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Internal control weaknesses: Its relationship with local government characteristics and follow-up on audit results

Dwi Nurmala Sari, Dewi Darmastuti*
Department of Accounting, Universitas Pembangunan Nasional Veteran Jakarta, Depok, Indonesia
*Corresponding author email: darmastutidewi21@gmail.com

ARTICLE INFO	ABSTRACT
	Internal control plays a critical role in achieving the effectiveness and efficiency of organization's operational activities. This study seeks to investigate the effect of local government size, locally-generated revenue, capital expenditures, social assistance expenditures, and follow-up audit results on local government's internal control weaknesses. By using multiple linear regressions on 382 samples of local governments in Indonesia, this study found that local government size and social assistance expenditures positively affected internal control weaknesses. Locally-generated revenue negatively affected internal control weaknesses, while capital expenditures and follow-up audit results did not significantly affect internal control weaknesses. This study adds social assistance expenditures, which are still rarely studied by previous researchers because of the large number of irregularities and their discretionary nature. Thus, the results of this study may provide an input for auditors and regulators to focus more on spending on social assistance and further improve comprehensive standards in internal control systems.

Introduction

Good internal controls are essential. Internal control security in the organization needs to be carried out to safeguard assets from waste, fraud, and inefficiency and to promote better accuracy that may affect the credibility of financial statements. Internal control is a process that influences the system that will be designed to support the achievement of an organizational goal (Lartey et al., 2020). Furthermore, internal control system has an indispensable role in national development because it is a representation of the holistic activities within an organization that must be managed (Hamdani & Albar, 2016). Organizations in Indonesia, especially local governments with authority within the scope of regional autonomy, need a sound monitoring system to avoid fraud. Weak internal control in an organization, especially in the government or private sector, is the leading cause of fraud (Iqbal et al., 2017).

Based on the 2006 KPMG Fraud Survey, in one of professional services in the world, there was a weakness in internal control, which was the main factor that caused 33% of fraud cases. Furthermore, the second factor accounted for 24% of the cases because the use of the SPI (internal control system) was neglected. Therefore, it is vital to implement and supervise internal control (Iqbal et al., 2017). A sound internal control system must be implemented, so local governments can fully ensure they achieve common goals. Based on Law of the Republic of Indonesia No. 1 of 2004 concerning the State Treasury paragraph 4 of article 56, regional management of finance must be based on the use of an adequate internal control system and financial accounting based on government accounting standards. One of the objectives of the internal control system for local governments is to protect state assets in the form of data or physical assets, to maintain detailed and precise records and documents, to produce accurate financial information, to increase the efficiency and effectiveness of organizational activities, and to ensure compliance with management policies and regulations and applicable law.

In addition, problems related to internal control weaknesses were disclosed by The Audit Board of the Republic of Indonesia (BPK RI) in 2020 (Badan Pemeriksa Keuangan, 2020). Summary of Semester Examination Results for the first semester of 2020 used 546 local governments as the audit objects. The audit identified 10,499 findings, including 5,175 control weaknesses (49%), and the remaining 51% were findings on non-compliance with laws and regulations. In Summary of Semester Examination Results I of 2020, 473 records had not been investigated or were inaccurate at the local government, and there were 900 internal control weaknesses problems, including not reconciling the management of local revenue in data management.

The second Summary of Semester Examination Results in 2020 comprised 183 local governments and village-owned enterprises (BUMDs) as the audit objects and found 2,277 problems. A total of 506 findings (22%)

were related to internal control weaknesses. One thousand seventy-one findings (47%) were related to ineffectiveness, inefficiency, and ineffectiveness. The remaining 700 findings (31%) were related to non-compliance. The problem was the same as that in the first semester; internal control weaknesses in locally-generated revenue management were still not optimal. In addition, weaknesses persisted in the internal control of social assistance spending. Some of these problems were inaccurate data collection on recipients of social assistance, the distribution of social assistance was off target, and no distribution of social assistance. Audit findings related to social assistance spending even reached approximately IDR 96 billion. The significant number of internal control problems shows the weakness of the local government's internal control system, which can trigger an increase in fraud in the organization/government.

