

**IMPLEMENTATION OF THE INTERNAL AUDIT CAPABILITY MODEL  
(IA-CM) IN INCREASING THE CAPABILITY OF APIP  
AT INSPECTORAT OFFICE OF BINJAI CITY**

**<sup>1</sup>Rachmani Tarigan, <sup>2</sup>Deliana Deliana\*, <sup>3</sup>Meily Surlanti**

<sup>1,2,3</sup>Accounting Information Systems, Politeknik Negeri Medan.

*Email: rachmanitarigan@polmed.ac.id, \*deliana@polmed.ac.id;*

*meilysoekamto08@gmail.com.*

\*) Corresponding Author

<b>Article</b>	<b>Abstract</b>
<p>Article History</p> <p>Received : 17/01/2023 Reviewed : 03/03/2023 Accepted : 06/03/2023 Published : 20/03/2023</p> <hr/> <p>Volume : 24 No : 1 Month : March Year : 2023 Page : 46-67</p>	<p>This research is aimed to analyse the Capability level of the Government Internal Oversight Apparatus (APIP) at the Inspectorate Office of Binjai City which refers to the Internal Audit Capability Model (IA-CM) standard that is generally accepted throughout the world by using internal audit elements to analyse elements that affect APIP's lagging behind that unable to reach the target and provide strategic input carried out by the Binjai City Inspectorate to increase APIP capabilities which have not been maximized. This research is qualitative research using descriptive analysis. In terms of analyzing research data, the authors used data collection techniques by observing, documenting and interviewing. While the data analysis technique used is a descriptive analysis method. The informants in this research were government internal control apparatus (APIP) at the Inspectorate of the city of Binjai. Based on the research results, based on the APIP Capability assessment using the Internal Audit Capability Model (IA-CM) standard, showed that the Binjai City Inspectorate is at level 3 fully integrated where 6 internal audit elements according to the IA-CM Standard have reached level 3. By achieving level 3, there are several things that are still of concern to be improved by APIP Binjai city, namely the quantity and quality of human resources, facilities and infrastructure that are still inadequate and the budget that has not been maximized.</p> <p><b><i>Keywords: APIP, internal audit capability model, internal audit, capability.</i></b></p>

## 1. INTRODUCTION

State administration must be based on SPIP in presenting effective, efficient, transparent and accountable government revenue management. The implementation of SPIP-based controls is expected to be able to provide sufficient confidence in government effectiveness and efficiency, reliable financial reports, security of government assets, and compliance with regulations. Ineffective internal control is the cause of widespread corruption, collusion and nepotism which causes weak accountability, efficiency and low quality of public services (Sumanti, 2020).

In 2021, Transparency International has announced the 2020 Corruption Perception Index (CPI), where Indonesia is ranked 102 out of 180 countries with a score of 37 out of 100, this value is classified as a value below the global CPI average, so it is classified as a country with a high level of corruption. In addition, ICW report shows that state losses due to corruption have reached Rp. 56.7 trillion in 2020 with 1218 cases (Kompas.com, 2021).

Corruption related to public services and corruption perpetrated by structural officials is a type of corruption that is often found in the public sector, both in central and regional government (Satria, 2020). Whereas supervisory services have crucial economic goals and play an important role in serving the community, namely to strengthen accountability and strengthen confidence in financial reporting (Wibowo, 2018).

There have been many government efforts to eradicate corruption in the public sector, including the issuance of Permendagri Number 138 of 2017 concerning the Implementation of One-Stop Services in an effort to improve the quality of public services.

Corruption which tends to be perpetrated by structural officials, the government is trying to strengthen the supervisory function of central or regional government officials through supervisory institutions established in accordance with PP RI Number 60 of 2008 Article 49. This strengthening of the supervisory function is carried out, among other things by: a) compiling a Grand Design to improve capabilities government internal supervisors with world-class qualifications; b) increasing the sensitivity of government internal inspection officials in meeting world-class competencies; c) self-assessment of internal competence of state administrators based on global valid

assessments using the Internal Audit Competency Model (IACM); d) quality assurance process by BPKP in the process of developing the internal competence of state administrators; e) increasing APIP capabilities independently based on the results of self-assessments; f) increasing APIP competencies through e-Learning (BPKP, 2015).

