

GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA

NUMBER 60 OF 2008

ON

GOVERNMENT INTERNAL CONTROL SYSTEM

BY THE BLESSINGS OF ALMIGHTY GOD

PRESIDENT OF REPUBLIC OF INDONESIA,

Considering : that to implement provisions of Article 58 section (2) Law Number 1 of 2004 on State Treasury, it is necessary to enact a Government Regulation on Government Internal Control System;

Observing : 1. Article 5 section (2) the of 1945 Constitution of the Republic of Indonesia;
2. Law Number 1 of 2004 on State Treasury (State Gazette of The Republic of Indonesia of 2004 Number 5, Supplement to the State Gazette of the Republic of Indonesia Number 4355);

HAS DECIDED:

To enact : GOVERNMENT REGULATION ON GOVERNMENT INTERNAL CONTROL SYSTEM.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Government Regulation:

1. Internal Control System means integral process in acts and activities performed continuously by leaders and all personnel to provide reasonable assurance of the attainment of the organizational goals through effective and efficient activities, reliable financial statements, state assets safekeeping, and compliance with legislation.
2. Government Internal Control System (*Sistem Pengendalian Intern Pemerintah*), hereafter referred to as SPIP , means the Internal Control System conducted comprehensively both in central and local governments.
3. Internal Supervision means the comprehensive process of audit, review, monitoring, evaluation, and other supervisory activities on administering of organization duty and functions to provide reasonable assurance and to confirm that all activities have been performed effectively and efficiently in line with the stipulated standards to support the leaders' role in realizing good governance.
4. Finance and Development Supervisory Board (*Badan Pengawasan Keuangan dan Pembangunan*) hereafter referred to BPKP means a government internal supervisory apparatus that directly responsible to the President.
5. Inspectorate General or any other titles that functionally perform internal supervision means government internal supervisory apparatus that directly responsible to minister/lead of agency.
6. Provincial Inspectorate means government internal supervisory apparatus that directly responsible to governor.
7. Regency/Municipality Inspectorate means government internal supervisory apparatus that directly responsible to regent/mayor;

8. State ministry means organization within the Government of the Republic of Indonesia led by Minister assigned to perform duties in specific area;
9. Agency means a non- state ministry organization and other budget user institutions established to perform specific duties in accordance with 1945 Constitution of the Republic of Indonesia or any other legislation;
10. Local government means governor, regent, or mayor, and any other administrative units as the element of the local government administrator.
11. Government Institution means the central government administrative element or the local government administrative element.

Article 2

- (1) To attain the effective, efficient, transparent and accountable state financial management, the ministers/leaders of institutions, governors, and regents/mayors are obligated to undertake control on administration of government activities.
- (2) The control on administration of government activities as referred to in section (1) is conducted based on SPIP as regulated in this Government Regulation.
- (3) SPIP as referred to in section (2) aims to provide reasonable assurance in attainment of the effectiveness and efficiency of the achievement of the government administration objectives, the reliability of the financial statements, the safeguarding of the state-asset, and the compliance with the legislation.

CHAPTER II
ELEMENTS OF GOVERNMENT INTERNAL CONTROL SYSTEM

Part One
General

Article 3

- (1) SPIP consists of the following elements:
 - a. control environment;
 - b. risk assessment;
 - c. control activities;
 - d. information and communication; and
 - e. internal control monitoring.
- (2) The implementation of SPIP elements as referred to in section (1) is conducted in an integrated manner and becomes an integral part of the Government Institution activities.

Part Two
Control Environment

Article 4

The leaders of Government Institutions are obligated to establish and maintain the control environment which encourage positive and conducive behavior for the implementation of the Internal Control System within their work environment, through:

- a. upholding integrity and ethical values;
- b. commitment to competency;
- c. conducive leadership;
- d. establishment of organizational structure as required;
- e. appropriate delegation of authority and responsibility;
- f. proper policy making and policy implementation regarding human resource development;
- g. effective role embodiment of government internal supervisory apparatus; and
- h. good relationship with the relevant government institutions.

Article 5

Upholding integrity and ethical values as referred to in Article 4 point a is conducted at least by:

- a. preparing and implementing rules of conduct;
- b. providing implementation exemplary of the rules of conduct in all leadership level of Government Institutions;
- c. undertaking proper disciplinary action on any policy and procedure deviation, or rules of conduct violation;
- d. explaining and being responsible to any internal control interventions or negligence; and
- e. dismissing any policy or assignment that may drive unethical behaviors.

Article 6

Commitment to competency as referred to in Article 4 point b at least is conducted by:

- a. identifying and determining the necessity activities to accomplish the duties and functions in each position in the Government Institutions;
- b. setting up the competency standard for each duty and function in each position in Government Institutions;
- c. conducting training and guidance to assist the personnel in maintaining and improving their work competencies; and
- d. selecting the Government Institution leaders who have managerial skills and the extensive technical experiences in managing Government Institutions.

Article 7

Conducive leadership as referred to in Article 4 point c is at least indicated by:

- a. considering risks in any decision making;
- b. implementing performance-based management;
- c. supporting specific functions for SPIP implementation;
- d. protecting assets and information from unauthorized access and usage;

- e. doing intensive interactions with the official at the lower level; and
- f. responding positively to any reports related to finance, budget, program, and activity.

Article 8

- (1) The establishment of organizational structure as required as referred to in Article 4 point d is at least conducted by:
 - a. adjusting to the size and nature of the Government Institution activities;
 - b. providing the clear descriptions of authority and responsibility within the Government Institutions;
 - c. providing the clear relationship and internal reporting system within the Government Institutions;
 - d. conducting periodic evaluation and adjustment of organizational structure in related to the strategic environment changes; and
 - e. determining the appropriate number of personnel particularly for leader positions.
- (2) The organizational structures formulation as referred to in section (1) is based on the legislation.

Article 9

The appropriate delegation of authority and responsibility as referred to in Article 4 point e is at least conducted by considering:

- a. the authority given to the appropriate personnel in accordance with the level of responsibility to achieve the Government Institution objectives;
- b. the personnel granted with the authority as referred to in point a understand that the given authority and responsibility are related to other parties within the related Government Institution; and
- c. the personnel granted with the authority as referred to in point b understand that the given authority and responsibility are related to the implementation of SPIP.

Article 10

- (1) A proper policy making and policy implementation regarding human resource development as referred to in Article 4 point f at least is conducted by considering:
 - a. the establishment of the policies and procedures from recruitment to termination of personnel;
 - b. the tracing of the prospective personnel background during the recruitment process; and
 - c. the adequate periodic supervision on personnel.
- (2) The policy making and its implementation regarding to human resources development as referred to in section (1) are based on the legislation. .

Article 11

The effective role embodiment of government internal supervisory apparatus as referred to in Article 4 point g at least must:

- a. provide reasonable assurance on compliance, frugality, efficiency, and effectiveness in attaining the objectives of duties and functions of the Government Institutions;
- b. provide early warning and enhances the effectiveness of risk management in administering Government Institution duties and functions; and
- c. maintains and improves governance quality in administering Government Institution duties and functions;

Article 12

The good work relationship with relevant Government Institutions as referred to in Article 4 point h is implemented through a cross-check mechanism among related Government Institutions.

Part Three
Risk Assessment

Article 13

- (1) The leaders of Government Institutions is obligated to conduct risk assessment.
- (2) The risk assessment as referred to in section (1) consist of:
 - a. risk identification; and
 - b. risk analysis.
- (3) In conducting risk assessment as referred to in section (1), the leaders of Government Institutions determine:
 - a. the objective of Government Institution; and
 - b. the objectives of activity level, based on the legislation.

Article 14

- (1) The objectives of the Government Institution as referred to in Article 13 section (3) point a contain specific, measurable, attainable, realistic, and time bound statements and directions.
- (2) The objectives of the Government Institution as referred to in section (1) is obligated to be communicated to all personnel.
- (3) To achieve the objectives of the Government Institutions as referred to in section (1), the leaders of the Government Institutions determine:
 - a. consistent operational strategies; and
 - b. integrated management strategies and risk assessment plans.

Article 15

The establishment of the objectives of activity level as referred to in Article 13 section (3) point b is applied at least by considering:

- a. the Government Institution objectives and strategic plans;

- b. complement and support to each other and not contradictory to one another;
- c. the relevance to all main activities of the Government Institutions;
- d. the elements of criteria measurement;
- e. adequate Government Institution resources; and
- f. the involvement of all level of positions during the establishment process.

