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Implementation of Internal Control Systems and Their Implications for Performance Audit Findings: A Case Study of Regional Government Organizations in Parepare City

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ABSTRACT

This study aims to analyze the implementation of the Internal Control System (ICS) in performance audits of Regional Government Organizations (OPD) in Parepare City, examine its implications for performance audit findings, and identify supporting and inhibiting factors affecting audit quality. This research employed a descriptive qualitative approach. Data were collected through observation, interviews, and documentation involving 15 informants from the Parepare City Regional Inspectorate, the Investment and One-Stop Integrated Services Office (DPM-PTSP), and the Population and Civil Registration Office (Disdukcapil). Data analysis consisted of data reduction, data presentation, and conclusion drawing. The results indicate that the implementation of ICS has been carried out through five elements: control environment, risk assessment, control activities, information and communication, and monitoring. However, its implementation has not been fully optimal due to weaknesses in the consistency of standard operating procedures, data availability, human resources, monitoring, and follow-up. Performance audits have adopted a risk-based approach through the Annual Supervision Work Program (PKPT). Weak internal controls may increase the likelihood of audit findings and recurring findings, whereas effective controls can help organizations identify and correct problems at an early stage. Supporting factors include auditor competence, integrity, data availability, leadership support, risk-based auditing, and information technology. Inhibiting factors include limited auditors, time and budget constraints, inadequate data and documentation, regulatory changes, limited auditee responsiveness, and delays in audit follow-up.

1. Introduction

The implementation of regional autonomy requires local governments to manage public resources effectively, efficiently, transparently, and accountably. Regional Government Organizations (Organisasi Perangkat Daerah/OPD) are responsible for implementing government programs and providing public services in accordance with established objectives and performance targets. Consequently, adequate internal control is essential to ensure that organizational activities comply with applicable regulations and achieve their intended objectives. The Government Internal Control System (Sistem Pengendalian Intern Pemerintah/SPIP) serves as an important instrument for providing reasonable assurance regarding the effectiveness and efficiency of government activities, the reliability of financial and performance reporting, the safeguarding of state and regional assets, and compliance with laws and regulations. SPIP comprises five principal elements: the control environment, risk assessment, control activities, information and communication, and monitoring, as stipulated in Government Regulation No. 60 of 2008. The effectiveness of this system is also associated with the maturity of internal control and the capabilities of the Government Internal Supervisory Apparatus (Aparat Pengawasan Intern Pemerintah/APIP), which are relevant to strengthening government performance accountability (Wulandari et al., 2024).

Internal control is closely related to the role of internal government auditors in conducting performance audits. Performance audits extend

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beyond identifying administrative or financial irregularities by examining whether government programs and activities have been implemented economically, efficiently, effectively, and in accordance with established performance objectives. In this context, the Regional Inspectorate, as part of APIP, performs assurance, consulting, and monitoring functions to support improvements in government governance. The importance of these functions can be understood through the evaluation of the inspectorate's role as an internal audit function within the Three Lines Model, which emphasizes the contribution of internal auditing to organizational governance, risk management, and control (Hasbara & Diyanty, 2023). Furthermore, performance auditing constitutes an important instrument for evaluating the implementation of government activities and identifying opportunities to improve the effectiveness of internal supervision (Apip et al., 2024). The implementation of performance audits and functional supervision is also relevant to public accountability because these mechanisms support the assessment of government performance and the responsible use of public resources (Anjani & Fadly, 2023).

From the perspective of agency theory, the relationship between the government as an agent and the community as the principal creates a need for monitoring and accountability mechanisms to reduce information asymmetry and potential conflicts of interest. Internal control and performance audits therefore function as mechanisms for strengthening accountability in the management of public resources. Effective financial governance is an essential component of this accountability framework because sound financial management requires transparent procedures, responsible decision-making, and compliance with good governance principles (Darmawan, 2021). The role of the regional inspectorate is particularly important in ensuring that internal control is implemented in local government organizations and that weaknesses identified through supervisory activities receive appropriate attention (Syamsuwir & Munaf, 2020). In addition, the authority and forms of supervision exercised by APIP determine the scope and implementation of internal oversight within regional government institutions (Suwetja, 2025).