The phenomenon indicate that the oversight function is felt to be less than optimal and has not been able to guarantee the implementation of state government affairs in a planned and in accordance with the law and supervision has not been carried out optimally in presenting a clean and authoritative country where there is no fraud, corrupt practices, collusion and nepotism.

Increasing the role of internal audit is very dependent on the competencies possessed. APIP competence can be assessed from the level of capability it has. APIP's capabilities in ministries, agencies and local governments are capabilities that APIP must have in order to carry out supervisory duties effectively. The higher the level of APIP capability, the more able it will be to support the government in realizing accountable state/regional financial governance (Sumanti, 2020).

The government has set a 2019 target for APIP capability at level 3 of the overall assessment score according to global standards using the IA-CM assessment concept through the 2015-2019 RPJMN.

**Table 1**  
**Capability Level**

APIP Unit	Conditions Up To 2014				Level 2 Annual Target					Level 3 Annual Target					Up To 2024
	Level 1	Level 2	Level 3	Amount	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	
<b>K/L</b>	66	19	1	86	3	18	13	17	8	4	13	16	19	17	86
<b>Province</b>	28	6		34	1	4	7	10	2	2	2	6	7	9	34
<b>District/City</b>	310	44		354	32	24	28	22	25	10	30	40	32	16	354
<b>Amount</b>	404	69	1	474	36	46	48	49	35	16	45	62	80	42	474

Source: Processed Data, 2022.

In 2014 BPKP released the results of the capability level of 474 APIP K/L/D as of December 31 2014, where only one APIP agency was at level 3 (0.21%).

The IA-CM is the BPKP's basic method in compiling a grand design for increasing the capability of APIP through BPKP Head Regulation Number 6 of 2015 concerning the Grand Design for Capacity Building for Government Internal Supervisory Apparatus 2015-2019. The APIP capability assessment is divided into 5 levels, namely Level 1 initial, 2 infrastructure, 3 integrated, 4 managed and 5 optimizing.

APIP is expected to reach level 3 at least 85% of the existing APIP, because at IA-CM level 3 APIP is deemed competent to carry out program and policy assessments, provide consulting services in order to increase the efficiency of partner audit task implementation, develop effective internal controls to meet audit requirements. organizational management towards professionalism.

In accordance with the 3LD (three-line defence) concept, the existence of APIP at level 3 will provide a strong first line in carrying out internal control and risk management at each SKPD, which ultimately is expected to result in efficiency in both human resources and budget costs spent in supervising and internal control as well as an assessment on risk management. Thus, all actions that lead to fraud will be minimized and even eliminated as much as possible (Kuntadi, 2019).

Several kinds of research have been conducted to see the application of IA-CM in evaluating the level of capability of internal audit units and analysis of APIP capability development in the public sector, covering internal audit activities from Asia, Africa and North America. Rensburg J O Janse van (2015) in his research on the implementation of the IA-CM in South Africa concluded that 82.9% of the IA-CM KPA can be applied and basically in context the model can be applied in South Africa. However, there were eight identified obstacles that could have a negative impact on eligibility, namely as much as 17.1% of the KPA (Rensburg J O Janse van, 2015). Furthermore Ain Zakiah Mohd Yusof (2019) who conducted research on the implementation of IA-CM in the Malaysian public sector found that 57 out of 70 participating organizations were only at IACM 1 Initial level, and 13 other organizations were at level 2 Infrastructure (Nur Ain Zakiah Mohd Yusof, 2018). Sondh (2017) conducted research on the public sector in ASEAN and the results showed differences in internal audit functions between countries in the ASEAN region and there are significant differences in risk management, professional practice, HR management and performance

management. The two remaining elements governance structures and organizational relationships show some similarities among member countries. Therefore it is deemed necessary for the public sector in ASEAN to immediately adopt and implement the IA-CM method (Sondh, 2017). In Indonesia, there have been several studies analyzing the implementation of IA-CM in the public sector. (Maryani, 2017), (Sella P, 2019), (Fahmi, 2018),(Mursalim, 2020), (Masdan et al., 2017), (Bahari & Inramus, 2018), (Sumanti, 2020).

