

# Strengthening Internal Audit Functions in Local Government: An IACM-Based Assessment of the Pinrang Regency Inspectorate

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## ABSTRACT

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This study analyzes the APIP capability in the Pinrang Regency Inspectorate using the IACM standard. The purpose of this study is to analyze the level of competence of the Government Internal Supervisory Apparatus (APIP) in the Pinrang Regency Inspectorate using the Internal Audit Capability Model (IA-CM), identify factors that influence APIP performance, and develop strategies to improve APIP competence. The method used is descriptive research with data collection techniques through observation, documentation, and interviews, followed by descriptive analysis. The results of the study indicate that the APIP capability of the Pinrang Regency Inspectorate is at level 3 based on IA-CM. Of the six elements of internal audit, five elements: APIP Role and Services, Organizational Culture and Relationships, and Governance Structure have reached level 3, while the Human Resource Management element has reached level 4. The main limitation lies in the elements that are still at level 3, so improving APIP competence is a priority. The Inspectorate has developed a strategy to strengthen Key Process Areas (KPA) to encourage increased capabilities to a higher level.

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## 1. Introduction

One of the factors that increasingly indicates the occurrence of corruption and the failure of local government is the ineffectiveness of supervisory apparatus in the relevant area. Public criticism of the government's work and its apparatus is on the rise. Public discontent with government policies that are accountable, transparent, fair, and clean continues to grow. Effective governance practices can also enhance the integrity and accountability of the public sector in accordance with good governance principles.

APIP is a government institution that diligently conducts internal supervision in its jurisdiction and/or region. According to the Financial and Development Supervisory Agency, APIP in each government institution has unique requirements, both related to management sides, available

resources, and environmental conditions. This factor is one of the main causes of the decline in APIP's capabilities in Indonesia. The Internal Audit Capability Model (IACM) developed by the Institute of Internal Auditors (IIA) serves as a foundation for the expansion of APIP's capabilities. This model functions as a working tool that identifies the crucial factors needed to perform effective internal supervision in the public sector, elevating organizational performance to a professional level. The IACM concept has several levels of capability, ranging from Level 1 (Initial) to Level 5 (Optimization). At each level of capability, there are internal audit processes such as APIP.

By maximizing the existing elements in internal audits, the Inspectorate of Pinrang Regency is expected to enhance and monitor the capabilities of the Internal Audit Apparatus (APIP). Therefore, it is necessary to analyze the condition of APIP capabilities in the Inspectorate of Pinrang Regency, including the steps that have been taken to improve oversight governance from the perspective of the Internal Audit Capability Model (IACM) and the steps needed to strengthen and enhance APIP capabilities. With the hope that the results of this research can assist the Inspectorate in carrying out its duties and functions within the government, the researcher has decided to publish this study under the title "Analysis of the Capability of Government Internal Supervisory Apparatus Using the Internal Audit Capability Model (Case Study at the Inspectorate of Pinrang Regency)."

### *1.1 Problem Statement*

What is the level of capability of the internal governmental oversight apparatus at the Pinrang District Inspectorate based on the Internal Audit Capability Model (IA-CM) standards.

### *1.2 Objectives and Scope*

to determine the level of Capability of Government Internal Supervisory Apparatus at the Pinrang District Inspectorate by referring to the Internal Audit Capability Model (IA-CM) standard.

## **2. Literature Review**

The capability of the Internal Government Supervision Apparatus (APIP) is the ability to coordinate supervisory activities with the appropriate supervisory environment, resulting in quality oversight outcomes that can be used to carry out tasks effectively (BPKP Regulation Number 8 of 2021 Article 1 Paragraph 6 on the Assessment of the Capability of the Internal Government Supervisory Apparatus at Ministries/Agencies/Local Governments). The assessment of the APIP Capability refers to various activities carried out by APIP as part of its self-assessment, such as evaluating self-assessment results and the panel exposure process at the APIP level (BPKP Regulation Number 8 of 2021 Article 1 Paragraph 7 on the Assessment of the Capability of the Internal Government Supervisory Apparatus at Ministries/Agencies/Local Governments).

The internal competency model, also known as IACM, is a model developed by the Institute of Internal Auditors (IIA) to identify the key components for effective internal auditors in the public sector to improve organizational performance to a professional level. As can be seen, the capability analysis framework of APIP currently being developed in Indonesia is based on

the Internal Audit Capability Model (IACM) developed by IIA. Thus, it can be said that the formulation related to IACM states that if procedures and practices are not implemented methodically and consistently, then those procedures and practices cannot be evaluated (BPKP, 2011).

## *2.1 Related Work*

Anggie Pramai Sella and Dr. Lilik Purwanti, M.Si., CSRS., CSRA., Ak., CA (2019) Analysis of Improving the Capability of Government Internal Supervisory Apparatus Using the Internal Audit-Capability Model (Case Study at the Inspectorate of Sidoarjo Regency). Based on the research results on enhancing the capacity of the inspectorate using the Internal Audit Capability Model (Case Study at the Inspectorate of Sidoarjo Regency), the following conclusions can be drawn: - The establishment of infrastructure to ensure that supervisory activities run smoothly. - Improvement of skills through training (especially STAR), peer reviews, cooperation among APIPs, Bimtek activities, and APIP Workshops. Rati Sumanti (2020) Efforts to Enhance the Capability of Government Internal Supervisory Apparatus (APIP) in Aceh Through the Internal Audit Capability Model (IA-CM) Based on the description above, it can be concluded that the implementation of the IA-CM model by BPKP Aceh provides a good environment for the growth of APIP capabilities in Aceh. Out of 24 APIPs in Aceh, 16 APIPs in the Regional Government or 67% experienced an increase in capability level.