Pamungkas et al. (2019) found that the local government size affects internal control weaknesses. The size of local government can be seen from the amount of assets owned. Large asset can be complex to manage and monitor effectively. Based on the 2019 IHPS by BPK RI, out of 7 types of weaknesses in internal control, 5 are weaknesses in internal control over government's high-value assets. With numerous assets spread across different locations, it becomes increasingly difficult to maintain accurate records and ensure proper control measures are in place. However, Fauzia (2018) and Saferi and Mulyani (2020) did not find any relationship between the size of local government and internal control weaknesses.

Iqbal et al. (2017) and Pamuji (2017) found a significant effect of locally-generated revenue on internal control weaknesses, which means high sources of income will trigger internal control system problems. On the contrary, Subowo (2020) found that locally-generated revenue has a negative effect on internal control weaknesses. Higher revenue levels enable local governments to allocate more resources towards internal control measures. This includes investing in advanced financial systems, hiring qualified personnel, and implementing robust control processes.

Furthermore, Zahroh and Arifin (2017) investigate the effect of capital expenditures on internal control weaknesses and found that capital expenditure affected internal control weaknesses. Capital expenditure is a budget expenditure for the acquisition of fixed assets and other assets that benefit more than one accounting period. While total local government capital expenditure is aimed at promoting development and improving public services, it could also introduce challenges that weaken internal control within a local government. As previously explained, most of the audit findings by BPK related to assets are problems with capital assets. With high capital expenditure, local governments may face difficulties in providing sufficient oversight for all projects simultaneously. This can result in inadequate monitoring and supervision of project activities, making it harder to identify and address control weaknesses. However, this outcome is contrary to that of Aini et al. (2017), Iqbal et al. (2017) and Pamungkas et al. (2019) which found that capital expenditure does not affect internal control weaknesses.

Pamungkas et al. (2019) found that follow-up audit results affect internal control weaknesses. A follow-up to audit results is a critical step in strengthening local government internal control. It allows for the identification and rectification of control weaknesses, enhances accountability, and promotes continuous improvement. By assigning responsibilities for corrective actions, individuals or teams become accountable for addressing the identified control weaknesses. This accountability encourages a proactive approach to internal control and ensures that appropriate actions are taken to mitigate risks.

Considering the differences in the findings and phenomena related to internal control problems, the researchers are interested in investigating factors that influence internal control weaknesses. This study modified Pamungkas et al. (2019) by testing the effect of social assistance spending on internal control weaknesses, which to the best of the author's knowledge are rarely studied especially in Indonesia. Because of the many irregularities in social assistance spending and its discretionary nature, this study also examines the effect of social assistance expenditures on many weaknesses in internal control, especially in local governments. Pramanik (2020) showed that social assistance funds affect internal control. Darmastuti and Setyaningrum (2019) found that the quality of disclosure of discretionary spending, one of which was social assistance spending, was still low. Most audit findings on this expenditure were the absence or delay of accountability reports. Large-scale social assistance programs involve a significant number of beneficiaries and transactions. This complexity can make it challenging to effectively monitor and control the disbursement of funds, eligibility verification, and tracking of benefits. As the number of transactions increases, the risk of errors, fraud, and improper payments also rises.

Overall, the results of the study confirm the positive effect of local government size and social assistance expenditures on internal control weaknesses. In contrast, locally-generated revenue has been shown to negatively affect internal control weaknesses. Thus, this research may provide an input for auditors and regulators to pay more attention to these accounts in detecting weaknesses in internal control.

Literature Review

Agency Theory

The theory states that the relationship between two parties is in a contract agreement. The principal is that the party that rules or gives authority to the other party is the manager (agent). The agent given this authority will act according to the principal's objectives (Abbas et al., 2021; Boon, 2018). In public organizations, some relationships may unconsciously trigger agency problems, notably in the local government. The relationship between the principal and the agent can lead to information asymmetry, where the agent's position has more sources of information about the agency/ organization than the principal (Saferi & Mulyani, 2020).