Binjai City is one of the cities designated as the National Activity Center (PKN). In carrying out supervision in the public sector, the city of Binjai has an agency for the government's internal supervision apparatus, namely the Inspectorate of the city of Binjai. The Binjai City Inspectorate in 2015 received an APIP capability assessment that was still at level 2. This means that the Binjai City Inspectorate is considered to have been able to ensure the governance process is in accordance with regulations and can detect acts of corruption properly but has not been able to carry out its role in assessing the level of efficiency, effectiveness, and economy and has not been able to provide advice to management, which includes the areas of governance, risk management and control. This research wants to see the level of capability of the Inspectorate of the city of Binjai in 2021 and the efforts being made to increase the level of capability of APIP in the city of Binjai.

## **2. LITERATURE REVIEW**

### **Definition of Internal Audit**

Nestorenko & Ostenda (2019) says internal audit is a monitor or supervisor on the implementation of the internal control system to ensure good financial management and service delivery (Nestorenko & Ostenda, 2019). Kuntadi (2019) stated that internal audit in both the public and private sectors is a consulting activity intended to increase value and improve the company's operating performance, which is carried out objectively and independently (Kuntadi, 2019). Thus, an internal audit is expected to be able to assist the organization in achieving its stated objectives, as well as increasing the effectiveness of control, governance and risk management processes.

Internal audit plays an important role in supporting the realization of good and clean governance and also encourages the creation of a country that is free from

fraudulent practices as well as being transparent and accountable (Setyaningrum & Kuntadi, 2019). Hernawati (2016) in her research said that the role of internal auditors in Islamic commercial banks partially plays an effective role in efforts to prevent fraud (Hernawati, 2016). And fraud prevention can improve good governance (Sarwono, 2018). Internal Audit is management oversight, whose role is to assess and review control systems aimed at assisting management in carrying out their duties effectively by providing reviews, evaluations, references and input on the activities being audited (Suginam, 2017). Internal audit, which is interpreted through regular governance mechanisms, will help organizations to assess and evaluate the effectiveness of risk management in an effective, efficient and directed manner, so that the organization can achieve its stated goals (Christianto, 2018).

### **Role of Internal Audit**

In 1999 IIA provided a new definition of internal audit, where internal audit is defined as an independent activity to design consulting activities to set goals, add value, and improve company operations. Currently, the role of internal audit is not only as a watchdog but also positioning itself as a business partner (Effendi M, 2006). The transformation of the new internal audit paradigm emphasizes changing the role from a watchdog to a deeper role, namely consulting and assurance (Rahayu, 2018). Assurance services are an objective assessment of internal audit in the activity of providing input and opinions in a professional and independent manner regarding processes, systems or subjects on a problem. Meanwhile, consulting services are special requests from clients (auditors) in the form of advice-giving activities (Marlaini et al., 2018). The role of internal audit is expected to help the organization achieve its goals through a systematic and disciplined approach, to evaluate and improve the effectiveness of risk management, control and governance processes (Rahman, 2020).

### **Government Internal Supervisory Apparatus (APIP)**

APIP is a government agency established to conduct internal audits on the local and central government. Accordance with Article 49 of Government Regulation 60 of 2008 states that APIP as executor of internal control in government agencies consists of BPKP, Inspectorate General/Provincial/Regency/City, or other names that functionally carry out internal supervision.

Furthermore, in article 48 paragraph 2 it is stated that APIP carries out internal supervision through a). An audit is a management tool that will be used to verify the evidence of economic transactions, to assess how successful the process has been carried out, to assess the effectiveness of achievement in accordance with predetermined targets, b). Review is an activity of reviewing evidence of activities to ensure activities are running according to standards, c). Evaluation is an activity of reviewing the implementation of activities in accordance with SOPs and rules, as well as determining the factors that cause the success and failure of activities in achieving goals, d). Monitoring, namely evaluating the progress of activity in achieving goals.

To ensure that the APIP function runs effectively in accordance with article 11 of the Republic of Indonesia Government Regulation No. 60 of 2008, APIP must be able to provide adequate assurance on obedience, thrift, efficiency and effectiveness in achieving goals, provide early warning and increase the effectiveness of risk management in carrying out the duties and functions of Government Agencies, as well as maintaining and improving the quality of governance of the implementation of duties and government agency functions.