Article 16

The risk identification as referred to in Article 13 section (2) point a is conducted at least by:

- a. using a suitable methodology for the objectives of the Government Institutions and the objectives of the activity levels comprehensively;
- b. using an adequate mechanism to identify risks from external and internal factors; and
- c. assessing other factors that may increase risks.

Article 17

- (1) The risk analysis as referred to in Article 13 section (2) point b is conducted to determine the impacts of identified risk in achieving the objectives of Government Institutions;
- (2) The leaders of the Government Institutions are attentive in specifying the accepted risk levels.

Part Four

Control Activity

Article 18

- (1) The leaders of the Government Institutions are obligated to conduct the control activity in accordance with the measurement, complexity, and nature of duties and functions of the Government Institutions.
- (2) The implementation of control activities as referred to in section (1) contain characteristics at least as follow:

- a. the control activities are prioritized according to the Government Institution's main activities;
 - b. the control activities must be related to the risk assessment process;
 - c. the selected control activities must be adjusted to the Government Institutions' specific nature;
 - d. policy and procedure must be formally legalized in writing;
 - e. the determined procedures must be implemented as the written determination; and
 - f. the control activities is evaluated regularly to ensure that the activities are still relevant and functioning as expected.
- (3) The control activities as referred to in section (1) consist of:
- a. review on the performance of related Government Institutions;
 - b. human resources development;
 - c. control on the information system management;
 - d. physical control on assets;
 - e. stipulation and reviewing of the performance indicators and measurements;
 - f. separation of functions;
 - g. authorization of important transactions and events;
 - h. accurate and timely recording of transactions and events;
 - i. access restriction to the resources and its recording;
 - j. accountability on resources and its recording;
 - k. proper documentation of the Internal Control System and the important transactions and events.

Article 19

The reviews on the Government Institution performance as referred to in Article 18 section (3) point a sis conducted by comparing the performance with the specified performance indicators.

Article 20

- (1) The leaders of Government Institutions are obligated to develop human resources as referred to in Article 18 section (3) point b.
- (2) In conducting human resources development as referred to in section (1), the leaders of Government Institutions must at least:
 - a. communicate the visions, missions, objectives, values and strategies of the institution to the personnel;
 - b. formulate human resources planning and development strategy which support the attainment of visions and missions; and
 - c. formulate job description, recruitment procedure, personnel education and training program, compensation system, personnel welfare and facility program, personnel disciplinary regulation, performance assessment system, and career development plan.

Article 21

- (1) Management information system activity control as referred to in Article 18 section (3) point c aimed to ensure the information accuracy and sufficiency.
- (2) Management information system activity control as referred to in section (1) covers:
 - a. general control; and
 - b. application control.

Article 22

The general control as referred to in Article 21 section (2) point a consists of:

- a. information system security;
- b. access control;
- c. software development and change control;
- d. software system control;
- e. tasks separation; and
- f. service continuity.

Article 23

The information system security as referred to in Article 22 point a at least covers:

- a. a comprehensive periodical risk assessment;
- b. a development plan that clearly describes the security programs and the supporting policies and procedures;
- c. organization establishment to implement and manage the security program;
- d. a clear elaboration of security responsibility;
- e. the effective policy implementation on human resources related to the security program; and
- f. the monitoring of the security program effectiveness and undertaking necessary changes.

Article 24

The access control as referred to in Article 22 point b at least contains :

- a. its classification of information system resources based on the importance and sensitivity;
- b. identification of the authorized users and formal authorization access to information;
- c. physical control and logical control to prevent and detect unauthorized access; and
- d. monitoring access to the information system, investigation of trespass, as well as refinement actions and disciplinary enforcement;

Article 25

The development and application software changes control as referred to in Article 22 point c at least contains:

- a. authorization on information system processing features and program modification;
- b. testing and approval for all new and updated software; and
- c. the determination of the procedures to ensure the software library control;

Article 26

The software system control as referred to in Article 22 point d at least contains:

- a. access restriction to the software system based on job responsibility and documentation of the access authorization;
- b. access and system software utilization control and monitoring; and
- c. system software changes control.

Article 27

The duties separation as referred to in Article 22 point e at least contains:

- a. identification of duties that cannot be combined and the policy to separate such duties;
- b. access control setting for undertaking the duties separation; and
- c. personnel activity control through the use of procedures, supervision and review.

Article 28

The services continuity as referred to in Article 22 point f at least contains:

- a. assessment, prioritization, and supporting resources identification of the critical and sensitive computerization activity;
- b. action to prevent and minimize any potential damage and interruption to computer operations;
- c. development and documentation of comprehensive plans to overcome the unexpected occurrences; and
- d. periodic testing on the plans to overcome the unexpected occurrences and make any necessary adjustment.

Article 29

The application control as referred to in Article 21 section (2) point b consists of the following:

- a. authorization control;

- b. sufficiency control;
- c. accuracy control; and
- d. process reliability and data file control.

Article 30

The authorization control as referred to in Article 29 point a at least contains:

- a. control on the source documents;
- b. validation on the source documents;
- c. access restriction to data entry terminal; and
- d. utilization of master file and exception reporting to ensure that all the processed data have been authorized.

Article 31

The sufficiency control as referred to in Article 29 point b at least contains:

- a. entry and processing of all authorized transactions to computer; and
- b. data reconciliation to verify data sufficiency.

Article 32

The accuracy control as referred in Article 29 point c at least covers:

- a. the utilization of data entry design to support data accuracy;
- b. data validation to identify incorrect data;
- c. the recording, reporting, investigation, and immediate correction for incorrect data; and
- d. the review on output report to maintain data accuracy and validity;

Article 33

The process reliability and data file control as referred to in Article 29 point d at least contain:

- a. the utilization of procedure that ensure only the current version of program and data file are used during the process;

- b. the utilization of program that contains procedure to verify that the computer file version used during the process is compatible;
- c. the utilization of program that has procedure to check the internal file header labels before being processed; and
- d. the utilization of application that prevent change of files simultaneously.

Article 34

- (1) The Leaders of Government Institutions are obligated to undertake assets physical control as referred to in Article 18 section (3) point d.
- (2) In undertaking the assets physical control as referred to in section (1), the leaders of Government Institutions are obligated to determine, implement, and communicate to all personnel:
 - a. identification plan, policy and procedure for physical security; and
 - b. recovery plan after disaster.

Article 35

- (1) The leaders of Government Institutions are obligated to assign and review the performance indicators and measurements as referred to in Article 18 section (3) point e.
- (2) In performing the determination and review of the performance indicators and measurements as referred to in section (1), the leaders of Government Institutions must:
 - a. determine the performance measurements and indicators;
 - b. periodically review and validate the provision and reliability of the performance measurements and indicators;
 - c. evaluate the performance measurement valuation factor; and

- d. continuously compare the data of performance achievements with the determined targets in which the gap is further analyzed.

Article 36

- (1) The leaders of Government Institutions are obligated to conduct separation of functions as referred to in Article 18 section (3) point f.
- (2) In conducting separation of functions as referred to in section (1), the leaders of Government Institutions must ensure that all the main aspects of transactions or events are not under the control of 1 (one) person.

Article 37

- (1) The leaders of Government Institutions are obligated to conduct the authorization of important transactions and events as referred to in Article 18 section (3) point g.
- (2) In authorizing transactions and events as referred to in section (1), the leaders of Government Institutions are obligated to specify and communicate terms and conditions for authorization to all personnel.

Article 38

- (1) The leaders of Government Institutions are obligated to conduct accurate and timely recording of the transactions and events as referred to in Article 18 section (3) point h.
- (2) In conducting accurate and timely recording as referred to in section (1), the leaders of Government Institutions are necessary to consider:
 - a. transactions and events need to be classified accurately and recorded immediately; and
 - b. accurate classification and recording need to be conducted for the whole cycle of transactions and events.

Article 39

- (1) The leaders of Government Institutions are obligated to restrict the access to the resources and their recording thereof as referred to in Article 18 section (3) point i and determines the accountability for the resources and their recording thereof as referred to in Article 18 section (3) point j.
- (2) In conducting restrictions of access to resources and their recording as referred to in section (1), the leaders of Government Institutions are obligated to allow access only to the authorized personnel and conduct periodic review of such restrictions.
- (3) In determining the accountability as referred to in section (1), the leaders of Government Institutions are obligated to assign the personnel responsible for the safekeeping of the resources and the recording thereof and conduct periodic review of such assignments.

Article 40

- (1) The leaders of Government Institutions are obligated to maintain the good documentation of the Internal Control System and the important transactions and events as referred to in Article 18 section (3) point k.
- (2) In maintaining good documentation as referred to in section (1), the leaders of Government Institutions is obligated to have, manage, maintain and periodically update the documentation that covers the whole Internal Control System and the important transactions and events.