Judging from this situation, the local government, namely the agent as the manager, is encouraged to fulfill their needs to commit fraud in local government financial reporting. Therefore, principal's supervision is necessary to reduce conflicts related the agent's acts. Agency theory emphasizes that all activities of local governments need to be monitored by ensuring that these actions can run according to the compliance and guidelines that have been set. The increased accountability of local governments will lead to a balance in information received by the public about the local governments to avoid information asymmetry (Adiputra et al., 2018). Accountability may prevent corruption because information asymmetry has been reduced. Therefore, the activities carried out by the local government for internal control must be better structured to reduce the findings of fraud cases.

Stewardship Theory

Stewardship Theory has its roots in psychology and sociology. This theory concerns with the condition of the manager, who is said to be a motivated servant and who tries to match the owner's interests. In this theory, managers will try to provide maximum benefits to the organization rather than being concerned with their own goals (Boon, 2018). If there are discrepancies in the interests of the steward and the owner, the steward tries to continue cooperating and not ignore the owner. Another critical assumption is the alignment between organizational success and owner satisfaction. However, this does not mean that the steward does not have the necessities of life; in this case the manager straightens the situation by following the owner's goals (Dina & Maryono, 2018). In this theory, the local government is the executor who will work and behave in the common interest for the people's benefit. In carrying out its duties, the government will try to provide maximum benefits for the welfare of the people (Subowo, 2020). The findings above may suggest that local government is an institution that is perceived to be trustworthy and acts following the public interest by carrying out its duties and functions appropriately. In addition, local government should also increase its capabilities and expertise in using effective internal control to produce quality financial information and to realize the goals of the economy, public services, and social welfare to the fullest.

Internal Control Weaknesses in Indonesia's Local Governments

Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government's Internal Control System states that the management and all employees carry out internal control to ensure the achievement of organizational goals, including more effective and efficient activities, reliable financial reports, and security of state assets in accordance with the legislation. Furthermore, the better the government's internal control system, the more support the government can provide for the successful implementation of performance-based budgeting (Ratmono, 2016).

The government regulation requires every government agency to build a government internal control system to prevent failures and inefficiencies in achieving organizational goals. Thus, government agencies must implement government internal control system in the organization's operational activities, which is expected to reduce errors and possible deviations (Ujkani & Vokshi, 2019).

According to Aini et al. (2017), internal control weaknesses are inherent in internal control due to failures such as errors or errors that cannot be prevented or detected. An organization in the economic sector, especially in financial management, often deviates from … where supervision is inadequate; this may indicate a weakness of internal control. There are three categories of weaknesses in the internal control system: (1) weaknesses in the control system related to accounting records and reporting, (2) weaknesses in the control system related to the implementation of the revenue and expenditure budget, and (3) weaknesses related to the absence or presence of an internal control structure. Furthermore, problems related to internal control weaknesses were disclosed in the 2020 IHPS (Semester Audit Results Summary) from the Audit Board of the Republic of Indonesia. Of all audit findings, almost 50% are related to internal control weaknesses.

Hypothesis Development

Local Government Size

The number of total assets can reflect the value or size of the business activities of the local government and how it implements internal control properly and correctly. This follows the agency theory where two parties agree: the principal (giving authority) and the agent (receiving authority). As the agent, the local government seeks to obtain

benefits that are not conducive to the level of supervision. Based on the 2019 IHPS by BPK RI, out of 7 types of weaknesses in internal control, 5 are weaknesses in internal control over government's high-value assets. Thus, the greater the local government's assets, the more likely the weaknesses of the internal control system will be found (Adha et al., 2019). Pamungkas et al. (2019) found that the larger the local government size, the more likely it would react to an increase in the internal control weaknesses.