In practice, however, the implementation of internal control in local government organizations does not always operate optimally. Limitations in the number of auditors relative to the number and complexity of audit objects, restricted supervisory budgets, inadequate availability and quality of supporting data, and delays in following up on audit recommendations may weaken the effectiveness of internal supervision. These challenges can reduce the ability of internal auditors to identify risks, evaluate control weaknesses, and ensure that corrective actions are implemented. Research examining the effectiveness of SPIP implementation at a regional inspectorate highlights the importance of internal control in supporting improvements in government institutional performance (Mufidah, 2023). Nevertheless, the existence of an internal control framework does not automatically ensure that audit findings will be resolved or that similar weaknesses will not recur. Repeated audit findings remain a concern because they may indicate deficiencies in organizational compliance, the implementation of corrective measures, or the effectiveness of internal supervision. From a legal and institutional perspective, the functions of regional inspectorates in addressing recurring audit findings in OPD are therefore important to examine (Shabuur & Hamzah, 2022; Subari, 2019).

The relationship between internal control and audit findings is also relevant to the quality of government audit outcomes. The maturity of internal control systems and the capability level of government internal oversight have been examined in relation to audit opinions, demonstrating the relevance of these institutional factors to external assessments of government accountability (Prakoso, 2024). Similarly, APIP capability, SPIP maturity, and regional government size have been investigated in relation to audit opinions, with audit findings considered as a mediating variable, highlighting the interconnected nature of supervisory capacity, internal control, and audit outcomes (Akbar & Taman, 2025). These relationships suggest that the effectiveness of internal supervision should not be assessed solely by the existence of formal procedures but also by how control mechanisms operate in practice and how the resulting audit findings inform organizational improvement. In addition, the implementation of information technology in performance auditing is relevant to audit quality, particularly in addressing operational challenges and maintaining the effectiveness of audit procedures

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under changing working conditions (Puspanugroho et al., 2022).

The follow-up of audit recommendations is another important dimension of internal control effectiveness. Audit findings provide limited benefits when recommendations are not implemented adequately or when the underlying causes of deficiencies remain unresolved. The relationship between follow-up actions, SPIP, regional characteristics, audit findings, and public service quality illustrates the importance of connecting supervisory results with corrective action and improvements in government performance (Thoyibbah & Noer, 2025). Moreover, optimizing government internal supervision requires attention to the implementation of performance audits and the extent to which supervisory activities contribute to organizational improvement (Setianingsih & Setyaningrum, 2025). Recent research examining the implementation of internal control and its implications for audit findings in an irrigation rehabilitation project also provides a relevant context for understanding how internal control operates in specific public-sector activities and how weaknesses may be reflected in audit findings (Tallo et al., 2026).

Despite the growing body of research on internal control, APIP capability, performance auditing, and audit outcomes, a research gap remains concerning the practical processes through which internal control is implemented during performance audits and how these processes relate to audit findings within regional government organizations. Much of the existing literature has examined relationships between institutional characteristics, internal control maturity, audit opinions, accountability, and service quality. However, these relationships do not fully explain the operational dynamics of internal supervision, including how auditors identify and evaluate evidence, respond to control weaknesses, coordinate with auditees, monitor corrective actions, and follow up on audit recommendations. Further investigation is therefore needed to understand how internal control is implemented in the specific institutional context of a regional inspectorate and how supporting and inhibiting factors shape the quality of performance audit findings.

This research focuses on the implementation of the Government Internal Control System in performance audits conducted by the Parepare City Regional Inspectorate and its implications for performance audit findings in Regional Government Organizations. It also examines the supporting and inhibiting factors affecting the quality of performance audit findings. By emphasizing the practical implementation of internal control and the experiences associated with internal supervisory activities, this study seeks to provide a contextual understanding of the relationship between internal control mechanisms and audit findings. The findings are expected to contribute empirical insights to the literature on public-sector accounting, internal control, and government auditing while providing practical information for strengthening internal supervision, improving performance audit quality, reducing recurring audit findings, and enhancing OPD accountability. Accordingly, the objectives of this study are to analyze the implementation of the Government Internal Control System in performance audits, examine its implications for performance audit findings, and identify the supporting and inhibiting factors affecting audit quality.