### **Competence Theory**

Etymologically, competence is defined as a behavioural dimension of expertise or superiority of a leader or staff with qualified skills, knowledge and behaviour (Tsauri, 2014). Nyoto (2019) stated that competency can be interpreted as a combination of a person's skills, personal attributes and knowledge, which is reflected through performance behaviour that can be observed, measured, and evaluated through certain measuring instruments (Nyoto, 2019).

Furthermore, Spencer and Spencer (1993) stated that competence is a person's characteristic related to the effectiveness of individual performance in his work or individual characteristics in causal or causal relationships, according to reference criteria, effective or superior performance in certain jobs or situations (Spencer & Spencer, 1993).

In terms of capability, experts say that capability is the same as competence. According to Solihat (2018) capability is a company's ability to maximize its resources to achieve goals. Capabilities are things that are done by the company (Solihat, 2018).

In this research, the capability referred to is APIP capability which is an internal auditor in the government structure. APIP capability is a skill in carrying out a supervisory role, namely the ability, authority and competence of human resources that must be owned so that APIP can play an effective role (BPKP, 2015).

BPKP has issued a guideline for self-assessment of APIP capabilities based on the globally applicable IACM, a method developed by the world's professional organization of internal auditors, namely The Institute of Internal Auditors (IIA).

### **Internal Audit Capability Model (IA-CM)**

The IA-CM is structured in understanding the fundamental needs for effective internal auditing in the public sector and consists of five levels related to leading practice. The presence of the IA-CM was recommended by PSC in 2004 by looking at the importance of internal audit in the management and responsibilities of the public sector which has so far been implemented significantly differently in various countries due to differences in management and country culture. So it is necessary to have a standard that can be used as a benchmark in assessing the performance and capability of public sector internal audits (IIARF, 2009). The IA-CM is designed to implement and institutionalize effective internal auditing in the public sector.

In September 2006, IIARF then approved the development of the IA-CM that can be used universally so that public sector internal audits can strengthen their capacity and increase their effectiveness (IIARF, 2009). The IA-CM describes the steps of progressing from the typical internal audit level of less established organizations to the strong, effective internal audit capabilities of more mature and complex organizations.

BPKP as the supervisor agency is responsible for developing the APIP capability assessment tool where the core of the IA-CM is independent assessment, namely the organization's own activities to assess the effectiveness of APIP from its level of capability (BPKP, 2015).

In the APIP Independent Capability Assessment Technical Guidelines issued by BPKP in 2015, APIP is assessed using compliance 240 statements developed for all 41 KPA. Based on the evaluation results, APIP capabilities will be obtained which are grouped into five levels, namely:

- a) Level 1 is called Initial. If APIP is at level 1 then the implementation of follow-up activities still does not exist or follow-up practices are not fixed, repetitive skills



are not available and still depend on the individual performance of the auditor, so that APIP is not able to make any guarantees regarding regulation and anti-corruption.

- b) Level 2 is called Infrastructure. If APIP is at level 2, this shows that in control activities, the audit activities are regular, routine and repetitive, the infrastructure has been built, but only part of it is a compliance audit. Standards that lead to instilling confidence in appropriate regulatory processes to detect fraud.
- c) Level 3 is called Integrated. If APIP is at level 3, this indicates that there has been a professional implementation and internal audit that is consistent and aligned with parameters, enabling APIP to review effectiveness, efficiency and programs/activities, consult with management and Internal Control.
- d) Level 4 is called Managed. If APIP is at level 4, it means that Internal Audit has aligned all institutional data to improve governance and risk management, so that it can provide comprehensive assurance in terms of governance, risk management and internal control.
- e) Level 5 is called Optimizing. If APIP is at level 5, it means that the internal audit unit has become a unit that continues to learn for continuous improvement, the expected results as a carrier of change.