H_1: Local government size has a positive effect on the weakness of internal control

Locally-Generated Revenue

Law of the Republic of Indonesia Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments states that locally-generated revenue is collected based on local government regulations and adjusted by laws and regulations. The government is given the trust to implement regional autonomy and manage finances that can improve people's welfare. Regional autonomy allows the government to be confident in its financial implementation and management. The larger the locally-generated revenue, the more independent the area is. By relating it to the stewardship theory, an independent local government will try to increase accountability to gain public trust. Thus, the region will try to maintain the effectiveness of the internal control system. Higher revenue levels may enable local governments to allocate more resources towards internal control measures. This includes investing in advanced financial systems, hiring qualified personnel, and implementing robust control processes. Subowo (2020) found that locally-generated revenue has a negative effect, which means that the greater the locally-generated revenue, the better the internal control can run, and as a result the level of internal control weaknesses findings decreases.

H_2: Locally-generated revenue has a negative effect on internal control weaknesses

Capital Expenditures

Capital expenditure is a budget issued by the state that is used in the framework of capital formation or acquisition of fixed assets with the aim of daily operational activities in work units as well as in the context of providing services to the community (Kristanto, 2009). According to Aini et al. (2017), procurement fraud may happen if the number of capital expenditures increases. According to Zahroh and Arifin (2017), capital expenditures allocated in large amounts will lead to increasing problems. With high capital expenditure, local governments may face difficulties in providing sufficient oversight for all projects simultaneously. This can result in inadequate monitoring and supervision of project activities, making it harder to identify and address control weaknesses. This is consistent with the agency theory, in which institutions as agents (local governments) have high capital expenditure activities, and the procedures for the intensity of capital expenditures are also tightened. The higher the capital expenditure, the more problems with the use of capital expenditure may be expected and may also weaken the internal control.

H_3: Capital expenditure has a positive effect on the weakness of internal control

Social Assistance Expenditures

The local government, as an agent, is given the authority to provide services to the community. The number of problems in social welfare means that many community needs have not been met. In practice, however, there are many irregularities in social assistance spending and its discretionary nature. Darmastuti and Setyaningrum (2019) found that the quality of disclosure of discretionary spending, one of which was social assistance spending, was still low. The audit findings that were mostly found on this expenditure were the absence or delay of accountability reports. Large-scale social assistance programs involve a significant number of beneficiaries and transactions. This complexity can be challenging to effectively monitor and control the disbursement of funds, eligibility verification, and tracking of benefits. As the number of transactions increases, the risk of errors, fraud, and improper payments may also rise.

Based on the agency theory relationship, local government must act to realize mutual welfare, thus the management of social assistance can be distributed correctly and optimally. The better the realization of social assistance expenditures, the stronger the pressures for the government to supervise the implementation of better internal control. Thus, the government will measure the scale of problems that may occur in the weakness of control. Previous research found that assistance in the forms of basic food packages and direct cash assistance had a significant effect (Nurwani, 2018; Pramanik, 2020). The results of previous studies that have a positive effect and employ the theory can be hypothesized as follows:

H_4: Social assistance expenditures have a positive effect on internal control weaknesses

Follow-up to Audit Results

A follow-up to audit results is an essential first step taken by government institutions because the total cases of weaknesses in the internal control system are used as measurement tools for detecting problems; therefore, the

recommendations will be appropriately implemented in the inspection process (Maharani, 2020). This suggests that according to the stewardship theory, the government will try to implement the audit recommendations obtained, which aim to prevent similar findings from occurring. By assigning responsibilities for corrective actions, individuals or teams become accountable for addressing the identified control weaknesses. This accountability may encourage a proactive approach to internal control and ensure that appropriate actions are taken to mitigate risks. Therefore, supported by the observations of Pamungkas et al. (2019), the greater the follow-up to the audit results, the smaller the control weaknesses. Considering the above findings, supported by the findings of previous researchers, the hypothesis is as follows:

H_5: Follow-up audit results have a negative effect on control weaknesses

Research Method

This study is secondary quantitative research. Secondary data provide quantitative data in the form of numbers from calculations or measurements of research data sources. This data is obtained, collected, and processed by the concerned parties. The secondary data of this study comes from the *LKPD* (Local Government Financial Statement) and the 2019 Audit Result Report.

