and information still needs to be increased by working units. The data and document loss still often occurs as a result of information systems that are still manually offline. Data storage in the SAKTI and Google Drive applications is still focused only on the financial part because it is integrated with the Central Project Management Unit, SIMURP Project, financial bureau as financial report supervisor and checks routine financial reconciliation results as the second filter after the filter from each Implementing Unit as project manager in ministries involved before the inspection by BPK-RI at the ministries of Public Works and Public Housing.

4.1.4.7. Information and Communication

The information and communication system which is carried out by utilizing the SAKTI application, rather than previously using an offline manual system, provides benefits and is a manifestation of the application of technology in managing state finances. The SAKTI application is a comprehensive solution systemically as part of the Integrated Financial Management Information System (IFMIS) concept which answers the demands of modern financial management bringing huge changes in benefits, especially regarding updating information systems in government agencies.

All financial activities carried out by the central government and regional governments can be monitored by the central government easily and become one data system so that they can build awareness of treasury implementation. Utilizing the SAKTI application which is a development of IFMIS which is an integrated system in the field of financial information management, it has an impact on the data classification system for recording financial transactions, internal control through data entry, transaction processing, and reporting, common processes for similar transactions as well as system design that eliminates duplication of data entry. Since 2001, the Financial Management Improvement Committee (KPMK) has designed a plan to develop a system that combines all stages in state financial management, starting from budget planning, disbursement of funds, cash management, revenue management, and debt management, to financial reporting. The initial step in reforming state financial management was realized through the issuance of Laws concerning state finances, namely Law Number 17 of 2003, Law Number 1 of 2004 concerning state treasury, and Law Number 15 of 2004 concerning management audits and responsibilities. state finances. The main objective of this effort to change state financial management is solely to increase accountability, professionalism, and compliance with the principles of good governance in financial management. To achieve more professional, transparent, and responsible government financial management in accordance with the law, improvements need to be made in various aspects including improving the budget planning process, modernizing the payment system, optimizing cash

management, increasing accountability in the use of the state budget and assets and improving the quality of public services. Management of state finances begins with changes in the expenditure sector which are realized through the development of the State Treasury and Budget System (SPAN), where the development of SPAN consists of 3 (three) main elements, namely improving business processes and implementing an Enterprise Resources Planning-based information system (ERP system). With this new system, the overall payment process becomes simpler and the role of the State Treasury Services Office (KPPN) becomes more specialized. Modernization of the payment system is then translated through the development of system applications by utilizing information technology to increase efficiency. Development of Institutional Level Financial Applications (SAKTI) is carried out independently and is more cost-efficient, but can still be connected to SPAN at every stage of the process. SAKTI functions as a replica of the SPAN application at the unit level

4.1.4.8. Monitoring

Monitoring and evaluation activities on the financial management process of the SIMURP Project at SUPD II are carried out in the administration section of SUPD II. By using the Agency Level Financial Application System (SAKTI), the transaction data reconciliation process can be carried out more effectively and efficiently so as to improve the quality of financial reports as part of the responsible accounting system. From the results of monitoring and evaluation carried out on SIMURP Project transactions at the SUPD II Directorate, it was revealed that most of the problems occurred due to data input errors by SAKTI users.

However, it must be acknowledged that the use of the SAKTI application has made it easier to carry out financial management where all necessary financial transactions such as preparing and RKAKL/DIPA revision, registering suppliers, recording transactions by the treasurer, making Payment Orders, recording fixed assets and inventories as well as making periodic financial reports. can be done through one application, namely SAKTI. In addition, through the SAKTI or Monitoring SAKTI application, every transaction in all modules in SAKTI can be monitored and evaluated in real time, making it easier to collect information needed for policy development and decision-making. With the existence of SAKTI, several activities that have previously been carried out manually in each Work Unit have been carried out centrally and in real-time and this can increase efficiency in financial management, especially in the Directorate of SUPD II.