### **Elements of Internal Audit Capability Model (IA-CM)**

According to the Technical Guidelines for APIP Capability Self-Assessment issued by BPKP in 2015, it is said that indicators of success in implementing good government governance within APIP refer to six elements, which are assessed within the APIP capability framework adopted from IA-CM. The six elements are:

1. Services and Role of Internal Auditing.
2. People Management.
3. Professional Practices.
4. Performance Management and Accountability.
5. Organizational Relationship and Culture.
6. Governance Structures.

### 3. RESEARCH METHODS

Sugiyono (2013:2) the research method is a scientific way to obtain data with specific purposes and uses. There are four keywords that need attention, namely, the scientific method, data, purpose and usability (Sugiyono, 2013). According to Sugiyono (2013:7) there are two types of research methods, namely quantitative research methods and qualitative research methods. Quantitative research methods include experimental research methods and surveys. Meanwhile, what includes qualitative research methods are naturalistic, namely research conducted in natural conditions (natural) (Sugiyono, 2013). This research uses a descriptive qualitative research method. In this research, the object of research is the APIP capability level and the Internal Audit Capability Model (IA-CM).

Data collection techniques were obtained through interviews with officials and employees who were directly involved with increasing the capabilities of the Binjai City Inspectorate APIP, in this case, the Office Secretary, Assistant Inspector (Urban) for Development and Social Welfare, Head of Administration Subdivision (Kasubbid) and internal auditors. The data was obtained based on the Binjai City Inspectorate Work Plan, Internal Audit Charter, Budget Implementation Documents and guidelines for the implementation of assignments from planning, implementation, and reporting of audit results, as well as follow-up monitoring and Inspectorate Position Analysis.

The researcher collected data through interviews with 58 statements for Level 2 (Infrastructure) and 93 statements for Level 3 (Integrated) and a series of questions related to obstacles, challenges and steps in increasing APIP capabilities accompanied by collecting documentary evidence as a form of deepening information, according to the statements and questions prepared by the authors regarding the obstacles, challenges, and steps taken by the City of Binjai Inspectorate in increasing APIP capabilities.

The data analysis technique used is a descriptive method, namely determining the data to be used, namely in the form of interviews and other supporting secondary data, then collecting predetermined data, namely interviews using 58 statements for Level 2 (Infrastructure) and 93 statements for Level 3 (Integrated). Then analyze the data, namely by comparing the current condition of the Binjai City Inspectorate's APIP capability with the 151 statements that exist in each element, as well as identifying the fulfilment of indicators for these statements. The capability assessment is carried out

sequentially, starting from the first statement to the last statement on each APIP capability element.

#### 4. RESULT AND DISCUSSION

##### Result

Based on the results of the analysis of Key Process Area (KPA) compliance data for each element, the overall acquisition results for each element can be seen in the following table.

**Table 2**  
**Achievement Level of Each Element**

No	Element	Key Process Area	Level	Progress (%)	Achievement Level of Element
1	<b>APIP's Role and Services</b>	Compliance Auditing	2	100	3
		Performance /Value for Money Audit )	3	100	3
		Advisory Service	3	100	3
		Skilled People Identified and Recruited	2	100	3
		Individual Professional Development )	2	100	3
2	<b>Human Resources Management</b>	Workforce Coordination	3	100	3
		Professionally Qualified Staff	3	100	3
		Team Building and Competency	3	100	3
3	<b>Professional Practices</b>	Audit Plan Based on Priority	2	100	3
		Professional Practices and Processes Framework	2	100	3
		Risk Based Audit Plans	3	100	3
		Quality Management Framework	3	100	3

No	Element	Key Process Area	Level	Progress (%)	Achievement Level of Element
		APIP Business Plan	2	100	3
4	<b>Accountability and Performance Management</b>	APIP Operating Budget	2	100	3
		APIP Management Reports	3	100	3
		Cost Information	3	100	3
		Performance Measures	3	100	3
5	<b>Culture and Organizational Relation</b>	Managing within the APIP Activity	2	100	3
		Integral Component of Management Team	3	100	3
		Coordination With Other Review Group	3	100	3
		Reporting Relationships Established	2	100	3
6	<b>Governance Structure</b>	Full Access to the Organization's Information Assets, and Human Resource	2	100	3
		Funding Mechanism	3	100	3
		Management Oversight of the APIP Activity	3	100	3

Source: Data Processed, 2022.