Part five

Information and Communication

Article 41

The leaders of Government Institutions are obligated to identify, record, and communicate information in an accurate and timely manner;

Article 42

- (1) Communication of information as referred to in Article 41 is required to be conducted effectively.
- (2) In conducting effective communication as referred to in section (1), the leaders of Government Institutions must at least:
 - a. prepare and utilize various communication forms and facilities; and
 - b. continuously manage, develop and renew the information systems.

Part Six

Monitoring

Article 43

- (1) The leaders of Government institutions are obligated to conduct monitoring of Internal Control System.
- (2) The monitoring of the Internal Control System as referred to in section (1) is conducted through continuous monitoring, separated evaluation, and follow-up of the audit and other reviews recommendations.

Article 44

The continuous monitoring as referred to in Article 43 section (2) is conducted through routine management activities, supervision, comparison, reconciliation, and other actions related to the implementation of duties.

Article 45

- (1) The separated evaluation as referred to in Article 43 section (2) is conducted through self-assessment, review, and examination of the effectiveness of the Internal Control System.
- (2) The separated evaluation may be conducted by the government internal supervisory apparatus or external parties.
- (3) The separated evaluation may be conducted by using the internal control test list as provided in the Annex that is an integral part of this Government Regulation.

Article 46

The follow-up of the audit and other reviews recommendations as referred to in Article 43 section (2) are completed and implemented immediately in accordance with the determined mechanism of settling recommendations of audit results and other reviews.

CHAPTER III
STRENGTHENING THE IMPLEMENTATION
EFFECTIVENESS OF SPIP

Part One

General

Article 47

- (1) The ministers/leaders of institutions, governors, and regents/mayors are responsible for the effectiveness of the Internal Control System implementation within their respective environments.
- (2) In order to strengthen and support the effectiveness of the Internal Control System as referred to in section (1) following steps are done by:
 - a. conducting internal supervision of the administration of the duties and functions of the Government Institutions including the state finance accountability; and
 - b. guidance in the SPIP implementation.

Part Two

Internal Supervision of the Administration of the Government
Institution Duties and Functions

Article 48

- (1) The internal supervision as referred to in Article 47 section (2) point a is conducted by the government internal supervisory apparatus.

- (2) The government internal supervisory apparatus as referred to in section (1) conducts internal supervision through:
 - a. audit;
 - b. review;
 - c. evaluation;
 - d. monitoring; and
 - e. other supervision activities.

Article 49

- (1) The government internal supervisory apparatus as referred to in Article 48 section (1) consists of:
 - a. BPKP;
 - b. Inspectorate Generals or other names that functionally conduct internal supervision;
 - c. Provincial Inspectorates; and
 - d. Regency/Municipal Inspectorates.
- (3) BPKP conducts internal supervision of the state finance accountability on specific activities which covers:
 - a. cross-sectoral activities;
 - b. state general treasury activities based on the determination of the Minister of Finance as the State General Treasurer; and
 - c. other activities based on assignments from President.
- (4) In conducting internal supervision as referred to in section (2) point b Minister of Finance coordinates activities with other related Government Institutions.
- (5) The Inspectorate General or other names that functionally conduct internal supervision undertake supervision of all the activities in regard with the administration of the duties and functions of the state ministries/institutions funded by State Budget.
- (6) Provincial Inspectorates undertake supervision of all the activities in regard with the administration of the duties and functions of the provincial administration units funded by Provincial Budgets.

- (7) Regency/ Municipal Inspectorates undertake supervision of all the activities in regard with the administration of the duties and functions of the regency/ municipality administration units funded by Regency/Municipal Budgets.

Article 50

- (1) The audit as referred to in Article 48 section (2) consists of:
 - a. performance audit; and
 - b. special purpose audit.
- (2) The performance audit as referred to in section (1) point a is an audit of state budget management and the administration of duties and functions of the Government Institutions which comprise of the prudence, efficiency, and effectiveness aspects.
- (3) The special purpose audit as referred to in section (1) point b is an audit that is not covered by the performance audit as referred to in section (2).

Article 51

- (1) The internal audit within the Government Institutions is conducted by the personnel who have the supervisory duties and have the competency as auditor.
- (2) The required competency of auditor as referred to in section (1) is attained through participation and successful completion of the certification program.
- (3) The certification program policies as referred to in section (2) is stipulated by the institutions which develop and supervise the government internal auditor in accordance with the legislation.

Article 52

- (1) To guide the official behaviors as referred to in Article 51 section (1), a code of ethics of government internal supervisory apparatus is issued.
- (2) The official as referred to in Article 51 section (1) must comply with the code of ethics as referred to in section(1).

- (3) The code of ethics as referred to in section (1) is prepared by the auditor professional association with reference to the guidelines stipulated by the government.

Article 53

- (1) To maintain the quality of audit undertaken by the Government internal supervisory apparatus, audit standard is prepared.
- (2) Every official as referred to in Article 51 section (1) is obligated to conduct the audit in accordance with the audit standard as referred to in section (1).
- (3) The audit standard as referred to in section (1) is prepared by the auditor professional association by reference to the guidelines specified by the government.

Article 54

- (1) After conducting the supervisory duties, the government internal supervisory apparatus is obligated to, prepare a supervisory report and submit it to the leaders of the Government Institutions being supervised.
- (2) In the event that BPKP undertakes supervision on state general treasury activities as referred to in Article 49 section (2) point b, the supervisory report is submitted to the Minister of Finance as the State General Treasury and to the leaders of Government Institutions being supervised.
- (3) Periodically, based on the reports as referred to in section (1) and section (2), BPKP submits a summary of the supervisory reports to the President and sends a copy thereof to the State Minister of State Apparatus Empowerment.
- (4) Periodically, based on the report as referred to in section (1), The Inspectorate General of any other names that functionally conducts internal supervisory function, Provincial Inspectorates and Regency/Municipal Inspectorates, prepares and submits a summary of the supervisory reports to the ministers/leaders of

institution, governors or regents/mayors in their respective authorities and responsibilities and send a copy thereof to the State Minister of State Apparatus Empowerment.

Article 55

- (1) To maintain the audit quality of the government internal supervisory apparatus, peer-review is done periodically.
- (2) The peer-review guidelines as referred to in section (1) are prepared by the auditor professional association.

Article 56

- (1) The government internal supervisory apparatus must be independent and objective in performing their duties.

Article 57

- (1) The Inspectorate General or any other names that functionally conduct internal supervisory review the financial report of the state ministry/institutions before the ministers/leaders of institutions submit the report to the Minister of Finance.
- (2) The Provincial Inspectorates review the financial reports of the provincial governments before the governors submit it to the Audit Board.
- (3) The Regency/Municipal Inspectorates review the financial reports of the regency/municipal governments before the regents/mayors submit it to the Audit Board.
- (4) BPKP reviews the Central Government Financial Reports before the Minister of Finance submit it to the President.
- (5) The Minister of Finance as the State General Treasurer determines the standard of reviewing the financial reports as referred to in section (1), section (2), section (3) and section (4) to be used as a guidance on reviewing the financial reports by the government internal supervisory apparatus.

Article 58

Further provisions regarding internal supervision on state finance accountability is regulated in a Presidential Regulation.

Part Three

Development of the Implementation of the Government
Internal Control System

Article 59

- (1) The development of SPIP implementation as referred to in Article 47 section (2) point b covers:
 - a. preparation of technical guidelines on SPIP implementation;
 - b. SPIP dissemination;
 - c. SPIP education and training;
 - d. SPIP guidance and consultancy; and
 - e. improvement of auditor competency of the government internal supervisory apparatus.
- (2) The development of SPIP as referred to in section (1) is undertaken by BPKP.

CHAPTER IV

CLOSING PROVISIONS

Article 60

The provisions regarding SPIP in local governments are further regulated under the Governor Regulation or Regent/Mayor Regulation based on this Government Regulation.

Article 61

This Government Regulation comes into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Government Regulation by its placement in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
on 28 August 2008

PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed.