4.2 Budgeting Cycle

The Information System for the Budgeting Cycle business process in the SIMURP Project is not like other entities in general. Because this is a non-profit government project, there is no revenue process from the sale of goods and services. The budget allocation for implementing activities in the following year is submitted at the end of the first quarter to the work unit financial planning sub-directorate. Submission of allocation of budget requirements must be completed by completing the form provided which contains the name of the activity, volume of activity, duration of implementation, and number of personnel who will carry out the assignment. If it is planned to carry out activities located outside the region, such as monitoring and evaluation activities, it is necessary to plan monitoring visits to provinces and districts, then it is also necessary to prepare a budget allocation for these activities.

In general, the activities for which the budget is submitted are for the payment of employee honorariums, contractual activities such as Technical Assistance for activities that prepare all the substance of activities planned by the Sub-directorate/sub-directorate concerned, self-managed activities, and official trips within the city and outside the city. Activities in the SIMURP Project are in all expenditure sections because the SIMURP Project uses consultant services or technical assistance spread across various provinces and districts throughout Indonesia in its implementation process. If the budget allocation proposal is approved, DIPA allocation will be issued for the implementation of activities for the coming year. Usually, the initial DIPA issuance process for the following year is in November of the current year.

4.3 Expenditure Cycle

The Expenditure Cycle in the SIMURP Project uses a special account mechanism as per the standards prepared by the Ministry of Finance and must be adhered to by all Implementing Units. The Expenditure Cycle in the SIMURP Project at the Directorate General of Regional Development comes from the budget allocation for SIMURP Project loan funds amounting to 157 billion, which is placed in Bank Indonesia in a special account with a certain register number in the IBRD and AIIB accounts with the portion of each loan being 50%: 50 %. Payment is made through submission to the KPPN Office by including supporting documents and the basis for payment is the DIPA document which has been approved by the Directorate General of Budget of the Republic of Indonesia at the project management institution that received the SIMURP Project funding allocation.

The expenditure mechanism in the SIMURP Project for processing budget disbursement must follow the principles stated in the State Treasurer's Handbook. The disbursement process for each sub-directorate is as follows:

1. Received an invoice and receipt/proof of payment as a request for reimbursement of funds for the realization of technical assistance activities as a follow-up to the implementation of the activities of the work contract that has been made. Invoices and receipts for proof

of payment as well as all other requirements are addressed to the work unit commitment official from the Third Party for the completion of work or implementation of activities based on the work agreement/work service contract within a certain period.

2. The next stage is the internal control function of the unit of work. When received by the unit of work, the invoice is verified by the general administration section and the receipt is stamped and initialed by the official who made the commitment as a sign that the invoice and receipt submitted have been received. The next process is for the document to be stamped and signed by the technical implementation official of the activity at the relevant sub-directorate. And signed and stamped by the Sub-Directorate Assistant Expenditure Treasurer and ratified by the Expenditure Treasurer at the Finance Directorate.

3. The employee of financial technical makes a payment request letter (SPP) sheet A by including the SPP number as a special characteristic of the request for funds and determining whether the request for funds is in the form of direct liability or down payment liability. This document must explain in detail the type of expenditure by detailing brief information about the name of the ministry, organizational unit, unit location, unit of work, DIPA number and date, month, fiscal year, and types of activities and programs that have been realized.

4. This SPP document also includes the nominal amount of funds to be disbursed and the remaining funds over the activity ceiling in question.

5. This sheet is submitted and signed by the authorized official acting as the technical implementer of the activity and approved by the official above.

6. After obtaining approval for the SPP document, the financial technical staff makes a statement of responsibility and payment report (BAP) to be submitted to the finance department, where this payment report constitutes the conformity of the payment with the work contract that has been mutually agreed between the work unit and the third party. This document includes brief information regarding the job description, source of payment funds, contract date and value of work until the Minutes of Payment is made, company name, company account number, and name of the recipient bank. This document is signed by both parties.

7. Preparation of a Contract Summary document which must be made based on attachment 5 of the Directorate General of Treasury Regulation Number PER-66/PB/2005 Dated 28 December 2005. By including the activity/output/account code, loan number and register number, contract number and date, initial contract value until the end, payment of the IBRD Loan portion and AIIB Loan portion, the ceiling available in DIPA, the payment system, and the payment period.

8. After all documents have been approved and signed by the relevant officials, the financial technical staff prepares a Minutes of Handover of Work Results, which means that the official who made the commitment accepts the results of the work with satisfaction and without any claims to the service provider.