From the table above, it can be concluded that the Binjai City Inspectorate, in the six elements with 58 statements for Level 2 and 93 statements for Level 3 in each existing KPA, has reached level 3 (Integrated) predicate full (without notes on improvement). With the achievement of level 3 (Integrated), the Binjai City Inspectorate is considered capable of conducting performance audits/value-for-money audits that can improve performance (economical, efficiency and effectiveness), as well as provide consulting services to improve governance, risk management and organizational control where APIP is located.

## Analysis

### Element of Role and Service

In element 1 Role and Service, the Binjai City Inspectorate has reached level 3 (integrated). At Level 3, APIP capability requires the Inspectorate not only to carry out compliance audits but also to carry out performance audits and consulting services. This is an important point considering the role of internal audit has grown, not only as a supervisor but also as a facilitator and consultant. According to Rai (2008), a performance audit is an audit that is carried out objectively and systematically on various types of evidence to assess entity performance, especially in terms of economy, efficiency and effectiveness, to improve entity performance and public accountability (Rai, 2008). This is in line with the results of researchers Susbiyani & Si, n.d.) who stated that performance audits have a significant positive effect on public accountability (Susbiyani & Si, n.d.). The Secretary of the Binjai City Inspectorate, based on the interview, stated that their office has carried out a performance audit on the existing Local Government Working Unit (OPD).

*“We have conducted performance audits in addition to compliance audits and investigative audits. For each of these audits, we have provided auditors with a series of technical guidance and training so that each auditor can carry out audit activities properly.”* (Secretary of the Binjai City Inspectorate, 20<sup>th</sup> July 2022).

For the implementation of compliance audits and performance audits, the Binjai City Inspectorate also has a Performance Audit Work Program and Standard Operating Procedures (SOP).

From the results of research and data, the competence of internal auditors for the implementation of performance audits still requires an increase in competency standards. In BPKP Head Regulation number: PER-211/K/JF/2010 concerning Auditor Competency Standards, it is stated that auditors must meet the competency standards required to be able to carry out supervisory duties according to their position level. Nyoto (2019) states that one of the important issues in the spotlight in the management of professional human resources is the limited number of available human resources with certain skills. Currently, of the 32 existing internal auditors, there are still 4 people who have the competence to conduct performance audits (Nyoto, 2019).

In addition to performance audits, at level 3 in the elements of roles and services, APIP must perform consulting services. As in the general competency concept of Spencer and Spencer (1993), one form of competency that must be met is service orientation, a desire to help and provide solutions. For consulting services, the role of the internal auditor is to provide suggestions for improvement and to participate actively in assisting management in carrying out various corrective actions, so that they are able to act more as partners for management and auditees (Astuty, 2007). At this point, the Binjai City Inspectorate has carried out its function as a consultant.

### **Human Resources Management**

In this point the Binjai City Inspectorate has fulfilled level 3. At level 3 the elements of human resource management, there are 3 key process areas namely: the existence of workforce coordination, availability of professionally qualified APIP apparatus, as well as competency and team building.

For the key process of coordinating the APIP human resources task force, the Binjai City Inspectorate has mapped the number of human resources and competency needs with APIP, to see competency gaps in the form of employee competency maps.

*“Data on all existing internal auditors and workload according to the number of internal auditors, we have compiled a map of employee competencies. Through this map, you can see the names of internal auditors, classes, and certifications they have regarding technical guidance and training they have attended, and what things they should have in the future.” (Head of Administrative Sub-Division, Binjai City Inspectorate, 20<sup>th</sup> July 2022).*

To carry out supervisory duties properly, auditors are required to have basic competence as examiners and appropriate qualifications. This competency is obtained through certification education and training held by the BPKP or through self-training in the office.

In an effort to increase APIP human resources with professional qualifications, the Binjai City Inspectorate has an auditor certification development program and annually enrolls internal auditors to take part in auditor certification education and training, in the form of team member formation training, team leader and technical control training, as well as training technical substance such as performance audit

training, investigative audit, and APIP capability training. According to Qomariah (2020), the purpose of human resource development is to create positive employee attitude changes (Qomariah, 2020).