DR. H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta
on 28 August 2008
MINISTER OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA,

signed

ANDI MATTALATTA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2008 NUMBER 127

Jakarta, 27 June 2019
Has been translated as an Official Translation
on behalf of Minister of Law and Human Rights
of the Republic of Indonesia

DIRECTOR GENERAL OF LEGISLATION,


WIGODO EKATJAHJANA

ANNEX OF
GOVERNMENT REGULATION
OF THE REPUBLIC OF INDONESIA
NUMBER : 60 OF 2008
DATE : 28 AUGUST 2008

GOVERNMENT INTERNAL CONTROL EVALUATION TOOL

INTRODUCTION

In order to achieve the vision, mission, and goals as well as accountability of the Government Institutions activity, leaders of Government Institutions are required to implement every element of the Internal Control System. To ensure that the Internal Control System is well designed and implemented, and is sufficiently updated to meet changing circumstances, continuous monitoring is needed. In particular, as mandated in Article 43 of this Government Regulation, the leaders of Government Institutions conduct monitoring, through a separate evaluation of its respective Internal Control System, to determine its performance and effectiveness and to improve it. Monitoring is also useful to identify and overcome major risks such as embezzlement, waste, misuse, and mismanagement.

The Government Internal Control Evaluation Tool is intended to assist the leaders of Government Institution and evaluators to determine to what extent internal control of an Government Institution is designed to function and, if necessary, to determine what and which parts need to be improved and how to conduct the improvisation.

The Government Internal Control Evaluation Tool consists of five parts, one for each of the elements of the Internal Control System: a control environment, risk assessment, control activities, information and communication, and monitoring. Each part contains a list of the main factors which must be considered when evaluating the Internal Control System. These factors represent important issues or things from each element of the Internal Control System. Included under each of these factors are items that must be considered by the user at the time of the evaluation. These items are intended to help the user in considering the specific things which could demonstrate the extent of which the Internal Control System works. User must consider these items to determine:

- (1) the suitability of their implementation in certain situations,
- (2) the ability of Government Institutions to implement them,
- (3) the weaknesses in control that may occur, and
- (4) the influence of these items to the ability of Government Institutions to achieve its vision, mission, and purpose.

Each item is equipped with a space to record comments or notes about the situation related to the item. These comments and notes usually not in the form of 'yes' or 'no' but generally contain information about how the Government Institutions handle the situation. Users may also use this free space for any indication of problem which can be regarded as control weaknesses. This evaluation tool is also intended to aid users to draw conclusion about the implementation of the elements of Government Internal Control System. For that purpose, an empty space is provided at the end of each section to record the overall assessment and to identify actions which might need to be taken or considered. An additional free space is also provided for a summary of the overall assessment at the end of this evaluation tool.

This evaluation tool may be used as a reference for the leaders of Government Institutions and evaluators. It only become the initial reference and may be tailored to best fit the condition and risks of each Government Institutions. In implementing this evaluation tool, the objective of the Government Institutions and cost benefit aspect are must be considered. User must consider relevant items and eliminate or add other items if necessary according to the situation and condition of the Government Institutions. In addition, users may reset or rearrange these items according to their needs as long as the format of the Internal Control System is followed.

This Internal Control Evaluation Tool is developed using multiple source of information and various ideas. Its main source is the Internal Control Management and Evaluation Tool from General Accounting Office (GAO), provisions as stated in the Articles and elucidation of this Government Regulation, and other legislation.

PART I

CONTROL ENVIRONMENT

The first element of the internal control system is control environment. Itis realized through:

- a. enforcement of integrity and ethical values;
- b. commitment to competence;
- c. conducive leadership;
- d. organizational structure which is adapted to the organization's needs;

level of leaders of Government Institutions and communicated within related Government Institutions. Matters to be considered are as follows:

- a. The leaders of Government Institutions foster and encourage the establishment of culture in which integrity and ethical values are upheld. This can be achieved through verbal communication in meetings, during discussions, and through exemplary actions in daily activities.
 - b. Personnel show peer encouragement to implement good behaviour and ethical attitudes.
 - c. The leaders of Government Institutions take quick and appropriate action immediately when symptoms of problems occur.
3. Work related with community, members of the legislation committee, personnel, partners, auditors, and other parties others are carried out at the high ethical level. Matters to be considered are as follows:
- a. Reports of financial, budget and program implementation submitted to the legislation committee, Government Institutions, and other stakeholders are fairly and accurately presented.
 - b. Leaders of Government Institutions disclose problem in the institution and receive

- comments and recommendation when auditors and evaluators perform their duties.
- c. Customer's overpayment or supplier's under billing is immediately corrected.
 - d. Government Institutions establish a procedure to handle personnel demands and interests immediately and precisely.
4. The appropriate disciplinary action is taken against violation of policy, procedure or code of conducts. Matters to be considered are as follows:
- a. Leaders of Government Institutions respond to violations of policies, procedures or code of conducts.
 - b. The type of sanction is communicated to all personnel within Government Institutions so all personnel know the consequences for any violations and irregular conducts.
5. The leaders of Government Institutions explain and account for any intervention or neglect of the internal control. Matters to be considered are as follows:
- a. There are guidance that govern situation, frequency, and level of leaders with which intervention or neglect may be allowed.
 - b. Intervention or neglect of internal control is fully documented, including the reasons and

whether any specific action is taken.

- c. Neglect of internal control is not allowed by the lower level of leaders of Government Institutions except during emergency and any deviation is promptly reported to the higher leaders of Government Institutions, as well as be documented.
6. Leaders of Government Institutions remove any policy or assignment which may encourage unethical behaviour. Matters to be considered are as follows:
- a. Leaders of Government Institutions set achievable and realistic goals and do not pressure personnel to pursue unrealistic goals.
 - b. Leaders of Government Institutions in accordance with their authority reward people to improve integrity enforcement and compliance towards ethical values.
 - c. Compensation and promotion are based on achievements and performance.

B. COMMITMENT TO COMPETENCY

COMMENTS/NOTES

- 1. Leaders of Government Institutions identify and assign activities needed to perform the duties and functions of each position in the Government Institutions. Matters to be considered are as follows:

- a. Leaders of Government Institutions have analysed the duties comprising particular job and has given necessary consideration and supervision.
 - b. Leaders of Government Institutions stipulate and update job description or other tool to identify and define specific duties.
2. Government Institutions develop/prepare competency standards for each duties and function of each position in Government Institutions. Matters to be considered are as follows:
 - a. Necessary knowledge, expertise and abilities to perform each position is identified and communicated to personnel.
 - b. Processes to ensure that personnel elected to occupy a certain position possess the required knowledge, expertise and abilities.
3. Government Institutions organize training and mentoring to assist personnel in maintaining and improving their competencies. Matters to be considered are as follows:
 - a. Sufficient training programs which meet the needs of personnel are available.
 - b. Government Institutions emphasizes the need for continuous training and has a control mechanism to ensure that all personnel have received proper

training.

- c. Leaders of Government Institutions possess the required management expertise and has been trained to effectively guide performance improvement.
 - d. Performance appraisal is based on assessment of key job factors and clear identification of work which has been carried out well and which needed improvement.
 - e. Personnel receive objective and constructive feedback to improve performance.
4. The leaders of Government Institutions possess managerial ability and extensive technical skill in managing the Government Institution.

C. CONDUSIVE LEADERSHIP

COMMENTS/NOTES

- 1. Leaders of Government Institutions consider risk in decision making.
- 2. Leaders of Government Institutions implements performance-based management.
- 3. Leaders of Government Institutions support certain functions in SPIP implementation such as financial recording and reporting, management information system, personnel management, and both internal and external supervision. Matters to be considered are as follows:
 - a. Leaders of Government Institutions administer accounting and budgeting for activity control and and performance evaluation.

- b. Decentralized accounting administrators are responsible to report to headquarter financial officials.
 - c. Administration of financial management, accounting and budgeting are controlled by financial management officials to be synched with state property management.
 - d. Leaders of Government Institutions use information management function to retrieve important operational data and supports improvement efforts according current progress in information technology.
 - e. Leaders of Government Institutions pay great attention to operational personnel and emphasize the importance of a sound human resource development.
 - f. Leaders of Government Institutions value and respond to the result of supervisory activity.
- 4. Protection of Assets and information from unauthorized access and use.
 - 5. Intensive interaction with the leaders at the lower level.
 - 6. Leaders of Government Institutions possess positive attitude and is responsive to reports concerning finance, budgeting, programs, and activities. Matters to be considered are as follows:
 - a. Leaders of Government

Institutions know about and takes part in important issues in financial statements as well as supports the implementation of accounting principles and conservative accounting estimation.

- b. Leaders of Government Institutions disclose all necessary financial, budget and program information so that the state of the Government Institution's financial and activity can be fully understood.
 - c. leaders of Government Institutions avoid emphasis on short-term reported results.
 - d. Personnel do not submit inaccurate and incorrect reports to meet targets.
 - e. Facts are not exaggerated and budget estimations are not unreasonably inflated.
7. There is no excessive personnel transfer in key functions, such as operation and program management, accounting or internal supervisory, which may indicate a problem with the Government Institutions attention to internal control.