2. Literature Review

Agency Theory explains the relationship between the principal and agent, in which information asymmetry and differences in interests can create potential conflicts, particularly in the management of public resources. In the context of local government, the community and stakeholders act as principals, while Regional Government Organizations act as agents responsible for managing public resources. The Government Internal Control System (SPIP) serves as an important control mechanism to minimize the risk of irregularities and strengthen accountability. Based on Government Regulation No. 60 of 2008, SPIP consists of five elements: control environment, risk assessment, control activities, information and communication, and monitoring. Effective implementation of these elements provides reasonable assurance regarding the achievement of organizational objectives, compliance with regulations, and effectiveness of government activities. Performance audits complement internal control by evaluating the effectiveness, efficiency, and accountability of government programs. Performance audit findings can consequently reflect weaknesses in the implementation of internal control, particularly when

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weaknesses occur in standard operating procedures, risk assessment, data availability, monitoring, and follow-up of audit recommendations. Conversely, effective internal control can help organizations identify and correct problems at an early stage, thereby reducing the likelihood of recurring findings. The literature underlying this study also indicates that auditor competence, integrity, leadership support, availability of data, risk-based auditing, and information technology are important factors supporting audit quality, while limited auditors, time and budget constraints, inadequate documentation, regulatory changes, limited auditee responsiveness, and delayed follow-up may inhibit effective internal control and supervision.

2.1 Conceptual and Theoretical Foundations

This study is based on Agency Theory, which explains the contractual relationship between the principal and the agent and the potential for conflicts of interest arising from information asymmetry. In the context of local government, the community and stakeholders act as the principal, while Regional Government Organizations (OPD) act as agents responsible for managing public resources. To minimize the risk of irregularities and strengthen accountability, an effective Internal Control System (ICS) is required as a control mechanism within government organizations. The Government Internal Control System (SPIP), as regulated by Government Regulation No. 60 of 2008, consists of five elements: the control environment, risk assessment, control activities, information and communication, and monitoring. These elements are designed to provide reasonable assurance regarding the achievement of organizational objectives, effectiveness of activities, reliability of reporting, safeguarding of assets, and compliance with laws and regulations. In this framework, performance audits function as a monitoring mechanism to assess the effectiveness and performance of government activities, while performance audit findings may indicate weaknesses in the implementation of internal controls. Therefore, stronger implementation of internal controls is expected to support more effective supervision and enable OPDs to identify and correct problems at an early stage, whereas weaknesses in internal control may increase the likelihood of audit findings and recurring findings.

2.2 Review of Empirical Studies

Empirical studies demonstrate that the effectiveness of internal control is closely related to the performance and accountability of local governments. Winarna using data from 508 Indonesian local governments for 2017–2019, found that the control environment, risk assessment, and information and communication positively affect local government administrative performance, indicating that effective internal control contributes to better organizational performance. Sari and Darmastuti based on 382 Indonesian local governments, found that certain characteristics of local governments were associated with internal control weaknesses, while audit follow-up did not significantly affect such weaknesses, suggesting that strengthening internal control requires attention to organizational and operational conditions beyond follow-up mechanisms alone. Furthermore, Kesuma and Ritonga examined the relationship between internal control system effectiveness and local government financial statement audit opinions using 54 BPK audit reports and emphasized the importance of internal control effectiveness in the audit process. More recently, Chaerani and Wibowo found that audit findings negatively affect local government performance, although SPIP maturity did not significantly moderate the relationship between audit findings and government performance. These findings are consistent with the empirical evidence in the present study, which shows that weaknesses in SOP implementation, risk assessment, data availability, monitoring, and follow-up may contribute to the emergence and recurrence of performance audit findings. However, unlike previous studies that predominantly employ quantitative methods and secondary data, this research uses a qualitative case-study approach to examine the actual implementation of internal control in performance audits and to identify the supporting and inhibiting factors experienced by auditors and auditees in the Regional Government Organizations of Parepare City. This approach provides a more contextual understanding of how internal control operates in practice and how its weaknesses or effectiveness are reflected in performance audit findings.