In this study, purposive sampling is used to determine the sample research with specific considerations (Hermawan, 2019). The data analysis technique in this study is multiple regression analysis. The hypothesis testing uses Microsoft Excel and STATA programs. The regression equation in this study is:

$$ICW_i = \beta 0 + \beta 1 SIZE_i + \beta 2 LGR_i + \beta 3\ CAPITAL_i + \beta 4 SOSASSIST_i + \beta 5 FAR_i + e$$

Table 1. Variable Measurement

Variable	Variable Operation
Internal control weaknesses (ICW)	Number of cases found on internal control weaknesses
Local government size (SIZE)	Natural logarithm of the number of assets per region
Locally-generated revenue (LGR)	The amount of original local government revenue divided by total revenue
Capital expenditures (CAPITAL)	The number of capital expenditures divided by total expenditures
Social assistance expenditures (SOSASSIST)	The number of social assistance expenditures divided by total expenditures.
Follow-up to audit results (FAR)	The number of follow-ups that have been following the recommendations divided by the total recommendations

Source: processed by the author

Results and Discussion

This study analyzed local government size, revenue, capital expenditure, social assistance funds, and follow-up audit results on internal control weaknesses. The research objects selected to be observed and analyzed are all local governments in Indonesia in 2019. The research uses quantitative methods and performs statistical tests on secondary data. Secondary data was obtained from the Audit Board of the Republic of Indonesia (BPK RI). From the specified research period, this research uses 541 samples of the population of local governments in Indonesia. The sample will be adjusted to the criteria set by the researcher. The following are the final results of the purposive sampling:

Table 2. Sample Criteria

Description	Number of Samples
Local governments in Indonesia in 2019	541
Local governments that do not have complete data in the 2019 Local Government Financial Statements	(38)
Local governments that do not have complete data in the 2019 Semester Audit Results Summary	(111)
Research Samples	392

Based on Table 2, 392 local governments met the criteria with complete data during the 2019 period.

Table 3. Descriptive Statistics Test

Variable	Obs	Mean	Standard deviation	Min	Max
ICW	392	6.17	3.34	1	46
SIZE	392	5,423,957,787,467	26,437,136,401,603	769,706,569,698	517,155,089,689,488
LGR	392	0.25	2.08	0.00	5.05

CAPITAL	392	0.23	0.06	0.03	0.52
SOSASSIST	392	0.01	0.01	0.00	0.15
FAR	392	0.41	0.01	0.01	1

Descriptions: ICW = internal control weaknesses, SIZE = local government size (total asset in IDR), LGR = locally-generated revenue, CAPITAL = capital expenditures, SOSASSIST = social assistance expenditures, FAR = follow-up to audit results

Table 3 shows that the use of the internal control system by the government has not been carried out thoroughly and efficiently, which may cause significant problems. Regional expenditures and income distribution are not evenly distributed in the regions. This suggests that local governments should be more accurate in collecting data. For the classical assumption test, no multicollinearity and heteroscedasticity problems are found. However, this research model uses treatment (5% winsorization) because the data is not normally distributed.

Hypothesis Testing

The coefficient of determination test found the adjusted R-Square (R^2) value of 0.0305. This means that the size of the local government, local revenue, capital expenditure, social assistance funds, and follow-up audit results on internal control weaknesses in the sample data is 0.0305 or 3.05%. At the same time, other factors influence the remaining percentage.

Table 4. Results of Hypothesis Test

Internal Control Weaknesses (ICW)	Ordinary Least Square (OLS)			
	Hypothesis	*Coef.*	t	P > |t|
SIZE	+	1.99	6.77	0.000 ***
LGR	-	-8.99	-3.44	0.001 ***
CAPITAL	+	-2.90	-1.07	0.286
SOSASSIST	+	50.19	3.13	0.002 ***
FAR	-	0.20	0.30	0.763
_cons		-49.94	-6.12	0.000
Number of Obs	392			
Adjusted R-Square	0.132			
F (5.386)	11.780			
Prob > F	0.000			

Descriptions: ICW = internal control weaknesses, SIZE = local government size, LGR =locally-generated revenue, CAPITAL = capital expenditures, SOSASSIST = social assistance expenditures, FAR = follow-up to audit results