Matters to be considered are as follows:

- a. No excessive transfer of leaders of Government Institutions related to internal control problems.
- b. personnel in key positions do not resign for unexpected reasons.
- c. High turnover rate which may

weaken internal control.

- d. random personnel transfer which indicates lack of attention from the leaders of Government Institutions about internal control.

D. ORGANIZATIONAL STRUCTURE COMMENTS/NOTES

1. Government Institutions organizational structure adapts to the size and nature of the agency's activities. Matters to be considered are as follows:

- a. Organizational structure can facilitate the flow of information in the Government Institutions thoroughly.
- b. Leaders of Government Institutions clearly state the considered factors in determining the level of centralization or decentralization.

2 Leaders of Government Institutions provide clarity of authority and responsibility. Matters to be considered are as follows:

- a. Leaders of Government Institutions who are in charge for key activities and functions fully understands their duty and responsibility.
- b. Current and accurate organizational chart which shows key responsibilities is conveyed to all personnel.
- c. Leaders of Government Institutions understand the internal control under his responsibility and ensure that all personnel understand their

part.

3. Clarity of reporting relationships and levels in the Government Institutions. Matters to be considered are as follows:
 - a. Reporting relationship and levels are determined and effectively provide the information needed by Leaders of Government Institutions to conduct their duties and responsibility.
 - b. Personnel understand the determined reporting relationships and reporting levels
 - c. Leaders of Government Institutions can easily communicate with each other.
4. Leaders of Government Institutions evaluate and adjust the organization structure periodically in light of changes in strategic environment.
5. Government Institutions determine the appropriate amount of personnel, especially for leadership position. Matters to be considered are as follows:
 - a. Leaders of Government Institutions have sufficient time to carry out their duties and responsibilities.
 - b. Personnel may not work overtime excessively to complete their assignment.
 - c. Leaders of Government Institutions are not fulfilling the duties and responsibilities of more than one subordinate.

E. DELEGATION OF AUTHORITY AND RESPONSIBILITY COMMENTS/NOTES

1. Authority is given to proper personnel according to the level of responsibility in order to achieve the purpose of the Government Institutions. Matters to be considered are as follows:
 - a. authority and responsibility are determined throughout the Government Institutions and communicated to all personnel.
 - b. Leaders of Government Institutions have responsibility based on their authority and responsibility for their decisions.
 - c. Leaders of Government Institutions have effective procedure to monitor the results of delegated authority and responsibility.
2. Personnel who are given authority understand that the delegated authority and responsibility is related to other parties in Government Institutions. Matters to be considered are as follows:
 - a. job description clearly shows level of authority and responsibility delegated to that position.
 - b. job description and performance evaluation refers to internal control related to duty, responsibility, and accountability.
3. Personnel who are given the authority understand that the implementation of authority and responsibility is related to implementation of SPIP. Matters to

be considered are as follows:

- a. Personnel, in accordance with their authority and responsibility, are empowered to solve problems or make improvements.
- b. For completion of work, there is a balance between the delegation of authority and the involvement of the higher leaders.

F. HUMAN RESOURCE POLICY AND PRACTICE COMMENTS / NOTES

1. The determination of policies and procedures of personnel recruitment to dismissal. Matters to be considered are as follows:

- a. Leaders of Government Institutions communicate to human resource manager about the competencies needed and participate in recruitment process.
- b. Government Institutions have recruitment standards or criteria with an emphasis on education, experience, achievement, and ethical behavior.
- c. Job description and requirements are in accordance with the standards set by authorized agency.
- d. an orientation program is available for new hires and continuous development programs are available for all personnel.
- e. promotion, remuneration and personnel transfers are based on performance appraisal.

- f. performance appraisal is based on the Government Institutions' objectives and goals as stated in its strategic plan.
 - g. integrity and ethical values are included as criteria in performance appraisal.
 - h. personnel are provided with feedback and coaching to improve their performance.
 - i. disciplinary sanctions or corrective actions are taken as a result of non-adherence to established policies or code of ethics.
 - j. personnel dismissal is carried out in accordance with provisions of legislation.
2. Adequacy of personnel candidate background checks in the recruitment process. Matters to be considered are as follows:
- a. Candidates who frequently changes jobs are subjected to close scrutiny.
 - b. Hiring policies require investigation for a criminal record.
 - c. reference and supervisor from previous workplace must be confirmed.
 - d. education and professional certification diploma must be confirmed.
3. Adequate periodic supervision of personnel. Matters to be considered are as follows:

- a. Leaders of Government Institutions provide guidance, assessment, and training in the workplace to ensure the accuracy of work, reduce misunderstanding, and discourage violations.
- b. Leaders of Government Institutions ensure that personnel understand their duties, responsibilities, and the expectations from the leader of Government Institutions.

G. THE ROLE OF EFFECTIVE GOVERNMENT INTERNAL SUPERVISORY APPARATUS COMMENTS / NOTES

- 1. Within Government Institutions, there are mechanism to provide reasonable assurance regarding compliance, frugality, efficiency, and effectiveness in achieving the purpose of the Government Institutions' duties and functions. Matters to be considered are as follows:
 - a. Independent government internal supervisory apparatus conduct supervision of the activities of Government Institutions.
 - b. government internal supervisory apparatus present supervisory reports after each supervisory duty.
 - c. to maintain the quality of the supervisory results, peer review is conducted periodically.
- 2. Early warning system and improvement of risk management effectiveness are in place within

Government Institutions in carrying out their duties and functions.

3. Efforts to maintain and improve the quality of the governance (good governance) of the duties and functions of the Government Institutions are in place.
4. Good work relations with Government Institutions which manage budget, accounting and treasury is established so that a mutual trust mechanism is created. Matters to be considered are as follows:
 - a. Government Institutions have good work relationship with government agencies which manage budget, accounting and treasury, and arrange regular discussions about financial and budget reporting, internal control and performance.
 - b. Leaders of Government Institutions maintain good work relationship with Government Institutions which carry out cross institution control responsibility.

Control Environment Overview Section

Write General Conclusions and the Actions needed here:

PART II

RISK ASSESSMENT

The second element of internal control is risk assessment. Risk assessment begins with the determination of a clear and consistent goal and purpose of the Government Institutions, both at the institution level and at the activity level. Next, Government Institutions must efficiently and effectively identify risks, both from external and internal, which may hinder the achievement of the

agency's goals. These identified risks are then analysed to determine their influence towards the attainment of goals. The Leaders of Government Institutions formulate risk management approach and risk control activities needed to minimize risk.

Leaders of Government Institutions or evaluator must concentrate to the determination of the institution goals, risk identification and analysis, and risk management in the event of a change.

This following evaluation tool is intended to assess the effectiveness of the risk assessment carried out by the Leaders Government Institutions in the framework of the implementation of Internal Control System.

A. DETERMINATION OF ENTITY-WIDE OBJECTIVES COMMENTS/ NOTE

1. Leaders of Government Institutions set the goals for the Government Institutions with reference to legislation. Matters to be considered are as follows:
 - a. Leaders of Government Institutions set entity wide goals in the form of mission, goals and objectives, as stated in the strategic plan and annual performance plan
 - b. Entity wide goals of Government Institutions are proposed according to specified program requirements as stated in the legislation.
 - c. Government Institutions wide goals must be specific, measurable, achievable, realistic, and time bound.
2. All goals of Government Institutions are clearly communicated to all personnel so that the head of the Government Institutions obtain feedback, which indicates that communication channel is effective.

3. Leaders of Government Institutions establish operational strategy which is consistent with the Government Institutions strategic plan and risk assessment plan. Matters to be considered are as follows:
 - a. Strategic plans support the entity wide agency goals
 - b. Strategic plans address resource allocations and prioritization.
 - c. Strategic plan and budget are designed in detail according to level of Government Institutions.
 - d. Assumption inherent in the strategic plan and budgets is consistent to the Government Institutions' historical and current circumstances.
4. Government Institutions have integrated strategic plans and risk assessment, which consider the entity wide purpose of the agency, external and internal risk, and establishes a risk control structure.

B. ACTIVITY LEVEL OBJECTIVES

COMMENTS/NOTES

1. Goal determination at the activity level must be based on to entity wide purpose and strategic plan of agencies. Matters to be considered are as follows:
 - a. All significant activities are based on objective and strategic plan of Government Institutions as a whole.
 - b. Activity level objectives are periodically reviewed to maintain their relevancy and sustainability.