2.3 Identification of the Research Gap

Previous studies have established the

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importance of internal control in supporting local government performance, accountability, and audit quality. However, the existing literature identified in this study is still largely dominated by quantitative approaches and secondary data, which provide limited insight into how the Internal Control System is actually implemented in the daily operational activities of Regional Government Organizations. In addition, there is still limited qualitative research that specifically examines the relationship between Internal Control System implementation and performance audit findings within the context of local government supervision by the Regional Inspectorate, particularly in Parepare City. The research gap therefore lies not only in the limited empirical evidence concerning the implementation process of the five elements of internal control, but also in the lack of an in-depth understanding of how weaknesses in SOP implementation, risk assessment, data availability, monitoring, and follow-up contribute to the emergence of performance audit findings and recurring findings. This study addresses the gap by using a qualitative approach involving auditors and auditees from the Parepare City Regional Inspectorate and selected Regional Government Organizations, enabling the research to explore the practical mechanisms, supporting factors, and inhibiting factors underlying internal control implementation. Thus, this research provides a contextual perspective on the implications of internal control implementation for performance audit findings that has not been adequately captured by previous quantitative studies.

2.4 Development of the Conceptual Framework

The conceptual framework of this study is developed based on Agency Theory and the concept of the Government Internal Control System (SPIP). Agency Theory explains that the relationship between the community as the principal and Regional Government Organizations (OPD) as agents requires an effective monitoring mechanism to minimize information asymmetry and potential conflicts of interest. In this context, the implementation of the Internal Control System becomes an important mechanism for ensuring accountability in the management of public resources.

The Internal Control System in this study is examined through its five main elements, namely control environment, risk assessment, control activities, information and communication, and monitoring. These elements provide the basis for assessing how internal control is implemented in the performance audit process at the Parepare City Regional Inspectorate. The implementation of these five elements is then linked to performance audit findings in Regional Government Organizations. Effective implementation of internal control is expected to assist OPDs in identifying risks and weaknesses at an early stage and taking corrective action before problems become audit findings. Conversely, weaknesses in SOP implementation, risk assessment, data availability, monitoring, and follow-up may increase the possibility of findings and recurring findings.

The framework also considers the supporting and inhibiting factors that influence the quality of performance audit findings. Supporting factors include auditor competence and capability, integrity, data availability, leadership support, risk-based auditing, and information technology. Meanwhile, inhibiting factors include limited auditors, time and budget constraints, inadequate data and documentation, regulatory changes, limited auditee responsiveness, and delays in following up audit recommendations. Based on this relationship, the conceptual framework positions Internal Control System Implementation as the main focus, Performance Audit Findings as the resulting implication, and Supporting and Inhibiting Factors as contextual factors influencing the effectiveness and quality of the audit process. This framework is used to guide the analysis of how internal control is implemented and how its strengths and weaknesses are reflected in performance audit findings at Regional Government Organizations in Parepare City.

2.5 Hypotheses or Research Propositions

This study uses research propositions rather than statistical hypotheses because it employs a qualitative descriptive approach. The propositions are developed based on Agency Theory, the five elements of the Government Internal Control System, and the research findings concerning the relationship between internal control implementation and performance audit findings.

Proposition 1: The implementation of the

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Internal Control System through the elements of the control environment, risk assessment, control activities, information and communication, and monitoring supports the effectiveness of performance audits at the Parepare City Regional Inspectorate.

Proposition 2: Weaknesses in the implementation of the Internal Control System, particularly in SOP implementation, risk assessment, data availability, monitoring, and follow-up, contribute to the emergence and recurrence of performance audit findings in Regional Government Organizations.

Proposition 3: Effective implementation of the Internal Control System enables Regional Government Organizations to identify and correct weaknesses at an early stage, thereby supporting the improvement of performance and reducing the potential for recurring audit findings.

Proposition 4: Auditor competence and integrity, leadership support, availability of data, risk-based auditing, and the utilization of information technology support the quality of performance audit findings, while limitations in auditors, time and budget, data and documentation, auditee responsiveness, and follow-up of recommendations inhibit the effectiveness of internal control and performance auditing.

