

## THE EFFECTIVENESS OF LOCAL GOVERNMENT INTERNAL SUPERVISION IN PREVENTING CORRUPTION

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### ABSTRACT

Corruption at the local government level has become a serious concern in clean and accountable governance. Internal control is considered one of the main instruments in preventing corruption at the local government level. This study aims to evaluate the effectiveness of local government internal control in preventing corruption. The research method used is a qualitative approach with data collection through a literature study related to the topic discussed. The research findings show that internal control has become an important part of the local government structure and is influenced by various factors in achieving its effectiveness such as leadership style, organizational commitment, human resources, independence and autonomy, organizational culture, information technology, policies, and cooperation with external parties. The implications of this research highlight the need for improvements in the internal control system in local government to increase its effectiveness in preventing corruption. Recommendations are given to strengthen the independence of internal oversight institutions, improve human resource capacity, and increase transparency in the oversight process. This research is expected to make a significant contribution to further discussions on corruption prevention efforts at the local government level and the development of best practices in internal control

**Keywords:** Corruption, Local Government, Internal Control

### Introduction

Corruption is a form of fraud that abuses authority or trust by committing acts that violate laws and regulations to obtain direct or indirect benefits for the perpetrator (Imron, 2016). Corruption is illegal behavior aimed at enriching oneself or others. Conflict of interest is one of the factors that encourage people to abuse authority or trust for personal or other people's interests illegally, for example by committing fraud in the process of procuring goods and services. In addition, corruption also includes acts such as bribery, giving illegal gifts, and economic extortion. According to the Corruption Eradication Commission, three key sectors are significantly vulnerable to corruption, namely education, health, and licensing. The large budget allocation managed by these three sectors and their relevance to the needs of the general public are believed to be the

main factors that make them vulnerable to corrupt practices. Areas or aspects that are vulnerable to corruption in the public sector include the process of preparing budgets, collecting taxes and levies, procurement processes for goods and services, using social assistance funds and grants, spending on official travel, and filling strategic posts, also known as the practice of buying and selling positions.

The above statement has an important meaning, the greater the amount of funds managed by an institution, the risk of corruption attached to the institution tends to be compared to institutions that manage smaller amounts of funds. In addition, activities or programs and projects that directly impact many people and involve various parties will result in complex supervisory challenges and may be less effective. In addition, the pattern of corruption is increasingly disguised and carried out by officials occupying strategic and high positions. There is a tendency for corruption to be carried out by colluding between officials, employees, or third parties. This kind of fraud is often triggered by abuse of power by officials who have high and strategic positions, starting from the process of preparing budgets that benefit certain parties or at least open loopholes for favorable policies. Therefore, corruption in the form of bribes, gratuities, or illegal gifts became a common practice, along with increased fees or reductions in unauthorized revenue.

Supervision is a process of monitoring the implementation of all activities in an organization to ensure that all actions are carried out by a predetermined plan. The existence of supervision is expected to improve the performance of government organizations and ensure the achievement of predetermined goals (Primary et al., 2021). The implementation of the Government Internal Control System, as stipulated in Government Regulation Number 60 of 2008, is one of the steps taken by the government to improve its performance. The implementation of this internal control system is expected to reduce the possibility of fraud and strengthen the effectiveness of government work in achieving its goals.

Auditors are targets for corrupt actors or officials involved in corrupt practices to conceal their fraud, especially when it is anticipated that auditors can uncover such fraudulent acts. One of the functional supervisory entities that plays a major role in curbing corruption in the public sector is the internal audit function, known as the Government Internal Supervisory Apparatus (APIP), which consists of the Financial and Development Supervisory Agency (BPKP), the Inspectorate General, the Province/District/City Inspectorate, and the Internal Audit Unit (Kuntadi, 2023). Overall, the audit process in the public sector has the potential to increase the level of transparency and accountability and play a role in preventing corruption.

While auditors only have a role to play in helping identify areas where possible acts of corruption may occur, audits within government agencies also play an important role in ensuring regulatory and legal compliance (Selfiani, 2024). Financial supervision has a

significant impact on the level of corruption in Indonesia, especially in terms of overseeing state financial management because financial problems can be subject to manipulation of financial statements and lack of transparency of audit results carried out on financial supervision. Based on the above background, the researcher wants to examine more deeply "The Effectiveness of Local Government Internal Supervision in Preventing Corruption."

### Research Method

This research adopts the qualitative method, which is a research approach that produces descriptive data in the form of spoken or written words of the observed subject. The research design is directed descriptively to describe the problem under study clearly, as this method helps in making a systematic, factual, and accurate picture of the facts, properties, as well as the relationships between the phenomena under investigation (Rukin, 2019).