2. Activity level objectives are consistent, complementary, and reinforcing within and between each other.
3. Activity level objectives are relevant to all main processes of the agency. Matters to be considered are as follows:
 - a. Activity level objectives are established for all key operational and supporting activities.
 - b. Activity level objectives are consistent with past practices and performances, or with the industry/business applicable to the Government Institutions.
4. Activity level objectives include measurement criteria.
5. Activity level objectives are supported with adequate resource of Government Institutions. Matters to be considered are as follows:
 - a. Resources needed to achieve the objectives are already identified.
 - b. If not enough resources are available, the leaders of Government Institutions must have a plan to acquire them.
6. Leaders of Government Institutions identify key activity level objectives for the achievement of entity wide objectives. Matters to be considered are as follows:
 - a. Leaders of Government Institutions identify things that must be done so entity wide objectives can be attained.
 - b. Key activity level objectives must

be prioritized and reviewed, and its performance must be monitored regularly by Leaders of Government Institutions.

7. All levels of Leaders of Government Institutions are involved in the process of setting activity level objectives and are committed to achieving it.

C. IDENTIFICATION OF RISK

COMMENTS/NOTES

1. Leaders of Government Institutions use appropriate risk identification methodology that fit the entity wide and activity wide objectives. Matters to be considered are as follows:
 - a. Qualitative and quantitative methods are used to identify risk and its relative ranking periodically.
 - b. Methods to identify, rank, analyse, and mitigate risk are communicated to relevant personnel.
 - c. Discussion of risk identification is conducted at the Leaders of Government Institutions.
 - d. Risk identification is a part short and long term forecast, as well as strategic plan.
 - e. Risk identification is the result of the consideration of audit findings, evaluation results and other assessments.
 - f. Risks identified at the personnel level and mid-level management become the concern of the higher leaders of Government Institutions.

2. Risks from external and internal factors are identified with adequate mechanism. Matters to be considered are as follows:
 - a. Government Institutions consider risk from technological development.
 - b. Risks arising from the changes of need or expectation of legislation committee, Leader of Government Institutions, public and have been already considered.
 - c. Risks arising from new legislation and legislation have already been identified.
 - d. Risks arising from natural disasters, crime, or terrorism have been considered.
 - e. Identification of risks arising from changes in business, politic and economy have been considered.
 - f. Risks arising from major partners have been considered.
 - g. Risks arising from interactions with other Government Institutions and non-government parties have been considered.
 - h. Risks arising from activity and personnel reduction have been considered.
 - i. Risks arising from business process reengineering or operational redesigning have been considered.
 - j. Risks arising from the interference of information system processing and in

availability of a backup system have been considered.

- k. Risks arising from the implementation of decentralized program have been identified.
 - l. Risks arising from failure of the fulfilment of personnel qualifications and the absence of employee training have been considered.
 - m. Risks arising from partners or other party dependency in the implementation of key activities of Government Institutions have been identified.
 - n. Risks arising from significant changes in responsibilities of Leaders of Government Institutions have been identified.
 - o. Risks arising from unauthorized personnel access to assets have been considered.
 - p. Risks arising from personnel management weaknesses.
 - q. Risks arising from lack of funding for new or follow up programs have been considered.
3. Assessment of others factors which may increase risk have been carried out. Matters to be considered are as follows:
- a. Risks arising from failing to achieve past mission, objectives and goals or budget constraints have been considered.
 - b. Risks arising from inadequate financing. Inappropriate fund use

or non-compliance with legislation in the past has been considered.

c. Risks inherent in the Government Institutions mission, critical and complex program, and special activities have been identified.

4. Overall risk of Government Institutions in all levels of important activities has been identified.

D. RISK ANALYSIS

COMMENTS/NOTES

1. Risk analysis is carried out to determine the impact of risk on achievement of the Government Institutions' objectives. Matters to be considered are as follows:

a. Leaders of Government Institutions determine formal and informal processes to analyse risk based on the daily activities.

b. Risk classification criteria, low, medium or high, are determined.

c. Leaders and personnel of Government Institutions participate in risk analysis.

d. Identified and analysed risks are relevant to the activity objectives.

e. Risk analysis includes estimation of how impactful the related risks.

f. Risk analysis includes estimation of the possibility of its occurrence and its level

g. The best way to manage or reduce risk as well as the needed action is already set.

2. Leaders of Government Institutions are prudent in determining the

acceptable level of risk. Matters to be considered are as follows

- a. The approach to determine the acceptable level of risk varies between Government Institutions and it depends on risk variant and tolerance.
- b. The applied approach is designed so that the acceptable level of risk remains reasonable and the Leaders of the Government Institutions are responsible for its determination.
- c. Control activities to manage and reduce overall risk and at each level of activity, have been established and its implementation is always monitored.

E. MANAGING RISK DURING CHANGE

COMMENTS/NOTES

1. Government Institutions have a mechanism to affect the achievement of Government Institutions purpose and objective as a whole or purpose or objective of an activity Matters to be considered are as follows:
 - a. All activities within the Government Institutions which may be affected by changes are addressed.
 - b. Routine changes have been addressed through specified risk identification and analysis process.
 - c. Risks caused by significantly unstable conditions have been addressed at the high level so the

impacts to the organization are already considered and necessary actions have been taken.

2. Government Institutions pay special attention to the risks caused by changes which may affect the Government Institution and demand the attention of the high level of leadership. Matters to be considered are as follows:
 - a. Government Institutions specifically pay attention to risks caused by the recruitment of new personnel occupying key positions or by the effect of high personnel turnover.
 - b. There is already a mechanism to determine risks due to the introduction of a new information system or information system changes and risks concerning personnel training to use this new system and to accept these changes.
 - c. Leaders of Government Institutions consider specifically concerning risks caused by fast development and expansion or by rapid shrinkage as well as its influence on the ability of system and changes in plans, objectives, and strategic goals.
 - d. Consideration has been given concerning risks related to introducing the developments and implementation of important new technologies and its utilization in

the operation.

- e. Risk has been thoroughly analysed when Government Institutions start activities to provide new output or service
- f. Risks caused by carrying out activities in a new area have been determined.

Risk Assessment Overview Section

Write General Conclusions and the Actions needed here:

PART III

CONTROL ACTIVITIES

The third element of the internal control system is control activities. Internal control activities are policies and procedures which can ensure that the directive of is followed up to reduce the identified risks from the risk assessment process.

This following evaluation tool is intended to assess whether or not a control environment which fosters positive and conducive behaviour for the application of a sound Internal Control System and management is attained.

Control activities implemented in a Government Institutions may differ from those applied to other Government Entities. This variance is partly due to differences in:

- (1) vision, mission and goals;
- (2) environment and operational manner;
- (3) the level of organizational complexity;
- (4) history or background as well as culture; and
- (5) risks faced by the entity.

Control activities consist of:

- a. review on performance of the related Government Institutions ;
- b. human resource development;
- c. control over information system management;
- d. physical control of assets;
- e. determination and review of performance indicators and measures;

- f. separation of functions;
- g. authorization of important transactions and events;
- h. accurate and timely recording of transactions and events;
- i. restrictions on access to resources and records;
- j. accountability of resources and records; and
- k. good documentation of the Internal Control System as well as important transactions and events.

This following evaluation tool is intended to assess whether the activity internal control of a Government Institutions is sufficient.

A. GENERAL APPLICATION	COMMENTS/NOTES
1. Existing policies and procedures are linked to activities of Government Institutions. Matters to be considered are as follows:	
a. All relevant objectives and risks for each important activity have been identified during risk assessment.	
b. Leaders of Government Institutions have identified actions and control activities needed to deal with these risks and has provided the implementation guide.	
2. Identified control activities are implemented properly. Matters to be considered are as follows:	
a. Control activities described in policy and procedure manuals are properly and adequately applied	
b. Personnel and their superiors understand the purpose of control activities.	
c. The supervisory officers reviewed the functioning of control activities and always be mindful	

about excessive control activities.

- d. Appropriate and timely action is taken on irregularities, implementation problems, and information that requires follow up.

- 3. Control activities are evaluated periodically to ensure that these activities are still appropriate and functioning as expected.