3. Research Methods

This study employed a descriptive qualitative approach to analyze the implementation of the Internal Control System and its implications for performance audit findings at Regional Government Organizations in Parepare City. The research involved 15 informants from the Parepare City Regional Inspectorate, the Investment and One-Stop Integrated Services Office (DPM-PTSP), and the Population and Civil Registration Office (Disdukcapil). Data were collected through observation, interviews, and documentation to obtain information regarding the implementation of the five elements of the Internal Control System, performance audit practices, audit findings, and supporting and inhibiting factors. Data analysis was conducted through data reduction, data presentation, and conclusion drawing, with the analysis focusing on the control environment, risk assessment, control activities, information and communication, and monitoring, as well as their implications for performance audit findings.

3.1 Research Design

This study used a descriptive qualitative research design to obtain an in-depth understanding of the implementation of the Internal Control System and its implications for performance audit findings at Regional Government Organizations in Parepare City. The design was selected because the research focuses on describing the actual conditions and processes of internal control implementation, performance audit practices, audit findings, and the supporting and inhibiting factors encountered by the Regional Inspectorate and the audited organizations. Data were obtained through observation, interviews, and documentation involving 15 informants from the Parepare City Regional Inspectorate, DPM-PTSP, and the Population and Civil Registration Office. The collected data were analyzed through data reduction, data presentation, and conclusion drawing to obtain a comprehensive interpretation of the research phenomenon.

3.2 Research Context and Setting

This research was conducted at the Regional Inspectorate of Parepare City (Inspektorat Daerah Kota Parepare) as the main research setting, with the Investment and One-Stop Integrated Services Office (DPM-PTSP) and the Population and Civil Registration Office (Disdukcapil) of Parepare City as supporting research settings. The selection of these settings was based on their relevance to the implementation of the Internal Control System and the performance audit process within Regional Government Organizations. The research involved 15 informants consisting of personnel from the Regional Inspectorate and the selected Regional Government Organizations who were considered capable of providing information regarding internal control implementation, performance audit activities, audit findings, and the supporting and inhibiting factors affecting audit quality.

3.3 Research Participants

The research participants consisted of 15 informants selected from the Parepare City Regional Inspectorate, the Investment and One-Stop Integrated Services Office (DPM-PTSP), and the Population and Civil Registration Office (Disdukcapil). The informants were selected based

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on their relevance and involvement in the implementation of the Internal Control System, performance audit activities, and the management or follow-up of audit findings. The selection of these participants was intended to obtain information from both the auditor's perspective and the auditee's perspective, allowing the study to provide a comprehensive understanding of internal control implementation and its implications for performance audit findings in Regional Government Organizations in Parepare City.

3.4 Data Sources and Data Collection

The data used in this study consisted of primary and secondary data. Primary data were obtained directly from the research participants through in-depth interviews and observations, particularly regarding the implementation of the five elements of the Internal Control System, the performance audit process, audit findings, and the supporting and inhibiting factors affecting audit quality. Secondary data were obtained through documentation relevant to the research, which was used to complement and verify information obtained from interviews and observations. The data collection process was conducted at the Parepare City Regional Inspectorate, DPM-PTSP, and the Population and Civil Registration Office, involving 15 informants who were directly or indirectly related to internal control implementation and performance audit activities.

3.5 Measurement of Variables and Research Instruments

Because this study employs a descriptive qualitative approach, the research does not measure variables using numerical scales or statistical instruments. Instead, the main research instrument is the researcher, who collects, interprets, and analyzes data obtained from informants. The research instrument is supported by an interview guide, observation guidelines, and documentation, which are developed based on the research focus. The implementation of the Internal Control System is examined through five elements, namely control environment, risk assessment, control activities, information and communication, and monitoring. Meanwhile, performance audit findings are examined based on the implications of internal control implementation, particularly weaknesses in SOP implementation, risk assessment, data availability, monitoring, and follow-up. The research instruments also explore supporting factors, including auditor competence, integrity, leadership support, data availability, risk-based auditing, and information technology, as well as inhibiting factors such as limited auditors, time and budget constraints, data and documentation limitations, regulatory changes, auditee responsiveness, and delays in following up audit recommendations.