9. Furthermore, the service provider has the right to receive payment for the costs of the work in question from the official making the commitment through the KPPN office after the documents have been processed.

10. The documents for applying for disbursement of funds are brought to the KPPN (state treasury) office for the process of disbursing the funds which can go directly into the service provider's account. Generally, the disbursement process takes 2 (two) or 3 (three) days.

11. After funds have been sought, an SP2D document (fund disbursement order) will be issued from the KPPN office which can be used as a basis for the reconciliation of budget expenditures for implementing activities.

The expenditure cycle of SIMURP Project of SubDirectorate of Public Works in Directorate SUPD II, at Directorate General of Regional Development as follows:

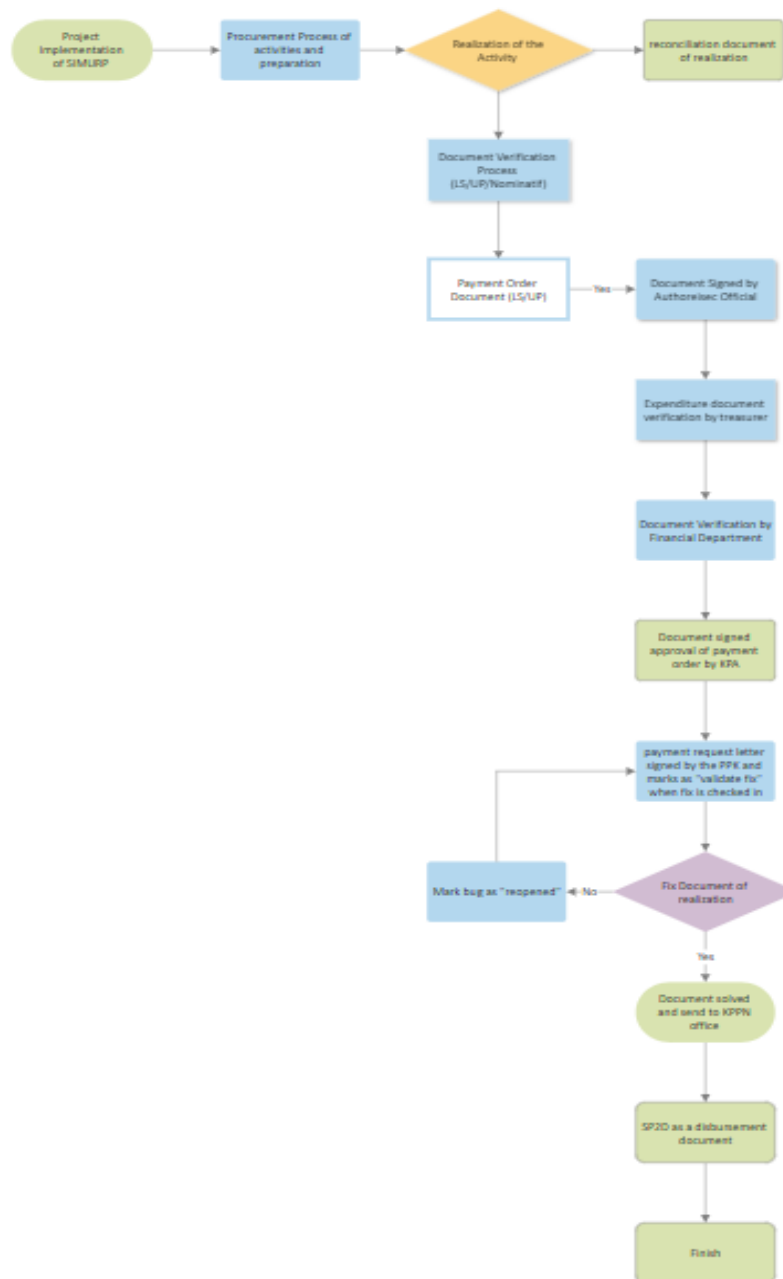


Figure 3. Expenditure Cycle

4.4 Human Resources Cycle

In accordance with Article 336 of Permendagri 13 of 2021 concerning the Organization and Work Procedures of the Ministry of Home Affairs, it has 6 (six) Echelon II units consisting of:

1. Secretariat of the Directorate General;
2. Directorate of Regional Development Planning, Evaluation and Information;
3. Directorate of Synchronization of Regional Government Affairs I;
4. Directorate of Synchronization of Regional Government Affairs II;
5. Directorate of Synchronization of Regional Government Affairs III;
6. Directorate of Synchronization of Regional Development Affairs IV;

The Directorate of Regional Development Planning, Evaluation, and Information as intended in Article 336 letter b, has the task of carrying out some of the tasks of the Directorate General of Regional Development in the field of planning, evaluation, and regional development information.