The Influence of Local Government Size on Internal Control Weaknesses

The size of the local government (SIZE) is a scale with a large or small value to describe the state of a local government. Based on Table 4, this study found that local governments had a significant and positive effect on internal control weaknesses (ICW); therefore, the first hypothesis was accepted. It is proven that Bojonegoro Regency has an asset value of IDR 12,750,710,236,133 with 6 findings in internal control weaknesses. East Java Province, which has an asset value of IDR 41,619,420,483,915.2 found 8 findings in internal control weaknesses. Governments that have large amounts of assets will also increase internal control problems. Thus, higher SIZE will be followed by an increase in internal control weaknesses (ICW) findings upon examination. The high-value assets can reflect the activities carried out by the government, accompanied by the implementation of the internal control system. This will also increase the management and supervision of government's asset, and thus adequate internal control is needed. This follows the agency theory, but the agent, the local government, seeks to obtain profits whose level of supervision is not conducive. Thus, the greater the local government's assets, the more likely there will be findings related to the internal control system weaknesses. These results are in line with those of Pamungkas et al. (2019) which explain that the size of the government has a significant effect on internal control weaknesses.

The Influence of Original Local Government Revenue on Internal Control Weaknesses

The results of this study have demonstrated that higher locally-generated revenue (LGR) value does not necessarily increase the cases of internal control weaknesses in the local government. Cases stemming from large amount of LGR in the local government may not be possible to occur. High LGR could encourage managers to improve the system more efficiently, so deviations can decrease, and the risks faced by local governments are not too complex. Table 4 shows that the LGR variable has a significant negative effect on internal control weaknesses as confirmed by the data. Way Kanan Regency has an LGR value of 5.046269 or IDR 6,091,063,146,669 for the total income of

IDR 1,207,042,824,800.43. Way Kanan Regency has 7 (seven) findings in internal control weaknesses . Meanwhile, Tambrauw Regency has an LGR value level of 0.0038757 or IDR 4,848,891,388.22, and the total income value is IDR 1,251,093,860,064.22 with 10 findings of problems in internal control weaknesses. Thus, an LGR with a high value in a certain area does not allow any additional finding of problems in the internal control system owned by that region.

Research conducted by Subowo (2020) is in line with the results of this study. Subowo (2020) explained that corruption or misappropriation of *APBD* (local budget) funds involves regional officials and locally-generated revenue is the target of their deviation. This is because a sizeable locally-generated revenue does not guarantee significant internal control weaknesses and vice versa for a low locally-generated revenue value. Furthermore, the theory used in this research, which is stewardship theory with high locally-generated revenue, could encourage local governments to be more structured in financial management. It can be concluded that locally-generated revenue negatively affects local government's internal control weaknesses.

The Influence of Capital Expenditures on Internal Control Weaknesses

The third hypothesis is the effect of capital expenditures on internal control weaknesses s. The results in Table 4 show no influence of capital expenditures on internal control weaknesses. The results of this study indicate that the amount of capital expenditure may not affect the findings of internal control weaknesses.

The results of this study, however, differ from those of the research conducted by Subowo (2020) in that capital expenditures have a significant effect on internal control weaknesses. However, this study is in line with several previous studies, such as Alawiyah et al. (2020) and Pamungkas et al. (2019), which found that capital expenditures do not have a significant influence on internal control weaknesses.

Findings in Depok City confirm these results. Depok City has a total realization of significant capital expenditures with a value of IDR 926,089,374,326 with four findings of internal control weaknesses. As for capital expenditures, the smallest evidence is in Rote Ndao Regency, which has the smallest realization of capital expenditures with a value of IDR 173,510,593,201.77 with four findings of internal control weaknesses. This shows that the size of the capital expenditure, which is measured by the total capital expenditure divided by the total expenditure, is unlikely to be stated as a factor in increasing the findings of internal control problems.

Local governments with low capital expenditure calculations do not necessarily lead to increased findings in internal control weaknesses. It is because management that is balanced with the availability of the number of human resources (HR) will have the ability in regional financial management and government accounting. With quality human resources, internal control weaknesses can be minimized even though it has low capital expenditure. All processes that occur are monitored, and supervision is tightened to minimize fraud against the misuse of capital expenditures.