3.6 Data Analysis Techniques

The data analysis technique used in this study is qualitative descriptive analysis, which consists of three stages: data reduction, data presentation, and conclusion drawing. Data reduction was conducted by selecting, focusing, and organizing information obtained from interviews, observations, and documentation according to the research objectives. The reduced data were then presented systematically to identify patterns and relationships concerning the implementation of the Internal Control System, performance audit findings, and the supporting and inhibiting factors. Finally, conclusions were drawn by interpreting the findings and comparing information from different data sources to obtain a comprehensive understanding of the research phenomenon.

3.7 Validity, Reliability, and Trustworthiness

The validity and trustworthiness of data in this qualitative study were maintained through **source and technique triangulation**. Source triangulation was conducted by comparing information obtained from informants representing the Parepare City Regional Inspectorate, DPM-PTSP, and the Population and Civil Registration Office, while technique triangulation was carried out by comparing the results of **interviews, observations, and documentation**. This process was intended to ensure that the information concerning the implementation of the Internal Control System, performance audit findings, and supporting and inhibiting factors was consistent and adequately supported by different sources of evidence. The credibility of the findings was further strengthened through systematic data analysis consisting of data reduction, data presentation, and conclusion drawing.

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3.8 Ethical Considerations

This study was conducted by considering ethical principles throughout the research process. Before data collection, the researcher explained the purpose and objectives of the study to the informants and ensured that their participation was voluntary. Information obtained through interviews, observations, and documentation was used solely for academic and research purposes. The researcher also maintained the confidentiality of information provided by informants and avoided disclosing personal information or statements that could identify individual participants without permission. In presenting the research findings, the researchermaintained objectivity and reported the information based on the data obtained from the informants and supporting documentation. These considerations were applied to maintain the integrity of the research process and protect the rights and interests of all participants.

3.9 Research Procedure

The research procedure was conducted systematically, beginning with the identification of the research problem and formulation of the research objectives, followed by the preparation of the research instruments and determination of the research participants. The researcher then collected data through observation, interviews, and documentation involving informants from the Parepare City Regional Inspectorate, DPM-PTSP, and the Population and Civil Registration Office. The collected data were subsequently organized and analyzed through data reduction, data presentation, and conclusion drawing. The analysis focused on the implementation of the five elements of the Internal Control System, its implications for performance audit findings, and the supporting and inhibiting factors affecting audit quality. Finally, the researcher interpreted the findings and formulated conclusions based on the evidence obtained during the research process.

3.10 Methodological Limitations

This study has several methodological limitations that should be considered when interpreting the findings. First, the research used a descriptive qualitative approach with 15 informants from the Parepare City Regional Inspectorate, DPM-PTSP, and the Population and Civil Registration Office, so the findings reflect the experiences and perspectives of the selected participants and cannot be generalized statistically to all Regional Government Organizations. Second, the study relied on interviews, observations, and documentation, meaning that the depth and completeness of the findings depended on the availability of information and the willingness of informants to provide relevant data. Third, the research focused specifically on the implementation of the Internal Control System and its implications for performance audit findings within the selected research settings in Parepare City; therefore, differences in organizational characteristics, resources, and supervision practices in other local governments may produce different findings. Finally, limitations in data and documentation availability, as well as the time and resources available during the research process, may have limited the extent to which certain aspects of internal control and audit follow-up could be explored in greater depth.

4. Results and Discussion

The results show that the implementation of the Internal Control System in the performance audit process at the Parepare City Regional Inspectorate has been implemented through five main elements: control environment, risk assessment, control activities, information and communication, and monitoring. However, the implementation has not been fully optimal. The performance audit process has applied a risk-based approach through the Annual Supervision Work Program, with consideration of the level of risk associated with government activities and public services. The findings further indicate that weaknesses in SOP implementation, risk assessment, data availability, monitoring, and follow-up of audit recommendations can increase the possibility of performance audit findings and recurring findings. Conversely, effective internal control enables Regional Government Organizations to identify and correct problems at an early stage. The quality of performance audit findings is supported by auditor competence and capability, integrity, data availability, leadership support, risk-based auditing, and information technology. Meanwhile, limitations in the number of auditors, time and budget, data and documentation, regulatory changes, auditee responsiveness, and delays in following up

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recommendations remain important obstacles. These findings indicate that strengthening internal control is essential not only for preventing weaknesses but also for improving the effectiveness of performance audits and the accountability of Regional Government Organizations.