B. PERFORMANCE REVIEW OF
GOVERNMENT INSTITUTIONS

COMMENTS/NOTES

- 1. Review at the Top Level of Leaders of Government Institutions monitors the performance achievement of the Government Institutions using the plan as performance benchmarks. Matters to be considered are as follows:
 - a. The leaders of the Government Institutions are involved in the preparation of strategic plans and annual work plan.
 - b. The leaders of the Government Institutions are involved in measuring and reporting results.
 - c. Leaders of Government Institutions periodically review performance against the plan.
 - d. Significant initiatives from Government Institutions are monitored closely regarding target achievement and follow up that has been taken
- 2. Management Review at the Activity Level Leaders of Government Institutions reviews performance

against the performance benchmarks. Matters to be considered are as follows:

- a. Leaders of Government Institutions at every activity level review performance report, analyses trends, and measures results compared to the target, budget, forecast, and past performance.
- b. Financial management officials and operational officials review and compare financial, budgeting, and operational performance with the planned or expected results.
- c. The right control activity has been implemented, such as account reconciliation and ensuring information accuracy.

C. HUMAN RESOURCES DEVELOPMENT

COMMENTS / NOTES

1. Comprehension of vision, mission, goals, values, and strategies of the Government Institutions is reflected in strategic plan, annual work plan, and other work guidelines and is communicated clearly and consistently to all employees.
2. Government Institutions have a strategy for human resource development integrated in the strategic plan, annual work plan, and human resource planning documents which include policies, programs, and management practices which will be a reference for the Government Institutions.
3. Government Institutions have a

specific and explicit human resource planning strategy which is linked with the overall entity's strategic plan and allows the identification of present and future personnel needs.

4. Government Institutions have stipulated job requirements and determine expected performance for each leadership position.
5. Leaders of Government Institutions build teamwork, encourage application of the vision of Government Institution, and encourage feedback from personnel.
6. Government Institutions performance management system gets the highest priority from the leaders of the Government Institutions to be designed as a guide for personnel in achieving the established vision and mission.
7. Government Institutions have procedures to ensure that personnel with the right competencies are recruited and retained.
8. The personnel is given orientation, training and tools to perform their duties and responsibilities, improve performance, improve ability, as well as meet the demands of changing organizational needs.
9. The compensation system is adequate to attract, motivate, and retain personnel; incentives and awards are provided to encourage employees to perform tasks with their maximum effort.

10. Government Institutions have welfare programs and facilities to increase personnel satisfaction and commitment.
11. Superior supervision is carried out continuously to ensure that the purpose of internal control can be achieved.
12. Personnel are given performance evaluations and meaningful, honest, and constructive feedback to help them understand the relationship between their performance and the achievement of the Government Institutions goals.
13. Leaders of Government Institutions ensure regeneration is done to produce personnel with the required competencies.

D. CONTROL OVER MANAGEMENT
INFORMATION SYSTEM

COMMENTS/NOTES

Control over management information system is done to ensure accuracy and completeness of information. Control is carried out through general control and application control.

1. General Control
 - a. Information System Security
 - 1) Government Institutions regularly carry out comprehensive periodic risk assessment. Matters to be considered are as follows:
 - a). Risk assessment is carried out and documented regularly and during changes in

system, facility, or other factor.

- b). The risk assessment is done with consideration of sensitivity and reliability of data.
 - c). Determination of final risks and approval from the Government Institutions is documented.
- 2) Leaders of Government Institutions develop a plan which clearly illustrates security program as well as supporting policies and procedures.
 - 3) Leaders of Government Institutions establish that the organization implement and manage the security programs.
 - 4) Leaders of Government Institutions establish a description of clear security responsibility.
 - 5) Government Institutions implement effective policies for personnel related to the security program.
 - 6) Government Institutions monitor the effectiveness of security programs and allow changes to the security program if needed. Matters to be considered are as follows:

- a) Leaders of Government Institutions periodically assess the eligibility of security policy and employee compliance.
 - b) Corrective actions are implemented and tested in effective and timely manner and monitored continuously.
- b. Control over Access
- 1) Government Institutions classify information system resource according to its importance and sensitivity. Matters to be considered are as follows:
 - a) Classification of resources and related criteria have been set and communicated to resource owner.
 - b) The owner of the resource sort the information resources based on the classification and predetermined criteria with regard to risk assessment and document it.
 - 2) Owner of resources identify which user has the right and authorization of access to information formally.
 - 3) Government Institutions determine physical and

- logical control to prevent and detect unauthorized access.
- 4) Government Institutions monitor access to information systems, investigate violation, and take corrective and enforce disciplinary actions
- c. Control over Development and Changes in Application Software
- 1) Features of Information system processing and modifications to the program are authorized.
 - 2) All new and updated software are tested and approved.
 - 3) Government Institutions determine procedures to ensure the implementation of control over software libraries, including labeling, restrictions on access, and usage of separate software library.
- d. Control of Software System
- 1) Government Institutions limit access to system software based on job responsibility and these access authorization are documented.
 - 2) Access to and using of software are controlled and monitored.
 - 3) Government Institutions control changes made to

system software.

e. Separation of Duties

- 1) Duties which cannot be combined are identified and policies to separate these assignments have been established.
- 2) Control over access is set for the implementation of separation of duties.
- 3) Government Institutions carry out control over personnel activities through the use of procedures, supervision, and review.

f. Continuity of service

- 1) Government Institutions assess, prioritize, and identify the supporting resource to critical and sensitive computerization.
- 2) Government Institutions take preventive steps and minimize potential damage and cessation of computer operations, through the use of data and program backup procedures, storage of back-up data in separate location, control of the environment, staff training, and hardware management and maintenance.
- 3) Leaders of Government Institutions have developed and documented comprehensive contingency

plan, such as security steps in the event of a natural disaster, sabotage, and terrorism.

- 4) Government Institutions regularly test contingency and make adjustments if needed.

2. Application Control

a. Authorization Control

- 1) Government Institutions control the source document. Matters to be considered are as follows:
 - a) Access to blank source documents is restricted.
 - b) Source documents are given pre-numbered printed serial number.
- 2) Source documents must be legalized. Matters to be considered are as follows:
 - a) Important source documents require signature authorization.
 - b) Batch application systems must use batch control sheet that provides information such as date, control number, number of documents, and control totals from key fields.
 - c) Independent review is done before data entry into the application system.

- 3) Access to terminal data entry is restricted.
 - 4) Main files and special reports are used to ensure that all processed data have been authorized.
- b. Completeness Control
- 1) Transactions that are sent and processed into the system are all authorized transaction.
 - 2) Data reconciliation is carried out to verify completeness
- c. Accuracy Control
- 1) Data entry is designed to support data accuracy.
 - 2) Data validation and editing are done to identify incorrect data.
 - 3) Inaccurate data is immediately recorded, reported, investigated, and repaired.
 - 4) Output report is reviewed to maintain accuracy and data validity.
- d. Reliability Control for Data Processing and Files
- 1) There is a procedure to ensure that only the latest version of program and data is used during processing.
 - 2) There is a program with the procedure to verify that the correct computer file is used during processing.
 - 3) There is a program with the

procedure to check internal file header labels before processing.

- 4) There are applications that prevent simultaneous file change.

E. PHYSICAL CONTROL OF ASSETS

COMMENTS/NOTES

1. Leaders of the Government Institutions determine, implement, and communicate the identification plan, policy, and procedures of physical control to all employees. Matters to be considered are as follows:
 - a. Physical security policies and procedures are set, implemented, and communicated to all personnel.
 - b. Government Institutions have developed a plan to identify and secure of infrastructure assets.
 - c. Assets at risk of being lost, stolen, damaged, and used without authorization such as cash, securities, equipment, and supplies, are physically secured and access to these assets is controlled.
 - d. Assets such as cash, securities, equipment, and supplies, are periodically calculated and compared to their control book; every difference is carefully examined.
 - e. Cash and easily liquidated securities are secured in locked place and access to these assets

is strictly controlled.

- f. Forms such as check and payment order forms are pre-numbered in sequence, physically secured, and access to the forms is controlled.
 - g. Mechanical check markers and signature stamp is secured and its access is strictly controlled.
 - h. Equipment at risk of being stolen is secured by permanently attached or protected by other means.
 - i. Asset identity is attached to furniture, equipment, and other office inventories.
 - j. Supplies and equipment are stored in physically secured location and protected from damage.
 - k. All facilities are protected from fire with fire alarm and fire fighting systems.
 - l. Access to buildings and facilities are controlled with fences, guards, or other physical controls.
 - m. Access to facilities outside of working hours is limited and controlled.
2. Leaders of the Government Institutions establish, implement, and communicate disaster recovery plans to all personnel.

F. DETERMINATION AND INDICATORS REVIEW
OF PERFORMANCE MEASURE

COMMENTS / NOTES

- 1. Measures indicators and performance are established at the Government

Institutions, activity, and personnel level.