Descriptive research design can also be interpreted as a method to solve the problem under investigation by describing or describing the condition of the subject or object of research based on facts that appear or as they are (Indrawan, 2017). The author conducts a literature study process by visiting various libraries (library research) and collecting primary data through various writing sources, which is expected to facilitate the author in conducting this research. The author conducted an analysis based on a literature review to explain factors related to the effectiveness of internal government supervision in preventing corruption.

### Result and Discussion

Internal supervision is very important in the local government environment. Internal oversight includes a set of activities designed to help organizations achieve their goals effectively and efficiently, as well as ensure accountability and compliance with applicable laws and regulations.

Internal supervision plays a role in maintaining the integrity, accountability, and performance of local government organizations. This is not only important to maintain community trust, but also to create an environment oriented towards quality and sustainable services. Many factors can affect the effectiveness of internal control within local governments and in other organizations. Some key factors to consider include:

#### **Leadership and Organizational Commitment**

Leadership style is how employees assess how effective a leader is in influencing them or their co-workers so that they will be motivated, dedicated, and enthusiastic toward achieving company goals (Amalia et al., 2023). The successful implementation of leadership style in government agencies is due to a good relationship between leaders and subordinates, where leaders have carried out a good division of tasks so that a good communication process within the agency results in the effective delivery of information

from top to bottom. Strong leadership and commitment from organizational leadership to internal oversight are essential. Without support from the top of the organization, the implementation of internal oversight may not be successful.

Organizational commitment is the view of government employees on the extent to which government employees are committed to achieving the goals of their agency. Good organizational commitment is reflected in employees who feel more satisfied working in the agency than in other agencies. This is proven by their accepting all tasks given by the agency and working according to the target without any pressure. Research conducted by (Setiawan et al., 2020) and (Andriani, 2020) found that leadership style negatively affects fraud in the government sector. This is because when leaders carry out their duties and obligations well, the fraud committed by government officials will be reduced. After all, it can influence other employees to be honest. Thus, organizational commitment will be created and acts of corruption can be prevented.

### **Policies and Procedures**

The adoption of clear and documented policies and procedures is the basis for effective internal control. This policy should include guidelines on risk management, monitoring activities, and measures to respond to violations or non-compliance. Government Regulation Number 60 of 2008 regulates the Government Internal Control System in Indonesia. It includes several key components designed to ensure transparency, accountability, effectiveness, and efficiency in the management of government finances and operations (Afifah et al., 2021).

The implementation of regulations that establish the effectiveness of local government internal supervision plays an important role in preventing corruption. This regulation not only ensures transparency and accountability in the management of public funds, but also helps early detect potential corruption risks, prevent abuse of authority, build a culture of integrity, and maintain public trust in local governments. Thus, the implementation of the regulation is not only about legal compliance but also a step in ensuring good management of public funds and prevention of corruption.

### **Human Resources**

A qualified and trained workforce can carry out supervisory duties more effectively, including detecting, analyzing, and following up on indications of fraud. In addition, the professionalism and integrity of supervisory employees are the main determinants in maintaining independence and objectivity in the supervisory process. Investment in the development of the skills and knowledge of supervisory employees is also needed to ensure that they can understand the complexities of corruption and implement appropriate countermeasures. Research by (Kuntadi et al., 2022) Explains that employee competence has been empirically proven to play a positive role in preventing fraud. Other research by (Ardiyanti, Anita, and Supriadi, 2018) concluded that an effective internal control system and human resource competence have a significant positive

impact on the implementation of good governance and fraud prevention efforts in village financial management in Tangerang Regency.

The role of human resources (HR) in local government internal supervision is very important in efforts to prevent and detect potential fraud and violations of the law. HR is responsible for recruiting and selecting employees who have high integrity and required competencies, organizing training programs to improve employee understanding and skills in detecting fraud, as well as setting high-performance standards and monitoring them continuously. In addition, HR must also address conflicts or ethical issues that may arise between employees, ensure legal and ethical compliance, and promote a culture of integrity in the work environment. By performing these roles effectively, HR can help ensure that local government internal oversight is running properly and can reduce the risk of corruption or other abuses.

### **Organizational Culture**

Organizational culture refers to the views of employees of government agencies about the ethical norms that exist in their workplace. Organizational culture has a huge impact on the attitudes and behaviors of all members of the organization. A strong culture in an organization can provide pressure or motivation to its members to act or behave according to the expectations of the organization. Compliance with agency rules and policies is expected to increase the performance and productivity of employees in achieving organizational goals.