4.1 Research Results

4.1.1 Sample Description and Descriptive Statistics

This study involved 15 informants from the Parepare City Regional Inspectorate, the Investment and One-Stop Integrated Services Office (DPM-PTSP), and the Population and Civil Registration Office (Disdukcapil). The informants were selected based on their involvement and knowledge of the implementation of the Internal Control System (ICS), performance audit activities, and follow-up of audit findings. Because this study used a descriptive qualitative approach, the characteristics of the participants were described based on their institutional roles and relevance to the research rather than through numerical descriptive statistics such as means, standard deviations, frequencies, or percentages.

4.1.2 Data Quality and Preliminary Analysis

As this study employed a descriptive qualitative approach, preliminary analysis focused on examining the empirical information relevant to ICS implementation, performance audit activities, and the follow-up of audit findings. Statistical tests of normality, multicollinearity, and reliability were not applicable to the qualitative analytical approach used in this study.

The preliminary findings indicated that the control environment had been implemented through leadership commitment, internal policies, employee development, participation in ICS activities, and follow-up of audit recommendations. Leadership commitment emerged as an important aspect of ICS implementation. However, implementation was not yet fully optimal, particularly regarding the consistency of standard operating procedures (SOPs) and internal control practices. These findings indicate that the existence of control policies needs to be accompanied by consistent implementation by organizational personnel.

4.1.3 Main Analytical Results

The main analytical results indicate that ICS implementation supports the performance audit process through the application of its five control elements. The findings also reveal several weaknesses associated with performance audit findings, including inconsistent SOP implementation, inadequate risk assessment, limited data availability, insufficient monitoring, and delays in following up on audit recommendations.

Several supporting factors were identified, including auditor competence, integrity, leadership support, data availability, risk-based auditing, and information technology. Conversely, the findings identified several inhibiting factors, namely limited auditor availability, budget constraints, inadequate data and documentation, regulatory changes, limited responsiveness from auditees, and delayed follow-up of audit recommendations.

4.1.4 Hypothesis Testing Results / Key Findings

Because this study employed a qualitative approach, statistical hypothesis testing was not conducted. Instead, the research propositions were addressed through the empirical findings. First, ICS implementation supports the performance audit process through the application of the five control elements. Second, weaknesses in SOP implementation, risk assessment, data availability, monitoring, and follow-up are associated with the emergence and recurrence of performance audit findings. Effective internal control enables Regional Government Organizations (OPDs) to identify risks and address weaknesses before they develop into audit findings. Third, auditor competence, integrity, leadership support, data availability, risk-based auditing, and information technology constitute supporting factors in ICS implementation and performance auditing. In contrast, limited auditor availability, budget constraints, inadequate data and documentation, regulatory changes, limited auditee responsiveness, and delayed follow-up constitute inhibiting factors.

4.1.5 Visual Presentation of Results

Tables, figures, and charts are used selectively to present the research findings clearly and systematically. Each visual element should include an appropriate title and be explicitly referenced in the relevant subsection to guide readers through the empirical findings. Because the study uses a qualitative approach, visual presentations should

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primarily support the explanation of themes, categories, and relationships identified during the analysis.

4.2 Research Discussion

4.2.1 Interpretation of Key Findings

Internal Control System (ICS) at the Parepare City Regional Inspectorate has been carried out through the five elements of internal control, but its implementation is not yet fully optimal. Leadership commitment, risk-based auditing, auditor competence, adequate data, and monitoring support the quality of performance audits, while inconsistent SOP implementation, limited data and auditors, budget constraints, and delayed follow-up remain obstacles. These conditions show that the effectiveness of internal control is important in preventing and detecting weaknesses before they develop into performance audit findings or recurring findings.

4.2.2 Comparison with Previous Studies

The findings of this study are consistent with previous studies showing that effective internal control supports government performance and accountability. This study further confirms that weaknesses in SOP implementation, data availability, monitoring, and audit follow-up can contribute to the emergence of performance audit findings, while auditor competence and effective control support audit quality.