The Directorate of Synchronization of Regional Government Affairs II as intended in Article 336 letter d, has the task of carrying out some of the duties of the Directorate General of Regional Development in the field of administering government affairs and synchronizing and harmonizing regional development in the scope of public works, housing and residential areas, maritime affairs and fisheries, transportation, communications, informatics, statistics and coding.

The implementation of the SIMURP project at the Directorate General of Regional Development is carried out in the Public Works Sub-Directorate. The personnel structure in the financial administration section in the financial management of the SIMURP project at the Directorate General of Regional Development consists of the head of the administration section, budget section staff, and treasury staff. Meanwhile, internal reporting is carried out by treasury staff. And the external reporting process to lenders and executing project agents is carried out by consultants.

The personnel structure in the financial administration section in the financial management of the SIMURP project at the Directorate General of Regional Development consists of the head of the administration section who supervises the budget staff in the revenue section and budget staff in the expenditure section and treasury staff

The recruitment officers for the implementation of financial administration to process budgeting, realization, and reporting on the SIMURP project is carried out using a recruitment mechanism from the Public Works Sub-Directorate at the Directorate General of Regional Development. Budgeting, treasury, and reporting officers always communicate and share data and information to reconcile data.

4.5 Financing Cycle

Based on the personnel structure in the financial administration section, the financial management of the SIMURP project at the Directorate General of Regional Development is in the Administration Sub-Directorate consisting of the head of the administration section who supervises budget staff in the revenue section and budget staff in the expenditure section and treasury staff. The initial document for the budget disbursement application process is with the Public Works Sub-Directorate, where the funds disbursement document is created after the Public Works Sub-Directorate receives the invoice and billing receipt from the SIMURP Project consultant who has been contracted and has completed carrying out work at a certain term. Then the disbursement application documents are verified by the Head of the Public Works Sub-Directorate and if they have received approval from the Budget User Authority (KPA).

4.6 Impact of the COVID-19 Pandemic

At the beginning of the SIMURP project, the situation was still in normal conditions and all activities, including coordination meetings and supervision, monitoring and evaluation activities, were carried out offline and face to face. In early 2020, when the COVID-19 pandemic began to spread, in line with the health protocol regulations set by the Government, the implementation of activities, especially financial administration tasks, began to adapt to existing conditions.

The impact of the Covid-19 pandemic on the implementation of the SIMURP project resulted in delays in implementing activities both at the central level and at the provincial and district levels which resulted in delays in the implementation of planned activities. The impact of the Covid-19 pandemic, especially on the SIMURP Project, is as follows:

1. Delays in implementing previously scheduled project activities at both the central and regional levels. This resulted in the late submission of billing invoices from partner companies, thereby hampering the process of project financial realization, however, the targets that had been set and had received approval from lenders until the fourth quarter could still be achieved.
2. Because in 2020 the financial system at the NPIU Directorate General of Regional Development still uses an offline manual system, coupled with the periodic start of Work from Home and Work from Office (WFH/WFO) regulations for each staff, this results in delays in the verification process from submitting documents for disbursement, approval of disbursement and processing it to the KPPN office which takes a lot of time. a longer time than usual. This condition has an impact on payroll delays in all Technical Assistance in each Project component both at the center and in the regions.
3. The planning, implementation, coordination, and communication processes are starting to shift to digital systems. Coordination meetings were carried out using Zoom meeting media, coordination of the implementation of activities and reports on meeting results were submitted via WhatsApp communication facilities, and data sharing using Google Drive media. The implementation of the Coordination Meeting which was carried out via Zoom meeting media, was originally carried out offline in a room which required large costs. By implementing it online and providing material by resource persons digitally, data expenditure can be reduced. This has an impact on budget absorption, however, the absorption target in 2020 and 2021 can still be achieved with optimal efforts after an evaluation was carried out in the fourth quarter regarding project implementation in order to accelerate budget absorption which has been approved by lenders to fulfill the responsibilities stated in Annual Work Plan document.