An organizational culture that promotes transparency, accountability, and compliance plays an important role in the effectiveness of internal oversight. If the organizational culture supports unethical or non-open practices, internal oversight will be difficult to function properly.

Research results (Primary, 2020) show that organizational culture hurts the tendency to commit fraud. Organizational cultures that do not emphasize the values of integrity, transparency, and honesty tend to create an environment where unethical behavior is considered acceptable or even encouraged. In a culture that lacks integrity, employees may find it easier to commit fraudulent acts without fear of consequences. Therefore, organizations need to build a culture that encourages integrity and ethics, thereby reducing the risk of fraud and enhancing the trust and reputation of the organization as a whole.

### **Use of Information Technology**

With the rapid development of information technology and the vast potential of its utilization, opportunities are open for many parties to access and manage information quickly and precisely. Therefore, the use of information technology can significantly accelerate the process of processing transaction data and presenting financial statements. This aims to ensure that financial statements still have important information value, namely accuracy and timeliness. Information technology can help strengthen internal

control by facilitating more efficient monitoring and analysis of data. Risk management information systems, process automation, and reporting tools can improve internal oversight capabilities to identify risks and weaknesses.

The use of information technology (IT) in local government internal supervision has a significant role in improving efficiency, transparency, and accountability in public resource management. It enables the implementation of management information systems that enable faster and more accurate data collection, analysis, and reporting. IT systems can also be used to monitor financial and operational activities in real time, making it easier to supervise and detect potential fraud or irregularities. In addition, the use of technology in internal control can strengthen internal controls and improve the ability to proactively identify and address risks. Thus, the integration of information technology in the internal supervision of local governments can help improve the effectiveness of public resource management and support the achievement of sustainable development goals.

### **Independence and Autonomy**

Internal oversight units must have an adequate level of independence from the operational units they will audit or supervise. This is important so that they can operate objectively and identify problems without any external pressure or interference. The internal audit function as a management partner has an important role in fighting corruption. Strengthening the internal audit organization and changing the role of internal audit in efforts to prevent, detect, and investigate fraud, especially corruption is carried out in line with the increase in maturity of the internal audit organization marked by an increase in the ability of internal auditors. This role of internal audit can be realized with concrete commitment and support from senior management. In carrying out their duties, internal auditors must demonstrate adequate professional expertise and maintain an objective attitude based on high integrity (Rustendi, 2018).

Independence and autonomy play an important role in the internal supervision of local governments because they ensure the continuity of an effective and transparent supervision process. Independence refers to the ability to perform supervisory tasks without pressure or interference from parties involved in the activity being supervised. Meanwhile, autonomy refers to the ability to make decisions independently in carrying out supervisory tasks without intervention from other parties. By having sufficient independence and autonomy, local government internal supervision agencies can carry out their duties effectively, objectively, and professionally, to make a significant contribution to maintaining accountability and transparency in the management of public resources.

### **Partnership with External Parties**

Good cooperation with external parties, such as independent auditors or external supervisory bodies, can strengthen internal oversight by providing different views or



perspectives and offering additional resources. Study results (Idana et al., 2022) show that the internal audit function within the government also involves the role of the Government Internal Supervision Apparatus (APIP) and the Corruption Eradication Commission (KPK). APIP is responsible for supervision at the local government level, while the KPK is responsible for supervision at the central government level. Both the KPK and APIP play a role in efforts to prevent fraud related to budget allocations in handling the acceleration of COVID-19.

The combination of these factors will affect how effective internal control is in meeting its objectives to protect the interests of the organization, minimize risk, and improve overall performance. In addition, local governments can improve the effectiveness of their internal oversight to protect the public interest, minimize risk, and improve overall organizational performance

### Conclusion

Research shows that internal supervision has an important role in preventing corruption within local governments. Factors such as organizational leadership and commitment, clear policies and procedures, quality human resources, optimally utilized information technology, independence and autonomy of internal control units, partnerships with external parties, promotion of an organizational culture that supports internal control, and continuous monitoring and evaluation, all contribute to the effectiveness of internal control.

Strong policies, supported by committed leadership, provide a solid foundation for effective implementation of internal control. Meanwhile, well-trained human resources, well-implemented information technology, and the independence of internal control units enable them to carry out their duties effectively and objectively. Partnerships with external parties such as independent auditors are also important in strengthening the internal control process by providing an objective view. In addition, an organizational culture that supports transparency, accountability, and compliance will be an important cornerstone in creating an environment that does not support corruption. By taking into account these factors, local governments can improve the effectiveness of their internal supervision in preventing corruption and maintaining integrity in the management of public funds and government policies.

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