4.2.3 Theoretical Contributions

This study contributes to Agency Theory by showing that effective internal control can reduce information asymmetry and strengthen accountability between the government and stakeholders. The findings also reinforce that the five elements of the Internal Control System are important mechanisms for preventing weaknesses and improving the effectiveness of performance audits.

4.2.4 Practical and Policy Implications

This study implies that the Parepare City Regional Inspectorate and OPDs need to strengthen the implementation of the Internal Control System, particularly through consistent SOP implementation, improved data availability, auditor competency development, effective monitoring, and faster follow-up of audit recommendations to reduce recurring findings and strengthen public accountability

4.2.5 Integration with the Research Gap

This study addresses the research gap by providing qualitative and contextual explanation of how the Internal Control System is implemented and how its weaknesses relate to performance audit findings in Regional Government Organizations in Parepare City. Unlike previous studies that predominantly use quantitative approaches, this study examines the practical experiences of auditors and OPDs, including the supporting and inhibiting factors affecting internal control and audit findings

4.2.6 Acknowledgement of Study Limitations

This study is limited by its qualitative approach and limited research participants, so the findings reflect the specific conditions of the selected OPDs and cannot be generalized to all local governments. In addition, the availability of data and documents and the informants' responses may have limited the depth of the analysis.

5. Conclusion

This study concludes that the implementation of the Internal Control System (ICS) in performance audits at the Parepare City Regional Inspectorate has been carried out through five elements, namely the control environment, risk assessment, control activities, information and communication, and monitoring, although its implementation is not yet fully optimal. The implementation of ICS has implications for performance audit findings, where weaknesses in SOP implementation, risk assessment, data availability, monitoring, and follow-up can contribute to the emergence and recurrence of findings, while effective controls support early identification and correction of weaknesses. The quality of performance audit findings is supported by auditor competence, integrity, leadership support, data availability, risk-based auditing, and information technology, while limited auditors, budget constraints, data and documentation limitations, regulatory changes, auditee responsiveness, and delayed follow-up remain obstacles. Therefore, strengthening ICS, improving auditor competence, optimizing information technology, and accelerating

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audit follow-up are necessary to improve audit quality, reduce recurring findings, and strengthen OPD accountability.

5.1 Summary of Key Findings

The study found that the implementation of the Internal Control System at the Parepare City Regional Inspectorate has been carried out through five control elements, although its implementation is not yet fully optimal. Effective internal control supports the prevention and correction of weaknesses, while weaknesses in SOP implementation, risk assessment, data availability, monitoring, and follow-up can contribute to performance audit findings and recurring findings. Auditor competence, integrity, leadership support, adequate data, risk-based auditing, and information technology support audit quality, while limited auditors, budget constraints, data availability, auditee responsiveness, and delayed follow-up remain the main obstacles.

5.2 Theoretical Contributions

This study contributes to Agency Theory by demonstrating that the Internal Control System functions as a monitoring mechanism that reduces information asymmetry and strengthens accountability between the government and stakeholders. The findings also reinforce the importance of the five elements of internal control in supporting effective performance audits and reducing the potential for recurring audit findings.

5.3 Practical and Policy Implications

This study implies that the Parepare City Regional Inspectorate and OPDs need to strengthen the Internal Control System, particularly through consistent SOP implementation, improving auditor competence and data availability, optimizing information technology, strengthening monitoring, and accelerating the follow-up of audit recommendations. These efforts are expected to improve the quality of performance audits, reduce recurring audit findings, and strengthen the accountability of Regional Government Organizations.

5.4 Limitations of the Study

This study is limited by its qualitative approach and the involvement of 15 informants from selected Regional Government Organizations in Parepare City, so the findings reflect specific organizational conditions and cannot be generalized to all local governments. In addition, limitations in data and documentation availability, informant responses, time, and research resources may have affected the depth of the analysis.

5.5 Directions for Future Research

Future research is recommended to involve more Regional Government Organizations and a larger number of informants to obtain broader perspectives on Internal Control System implementation. Further studies may also use a mixed-method approach to complement qualitative findings with quantitative evidence and examine the relationship between internal control effectiveness and performance audit findings more broadly.

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