4. The progress of project absorption continues to experience a significant increase from 2019 to 2022. The absorption progress can be seen in the following figure.

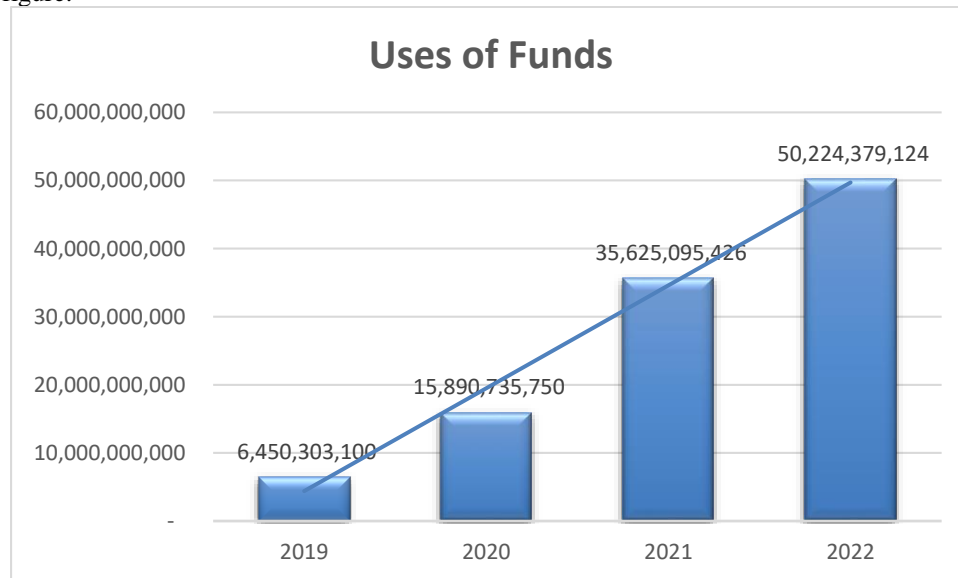


Figure. 4 Financial Realization Progress Status

5. In the SIMURP project there is also a financial data collection system, namely the Project Management Information System (PMIS) which can be accessed by all SIMURP Project implementers in the Ministry of Public Works, Ministry of Home Affairs, and Ministry of Agriculture. However, this system is still not optimal yet and needs further development so that it can provide valid, accurate, and real-time data due to the lack of human resources to manage the loan-based system

6. In terms of archiving/documentation when using an offline manual system, it is still poorly coordinated and takes a long time from the planning process, and administration process, documents must be delivered following the verification flow until approval is obtained. And because there is a lack of coordination, the possibility of documents not being controlled is very large. This will of course have an impact on the sections that have an interest in the document as material for preparing the report

7. In 2021, financial management at the unit of work of the Directorate General of Regional Development will still use an offline manual system, but this year preparations have begun to be made to switch to a digital system from the Ministry of Finance, SAKTI system.

8. In January 2022, the implementation of the SAKTI will begin in all Directorates at NPIU, Directorate General of Regional Development.

9. After the implementation of the SAKTI, the administration of treasury and budgeting began to be well coordinated and orderly but still using paper and documents to enter the digital system, the process of scanning the documents was still required one by one. In this case, there is still a need for additional training for SAKTI user staff to better understand the tasks being carried out. Apart from that, they also need to carry out the task of recording, classifying, and archiving documents well.

4.7 Implementation of SAKTI System to Project SIMURP at Directorate SUPD II

SAKTI is a system that integrates all financial applications at the work unit level. SAKTI was created in accordance with the mandate of law number 17 of 2023 concerning state finances to create a reliable and accountable treasury system. All the main functions of implementing state finances, from planning, and implementation to accountability, can be carried out through SAKTI. Data from the entire process is stored in a database managed by the Ministry of Finance and connected to the state treasury and budget system (SPAN) used by the Ministry of Finance as the State General Treasurer. When implementation has been fully implemented SAKTI will be used by all Work Units throughout Indonesia.