From the results of interviews, one of the current obstacles is the limited budget for the City of Binjai Inspectorate, especially the budget for employee education and training. For the 2021 fiscal year, the employee education and training budget is only 0.8% of the total budget. This amount is only able to finance 3-4 people to attend training.

In addition to budgetary constraints, fulfilling auditor competence is also related to the ability of internal auditors. Spencer and Spencer (1993) said that expertise is a form of general competency that must be possessed (Spencer & Spencer, 1993).

*“For the competence of internal auditors, there are internal and external factors. Internal factors are the auditors themselves, where there are auditors who do not understand the main duties and functions, as well as the ability and intelligence to understand something that is not the same. Apart from that, there is also a budget problem. There is always an increase in this competency every year, but the number of participants is not what we expected.”* (Secretary of the Binjai City Inspectorate, 20<sup>th</sup> July 2022).

From the description of the achievements above, it can be said that increasing competency is a must for quality human resources. In line with the results of research conducted (Bahari & Inramus, 2018) at the Padang City Inspectorate, human resources have limited competence and the amount of the budget is less than 1% of the Padang City APBD affecting the level of fulfillment of APIP capabilities of the Padang City Inspectorate.

In addition to competence and budget, the availability of apparatus resources is also very necessary. The number of human resources available at the Binjai City Inspectorate is still lacking for internal audit implementation. This was stated by the secretary of the Binjai City Inspectorate.

*“Our constraint is the number of our current human resources. According to the BPKP, the ideal number of internal auditors at the Binjai Inspectorate is 70 people. However, currently, we only have 34 people. (Note: from the data documents received,*

*the number of internal auditors is 32 people). So, only a third was fulfilled. This resulted in 1 internal auditor having to work on 3 workloads so that performance was not optimal. Apparatuses are also prone to experiencing boredom and stress due to excessive workload. (Secretary of the Binjai City Inspectorate, 20<sup>th</sup> July 2022).*

Yohanes (2018) concluded that limited resources were one of the reasons for the lack of implementation of a thorough inspection in the routine implementation of the Bulungan District Inspectorate, where only 20 people met the qualifications of the 37 existing civil servants. As a result, there is a mismatch between the workload and the number of employees (Yohanes, 2018).

The availability of apparatus resources is also the impact of less supportive facilities and infrastructure. Yohanes (2018) states that one of the inhibiting factors for APIP's role in administering government is the limited inspection support facilities, namely the quality of physical facilities and infrastructure in the regional government of Bulungan Regency (Yohanes, 2018). According to the results of Irianto's research (2017), employee performance at the Regional Secretariat of Fakfak Regency is influenced by infrastructure where employee performance is directly proportional to the availability of sufficient and standard infrastructure (Irianto, 2017).

### **Professional Practice**

The expected result of risk-based supervision planning is the creation of an understanding of opportunities and challenges of the organization, as well as the role of management in facing to improve the risk management and control system.

According to the 2018 Risk-Based Internal Supervision Planning Conception Guidelines for Regional APIP by BPKP 2018, risk-based supervision focuses more on testing systems and processes on how management overcomes obstacles in achieving goals, as well as efforts to assist management in handling risk factors in decision-making.

Therefore, the Binjai City Inspectorate has prepared a risk-based audit planning map in the Annual Audit Work Program which is prepared periodically, in which consultation with organizational management has previously been carried out, taking into account priorities and availability of resources. The Audit Map contains the identification and handling of risks, and the selection of risky audits, not only based on



the size of the audited budget.

To achieve elements of professional practice, it is necessary to enforce the auditor's code of ethics. In accordance with the code of ethics contained in the IAC, an auditor in carrying out his duties must always maintain an attitude of independence.

The results of this research are in line with the results of research conducted by (Sumanti, 2020) which states that independence is related to the audit results of BPKP representatives in Aceh. This is also in line with research results (Yohanes, 2018), where the Inspectorate, in carrying out its duties, is responsible to the regent through the regional secretary where this then weakens the independence of the Bulungan Regency Inspectorate. Suryo (2016) in his research shows the results of testing empirical evidence that independence significantly affects audit quality. The results show that auditor independence is directly proportional to audit quality (Suryo, 2016).