## *2.2 Research Gap*

Internal Audit Capability Model (IA-CM): IA-CM is a framework or model used as a standard for measuring internal audit capability. This model has different levels that indicate the maturity of the internal audit function, ranging from a basic (initial) level to an optimal (optimization) level. By using IA-CM, APIP can determine their current skill position and map out the steps that need to be taken to advance to the next level. 4. Efforts/Strategies to enhance APIP's capability levels according to objectives: After identifying the elements to be developed and the current capability level based on IA-CM, APIP then determines strategies that may include training and human resource development, refinement of audit methodology, enhancement of systems and procedures, as well as increased use of technology in the audit process.

## **3. Methodology**

The data analysis method in this study employs a qualitative descriptive approach, which includes steps such as identifying relevant data, collecting available data, then analyzing, interpreting, and comparing the data with theory. Furthermore, this research yields conclusions and ends with the provision of recommendations. The capability level of APIP in the IA-CM model is categorized into five levels, namely Level 1 (Initial) to Level 5 (Optimizing). Information regarding the capability level of APIP is obtained through two hundred forty statements found in the response form by selecting one option from the three answers "yes", "partially", "no". The answers are based on documents found in the APIP unit that have been consistently implemented over time. The answer "yes" refers to the condition of the APIP unit, which has supporting documents and has systematically and comprehensively implemented all

aspects. The answer "partially" refers to the condition of the APIP unit, which only contains some supporting documents and implements some larger documents in a non-continuous and non-repetitive manner. Conversely, the word "no" is used if the incorrect APIP unit does not have any documents that can be implemented in that APIP unit. The selection of answers in the form field is done directly, starting with the first statement and ending with the last statement for each element of APIP capability.

#### 4. Results and Discussion

Based on the data obtained through the form, an analysis was conducted to determine the capability level of each element of IA-CM. This capability level refers to a specific scale, ranging from Level 1 (Initial) to Level 5 (Optimized), which reflects the extent to which the APIP has met the expected international standards. The results of the analysis provide a comprehensive overview of the capability level of the Regional Inspectorate of Pinrang Regency. In addition, these results serve as an important basis for formulating strategies to enhance the capability of APIP, so that the Inspectorate can carry out its supervisory functions more effectively and accountably according to applicable standards.

The achievement of the capability level of the APIP Inspector unit in Pinrang Regency based on the assessment of 6 elements according to the IA-CM standard.

Based on the evaluation of the Key Process Area (KPA) for each element, an example of the overall performance of each element can be seen in the table below:

No	Element	Key Process Area	Level	Statement Number	Achievement %
1	The Role and Services of APIP	1. Compliance Audit	3	1-3	100%
		2. Performance Audit	3		100%
		3. Consultation Services	3		100%
2	Human Resource Management	1. Identification and Recruitment of Competent Human Resources	4	1-5	100%
		2. Individual Professional Development	4		100%
		3. Team Coordination	4		100%
		4. Qualified Professional Employees	4		100%
		5. Building the Team and Its Competencies	4		100%
3	Professional Practice	1. Supervisory Planning Based on Management Priorities	3	1-4	100%

		2. Framework for Professional Practice and Its Supervision	3		100%
		3. Risk-Based Audit Planning	3		90%
		4. Quality of Management Framework	3		50%
4	Accountability and Performance Management	1. Planning of APIP Activities	3	1-5	100%
		2. Operational Budget of APIP Activities	3		100%
		3. APIP Organization Reporting	3		100%
		4. Cost Information	3		100%
		5. Performance Measurement	3		100%
5	Culture and Organizational Relationships	1. Management of APIP Organization	3	1-3	100%
		2. Integral Team Management Components	3		100%
		3. Coordination with Other Parties that Providing Advice and Assurance	3		100%
6	Governance Structure	1. Reporting Results Relationship	3	1-4	100%
		2. Full Access to Organizational Information, Assets, and Human Resources	3		100%
		3. Funding Mechanism	3		100%
		4. Management Supervision of APIP Activities	3		100%

## 5. Conclusion

The capability level of the Government Intern Supervisory Apparatus (APIP) of the Pinrang Regency Inspectorate is at level 3 with notes for improvement (Integrated). The element that the lag in the capability of the APIP unit of the Pinrang Regency Inspectorate is the element that has not yet fully reached level 3, namely the element of 'Professional Practice' with the indicators of Risk-Based Audit Planning and Quality of the Management Framework. Based on the assessment results stating that it is at level 3 with notes for improvement, it means that

the APIP unit of the Pinrang Regency Inspectorate is almost meeting the RPJMN targets, thus it needs to continue implementing strategies so that the APIP unit can fully meet level 3 according to the RPJMN targets.

## 6. Recommendation

1. Enhancing the Professionalism and Capacity of Auditor Human Resources Periodic training (internal audit certification, risk-based audits, etc.). Recruitment of competent auditors or collaboration with other agencies (BPKP, provincial APIP).
2. Developing a Risk-Based Audit Plan Implement Risk-Based Audit Planning to make audits more strategic and not just reactive. Integration with regional planning and financial systems is necessary.
3. Encouraging the Independence of the Inspectorate Strengthening the inspectorate's position is required to make it more independent from the influence of regional leaders. This can be done by clarifying authority in regional regulations.
4. Utilizing Information Technology in Audits Use simple audit software or an electronic-based internal monitoring system.
5. Increasing Collaboration with BPKP or KPKF or mentoring, supervision, and technical assistance in investigative audits and performance audits. Periodic Evaluation of Internal Audit Capabilities Periodic assessments. an IACM to measure progress and determine the improvement roadmap.

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