One of the main doors of SAKTI that differentiates it from previous applications is database integration. With this feature, SAKTI application users do not need to input the same data repeatedly. Data that has been recorded in one module can be accessed by other interrelated modules so that SAKTI can process the data from planning to accountability. Apart from inter-module database integration, it is also carried out for all Work Units so that through the implementation of SAKTI, data recapitulation for all units spread throughout Indonesia can be done in real-time. SAKTI has several levels of users starting from operators who are generally tasked with recording transactions, validators who are tasked with checking the correctness of transactions that have been input, and approvers who are tasked with giving approval so that the transaction in question can be carried out.

Each user will have authority limits according to their level. The interconnection between SAKTI and SPAN which is used internally by the Ministry of Finance as State General Treasurer provides convenience for work units by eliminating the need to come to KPPN, apart from that SAKTI uses transactional accrual-based recording so that apart from being in accordance with the mandate of the law, the transaction journal is generated is also formed at each stage of the transaction. There is also a period open and close feature which allows certain periods to be closed so that no more transactions can be recorded for the period in question.

This aims to ensure the consistency of published financial reports. All transactions that have passed the approval process are locked so they cannot be changed or deleted, so if adjustments are needed to the transaction in question, the user must record a correction journal. This will ultimately guarantee the validity of every existing transaction. In line with the ongoing financial reporting cycle, SAKTI implements 14 accounting periods, where the thirteenth period is used for financial reports that have not been audited and the 14th period is used for financial reports that have been audited. To provide further assurance of accountability for recorded data, SAKTI also records all data movements, including additions, changes to data, or deletion of the data in question. Through these superior features, SAKTI will certainly bring quite significant changes to the management of state finances that have been going on so far. Implementation of SAKTI to realize better state financial management.

In searching for information related to the implementation of SAKTI in the SUPD II Directorate based on questions that have been prepared for informants. Based on the results of the interview from the questions prepared, information obtained on the control of work carried out in each job carried out by the budget operator based on the interview is as follows:

1. The previous system used an offline manual system and was felt to be less effective in completing archives. This condition allows for unclear data and information as well as weak reporting systems. Meanwhile, in the new system, the data produced is better and more complete and allows validation and authorization because there is interconnection between sections in each line of financial data management.
2. How effective is the implementation of the SAKTI system compared to the previous system the answer is its much more effective and has good control, also for the documentation becomes better and more accountable.
3. The obstacle in implementing the SAKTI system is there is understanding of each financial management sub-directorate to know the amount of the Minimum Cost Standard from the Ministry of Finance in recording the budget so that it can match data in the planning section of the directorate, planning bureau, and inspectorate general. Conformity between these three parts is very necessary to determine which transaction uses the Output Budget Item. The budget section of SAKTI operators is busier at the beginning of the year and DIPA revisions and POK revisions in the middle of the year.
4. The financial administration section has 4 SAKTI operators consisting of revenue and expenditure budget operators, reporting operators, and treasurer operators who are involved in implementing the SAKTI system in SUPD II.
5. The person responsible for managing the SAKTI is the Directorate Planning Section at the Directorate General of Regional Development because this section has the authority to open and close access to all operators in each Directorate in the Directorate General of Regional Development.
6. The implementation of SAKTI is carried out in every directorate at the Directorate General of Regional Development at the Directorate of SUPD I, SIPD II, SUPD III, and SUPD IV, and the Directorate of PEIPD
7. The flow of management of the SAKTI system is the figure bellow.



Figure 5. The flow of SAKTI operation [3]

Reporting is carried out every month although there is no accountability report for operators for the work carried out because supervision is carried out on the spot after open access to SAKTI by the Directorate's Planning Section.