### **Accountability and Performance Management**

To achieve level 3, there are three key process areas that must be achieved, namely management reports on supervisory activities, cost information, and performance measurement systems. For the key process areas for the management of supervisory activities, the expected outcome is the accuracy of the implementation of APIP management responsibilities and accountability. In this case, the Binjai City Inspectorate has routinely made reports on the results of supervision activities in the form of LAKIP. The other indicators of the fulfilment of accountability and performance management elements are the Annual Performance Plan (RKT), Work Plan (RENJA) and Strategic Plan (RENSTRA). In order to facilitate the coordination and management of surveillance activities, the Binjai City Inspectorate has actively used the Management Information System - Monitoring Results Application (SIM-HP) by BPKP.

### **Culture and Organizational Relation**

To reach level 3, there are two key process areas that must be achieved, namely APIP, together with other units in the organization, is a management and coordination team with stakeholders who provide advice and assurance. In this case, APIP leaders are expected to play an important role in the organization's management team and contribute to achieving organizational goals, where the APIP leadership is included in top management meetings of the Local Government Working Unit in Binjai city.

For this reason, there needs to be coordination between the Binjai City Inspectorate and other advisory and assurance agencies such as BPKP, KAP, BPK, and other inspectorates in providing assurance services and providing advisory services to each Local Government Working Unit in Binjai city, in order to minimize overlapping activities and strengthen the partnership. This is manifested in the Internal Audit Charter (IAC) owned by the Binjai City Inspectorate.

*“To create collaboration and prevent overlapping with BPKP and other audit institutions, there is an internal audit charter.” (Assistant Inspector for Development and Social Welfare Inspectorate of Binjai City, 20<sup>th</sup> July 2022).*

### **Governance Structure**

To achieve elements of the governance structure, it is necessary to have management oversight in each local government. The local government needs to form a supervisory team to supervise, evaluate, and provide support for APIP activities through the establishment of a Management Oversight team. The purpose of Management Oversight is to strengthen the independence of APIP and mitigate the risk of conflicts of interest and internal control interventions by other parties, as part of management's responsibility for the effectiveness of internal control, so that the division of roles and responsibilities in the 'three lines of defence' becomes more effective. The APIP unit is expected to be more professional and transparent when supervised by the Management Oversight team. When other work units are supervised by APIP, the APIP Unit must also be supervised by the Management Oversight team. To carry out this, the Binjai city government, in this context, the mayor of Binjai, has formed a Management Oversight Team through a Letter of Assignment where the members have been determined, namely Deputy Mayor, Regional Secretary, Expert Assistant, Legal Section of Pemko Binjai, Head of Local Planning and Development Agency, and Head Office of Local Government Apparatus Affair.

## **5. CONCLUSION**

The conclusions from this research are that the APIP Inspectorate Capability Level for the City of Binjai in 2021 is at level 3; for the APIP capability level of the Binjai City Inspectorate, no elements were found that did not meet the target so the

Binjai City Inspectorate remained with the existing strategy, including routinely conducting performance audit activities at the Local Government Working Unit (OPD) in Binjai City, conducting training and increasing the competence of internal auditors through technical assistance and other routine training, fulfilment of monitoring reports, and coordinating with the Local Government Working Unit (OPD) to be involved in organizational management in relation to risk-based management.

The researcher's suggestion for improvement is that the Binjai City Inspectorate requires the procurement of a new building. This is very important to support the facilities and infrastructure of the Binjai City Inspectorate, where which is one of the factors causing the number of internal auditor resources not to reach the figures set by the BPKP. This should be a top priority because the availability of an adequate number of auditors will greatly affect future performance. Regarding the increase in the competence of internal auditors in accordance with certification but constrained by the limitations of the available budget, it is hoped that there will be significant efforts to allocate budget funds above 0.8% of the existing budget so that the improvement in the competence of internal auditors can be implemented sustainably. In addition, it is necessary to give rewards to auditors so that they become motivated in improving performance. Regarding Independence as an important issue in the oversight role, it is suggested to make changes to the hierarchical structure of the Inspectorate institution, so that the Inspectorate is directly under the Inspectorate of Sumatera Utara Province.

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