The Influence of Expenditures for Social Assistance on Internal Control Weaknesses

Based on Table 4, the relationship between social assistance expenditures and internal control weaknesses is determined using a t-statistical test. The results show that social assistance expenditures significantly influence internal control weaknesses. Thus, H3 is accepted, meaning that the higher the social assistance fund, the higher the internal control weaknesses findings. This is evidenced in Maluku Province, which has a total social assistance expenditure of IDR 30,000,000 with 5 internal control weaknesses findings. Meanwhile, in South Buru Regency, the value of social assistance expenditures is IDR 13,383,776,400, and there are nine findings of problems in the internal control weaknesses.

The results of this study accord with those of Nurwani (2018) and Pramanik (2020), which state that large amount of financial aid may affect the weakness of internal control because the management of social assistance of the local governments is still inadequate. Appropriate and on target distribution of social assistance may require an accurate database of recipients and supervision. This study found that social assistance management activities have not been implemented as required, as seen from the monitoring and supervision of the internal control system which is less than optimal. In addition, because the control system was inadequate or the data was out of date during the COVID-19 pandemic, much of the data on recipients of social assistance was inaccurate.

The Influence of Follow-up Audit Results on Internal Control Weaknesses

The t-statistical test determines the relationship between the follow-up audit results (FAR) and internal control weaknesses. The results of Table 4 show that FAR does not have a significant effect on internal control weaknesses, which means that H5 is rejected.

However, the results of this study are consistent with those of Sugiyanti (2018) and Miftah and Verawaty (2019), which found that follow-up audit results does not significantly impact internal control findings. The recommendations from the audit results had not been implemented or had not reached the target set by the auditors to the local government. Thus, this may indicate that in responding to Thus, this indicates that the response to

examination findings still appears neglectful, resulting in prolonged delays in resolving the follow-up findings in accordance with the auditor's recommendations. Judging from the Audit Result Report created by BPK, many findings show inadequate supervision and control from the local government. The weakness of the existing system may lead to deviation. Thus, the high value of the appropriate recommendation does not determine the size of the weakness of internal control.

Conclusion

Internal control plays a critical role in achieving the effectiveness and efficiency of the organization's operational activities. Therefore, knowing the factors influencing internal control weaknesses is still relevant for analysis. This study aims to investigate the effect of local government size, locally-generated revenue, capital expenditure, social assistance expenditure, and follow-up audit results on the problem of internal control weaknesses in local government institutions.

The results of this study show that local government size and social assistance expenditures significantly influence internal control weaknesses. In contrast, locally-generated revenue has a significant negative effect on internal control weaknesses, while capital expenditures and follow-up audit results do not significantly affect internal control weaknesses. This may be beneficial for local governments to further improve comprehensive standards in the internal control system on a large scale. An adequate internal control system could encourage managers to further improve the system efficiently, so deviations and irregularities can decrease.

In this study, some limitations may affect the results of the study. First, the data obtained in some areas listed in the Audit Result Report on *LKPD* (Local Government Financial Statement) is presented in a scanned form. Because the results are not easy to read, the researcher must first check the notes on the financial statements. Furthermore, this study only examines several internal factors, such as the characteristics of local government and follow-up to the results of the local government's audit. In future studies, it might be possible to increase the period of the research and the results could compare the old and the latest findings. In addition, further research could examine other factors outside the variables used in this study.

Further research could also analyze the effect of economic growth, operational expenditures, and other external factors on internal control weaknesses. These factors are essential to an institution's financial management and could further strengthen It can further strengthen the research on factors that can influence weaknesses in internal controls. The results of this study may provide an input for the government to focus more on spending on social assistance.

For local governments, this research could increase an awareness of the importance of internal control in managing local government budgets. Auditor recommendations on audit findings should be taken into account and followed up immediately by the government to avoid recurrent findings in the future. The auditor can tighten the monitor and control of the local government to prevent fraud and maximize the local government's potential to improve and develop. A tighter control system should also support this, so public funds can be allocated properly.

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