Control information of work carried out in each job carried out by the treasurer operator based on the results of the interview is that the activity process of the treasury operator starts with receiving a receipt for payment. For every file that has received approval, a payment transaction is carried out via data input in e-SAKTI. This data collection is directly connected to the KPPN office, another agency that has the authority to make payments. Data input is unlimited, as long as KPPN opens access to input then input can be carried out. Compared to the previous method, using the SAKTI application is felt to be very helpful and has a positive impact in saving time, energy, and efficiency in terms of computer data archiving carried out. The application of SAKTI will be carried out starting in January 2022, where previously the SUPD II Directorate used a manual system, namely SAS (Satker Application System), which is an application used by work units that are users of State Treasury Services Offices (KPPN) throughout Indonesia. The use of SAS in the SIMURP Project was carried out from 2019 - December 2021. In implementing the application at the beginning of implementation, many obstacles were faced, including a lack of understanding of human resources regarding the SAKTI application. As time goes by in 2022, there will still be several problems when reconciling transaction data at the end of 2022, namely the emergence of data in synchronization between SPAN data and SAKTI data.

V. IMPROVEMENT

The implementation of the SAKTI in the SUPD II Directorate General of Regional Development must be in accordance with the provisions of the Minister of Finance Regulation as stated in Minister of Finance Regulation PMK No. 171/PMK.05/2021 concerning the Implementation of the SAKTI System. The SAKTI is used to replace all existing applications that were previously carried out manually and offline. The SAKTI allows integration of all stages in state financial management starting from planning and budgeting, implementation to accountability. By utilizing the SAKTI, state financial management from the planning to accountability stages can be carried out efficiently and speed up the work process. This brings positive changes in the management of state finances.

From the information obtained, it can be concluded that the implementation of the SAKTI application at the SUPD II Directorate includes the following modules:

BUDGETING MODULE	IMPLEMENTATION MODULE	REPORTING MODULE
Administration Module and Budgeting Module	Commitment Module, Treasury Module, Payment Module, Assets Module, Inventory Module, and Account Receivables Module	General Ledger Module and Reporting Module

Figure 6. Implemented Modul at Directorate SUPD II

Using the SAKTI system changes the way previous applications were used by combining them into one system that is integrated into various modules. These modules include the Budgeting Module for the planning and budgeting process, the Commitment, Treasurer, Fixed Assets, Inventory, and Payment Module for the implementation process as well as the G/L and reporting Module for the reporting and accountability process. These modules are connected to each other and produce various outputs according to their respective functions.

VI. CONCLUSION

Ethical issues in the computer-based information system environment in the SIMURP Project are currently running well. Especially in the financial administration section with the existence of SAKTI and project management information system. In the project performance information system, there are still deficiencies in the existing information system because the information system is still implemented partially in each section and has not been integrated. Meanwhile, the financial section is starting to be structured through the existence of SAKTI, although improvements still need to be made.

Based on the results of the research conducted, shows that the implementation of the SAKTI has made many changes to financial management activities at the Directorate General of Regional Development, especially at the SUPD II Directorate. The implementation of SAKTI has the advantage of presenting accurate, valid, and real-time data so that it can minimize information gaps in financial

management it can support the effectiveness of financial reporting in the SUPD II Directorate. The results of implementing the SAKTI show that it has had a positive and effective impact in supporting good governance efforts in the SUPD II Directorate. The implementation of SAKTI in the SUPD II Directorate really supports the implementation of internal control over financial reporting where there are modules that are integrated with each other and based on linkage which leads to a single database, single entry, single monitoring, interface system, the results of which can increase the value of the reporting produced.

Researchers suggest that increasing operators' knowledge about SAKTI can improve performance. This training can also reduce to a minimum the occurrence of errors detected when reconciling annual financial transactions. Therefore, formal and ongoing training is still needed because previously no special training was given to operators.

Through this study, it is hoped that this article can provide a contribution from the academic side and also other parties related to the topic of discussion in this study and hopefully, this article can add insight regarding the discussion regarding the implementation of the SAKTI system in Indonesia.

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AUTHORS

First Author – Dewi Vitri Rastikasari, email : dewi.126222024@stu.untar.ac.id, Institution : Universitas Tarumanagara.

Second Author – F.X. Kurniawan Tjakrawala, email : kurniawant@fe.untar.ac.id, Institution : Universitas Tarumanagara.

Correspondence Author – Dewi Vitri Rastikasari, email: dewi.126222024@stu.untar.ac.id