2. Government Institutions review and periodically validate the accuracy and reliability of performance indicators and measures.
3. Performance appraisals factors are evaluated to ensure that these factors are balanced and related to the entity's mission, goals and objectives as well as to arrange proper incentives to achieve this goals with regards to the legislation.
4. Performance data is continuously compared to the established goal and any difference is analysed.

G. SEPARATION OF FUNCTIONS

COMMENTS / NOTES

Leaders of Government Institutions guarantee that all the main aspects of transaction or event is not controlled by 1 (one) person. Matters to be considered are as follows:

1. No one is allowed to control all major aspects of transaction or event.
2. Responsibility and duty over transactions or events is separated in different personnel concerning authorization, approval, processing and recording, payment or receipt of funds, review and audit, and asset storage and handling.
3. The duty is systematically delegated to a number of people to ensure the existence of checks and balances.
4. Whenever possible, nobody is allowed to handle by themselves cash, securities, and other assets with.

5. The bank balance is reconciled by the personnel who is not responsible for receipts, expenses, and cash storage.
6. Leaders of Government Institutions reduce chance of collusion through the awareness that collusion will result in the ineffectiveness of separation of functions.

H. AUTHORIZATION OF TRANSACTIONS AND IMPORTANT EVENTS

COMMENTS/NOTES

Leaders of the Government Institutions determine and communicate the terms and provisions for authorization to personnel. Matters to be considered are as follows:

1. There are controls to ensure that only transactions and valid events are processed and recorded, in accordance with the decisions and directives of the leaders of Government Institutions.
2. There are controls to ensure that recorded transactions and significant events has been authorized and conducted by personnel according to the scope of their authority.
3. Authorizations that specifically mention the terms and conditions of authorization are communicated clearly to the leaders and personnel of the Government Institutions.
4. There are authorization requirements which are aligned with the directions and within limits determined by provisions of legislation and provision of the leaders of Government Institutions.

I. ACCURATE AND TIMELY RECORDING OF TRANSACTIONS AND EVENTS

COMMENTS/NOTES

1. Transactions and events are classified correctly and recorded immediately so that it remains relevant, valuable, and useful for leaders of Government Institutions in controlling activities and in making decision.
2. Proper classification and recording are implemented for the entire cycle of transaction which include authorization, execution, processing and final classification in summary.

J. RESTRICTIONS OF ACCESS TO
RESOURCES AND RECORDS

COMMENTS/NOTES

Leaders of Government Institutions grant access only to authorized personnel and periodically review these restrictions. Matters to be considered are as follows:

1. Risk of unauthorized use or loss is controlled with access restriction to resources and records only to authorized personnel.
2. Determination of access restrictions to storage is periodically reviewed and maintained.
3. Leaders of Government Institutions consider factors such as asset value, mobility, ease of exchange, when determining the level of appropriate restrictions.

K. ACCOUNTABILITY OF RESOURCES AND
RECORDS

COMMENTS/NOTES

Leaders of Government Institutions assign personnel to be responsible for resource storage and recording and review the assignment periodically. Matters to be considered are as follows:

1. Responsibility of storage, use, and recording of resources is assigned to specific personnel.
2. Determination of access accountability to storage of resources is periodically reviewed and maintained.
3. Periodic comparison between resources with its records is done to determine its match and, if there is a discrepancy, an audit is conducted.
4. Leaders of Government Institutions inform and communicate the responsibility for resource and records accountability to personnel and ensure that the personnel understand their responsibility.

L. GOOD DOCUMENTATION OF THE INTERNAL CONTROL SYSTEM AS WELL AS IMPORTANT TRANSACTIONS AND EVENTS
Leaders of the Government Institutions have, manage, maintain and periodically update the documentation which covers the entire Internal Control System and important transactions and events. Matters to be considered are as follows:

1. There is a written documentation which covers the Internal Control System of the Government Institutions and all important transactions and events.
2. Documentation is available at any time to be checked.
3. Documentation of the Internal Control System includes identification,

COMMENTS / NOTES

application, and evaluation of the purpose and function of the Government Institutions at the activity level and its controls are reflected in administrative policy, accounting guidelines, and other guidelines.

4. Documentation of the internal control system includes documentation describing automatic information system, data collection and handling, as well as general control and application control.
5. There is a documentation of complete and accurate transactions and important events so that it is easy to track transactions and important events since authorization, initiation, processing, to completion.
6. There is documentation, both in print and in electronic form, which is useful for Leaders Government Institutions to control activities and for other parties which evaluate and analyze the activities.
7. All documentation and records are managed, maintained, and updated regularly.

Control Activities Overview Section

Write General Conclusions and the Actions needed here:

PART IV

INFORMATION AND COMMUNICATION

The fourth element of internal control is information and communication. Government Institutions must have relevant and reliable financial and non-financial information, relating to external and internal events. Such information must be recorded and communicated to leaders of Government

Institutions and other stakeholders in the entity which allow them to perform internal control and operational responsibilities.

This following evaluation tool is intended to assess whether or not the Government Institutions have implemented the correct information elements and build an effective communication to support the Internal Control System and sound management.

A. INFORMATION

COMMENTS/NOTE

1. Information from internal and external sources are obtained and delivered to the leaders Government Institution as part of entity reporting with regards to the operational performance to achieve the determined goals. Matters to be considered are as follows:
 - a. Important internal information critical to achieve the objectives of Government Institutions, including information related to key success factors, has been identified and regularly reported to the Leaders of Government Institutions.
 - b. Government Institutions obtains and reports to the leadership all relevant external information which may affect the achievement of mission, purpose, and objective of the entity, especially those related to legislation development and political and economic change.
 - c. Leaders of Government Institutions at all level receive the required internal and external information.
2. Relevant information has been identified, obtained and distributed to

the stakeholders with adequate details, correct form, and timely manner, so it will allow them to carry out their duties and responsibilities efficiently and effectively. Matters to be considered are as follows:

- a. Leaders of Government Institutions have received information on the results of the analysis which may help in identifying specific actions needed to be implemented.
- b. Information has been prepared in adequate details according to the level of leaders of Government Institutions.
- c. Relevant information is summarized and presented properly to ensure that detail review is possible as needed.
- d. Information is provided on time so that monitoring can be carried out on events, activities and transactions and allows rapid corrective action.
- e. Leaders responsible for a certain program are equipped with operational and financial information to help the measurement and determination of the achievement of the strategic and annual plan, as well as target performance of the Government Institutions in connection with resource accountability.
- f. Operational information is

provided for leaders of Government Institutions so they can determine whether or not the program has been implemented in accordance with legislation.

- g. Adequate financial and budget information is provided to support the preparation of internal and external financial reporting

B. COMMUNICATION

COMMENTS / NOTES

- 1. Leaders of Government Institutions must ensure sound internal communication. Matters to be considered are as follows:

- a. Leaders of Government Institutions have given clear direction to all levels of the organization that internal control responsibilities is important and must be taken seriously.
- b. Duty assigned to certain personnel has been communicated clearly and aspects of internal control, roles of each personnel, and work relations among personnel.
- c. Personnel have been informed that, in case unexpected things occur in the execution of tasks, attention must be given not only to the incident, but also to the cause, so potential weakness of internal control can be identified and corrected it causes further losses.
- d. Accepted and unaccepted

behaviour and its consequences are clearly communicated to personnel.

- e. Personnel have bottom up communication and information channels other than through their direct superior, and there is a good faith from the leaders Government Institutions to hear employees' grievances as part of the management process.
- f. There is a mechanism which allows information to flow throughout the entity smoothly and guarantee effective communication between functional activities.
- g. Personnel are aware that informal or separate communication channel exists in the event normal information path fails.
- h. Personnel are aware that there will be no reprisal for reporting negative information, improper behaviour, or irregularities.
- i. There is a mechanism which allow employees to submit recommendations to improve activities, and Leaders of Government Institutions awards good recommendations in the form of direct prizes or other form of appreciation
- j. Leaders of Government Institutions communicate with the government internal supervisory apparatus, and

report performance, risk, important initiative and other important events.

2. Leaders of Government Institutions must effective external communication is established and has a significant impact on programs, projects, operations and other activities including budgeting and funding. Matters to be considered are as follows:
 - a. There is an open and effective communication channel with the public, partners, consultants, and government internal supervisory apparatus which can provide significant input on the quality of the entity services.
 - b. All external parties dealing with Government Institutions have been informed regarding the applicable code of ethics and understand that improper action, such as giving commission, is not permitted.
 - c. External communication is encouraged to test the functioning of internal control.
 - d. Complaints and questions regarding government institutions services are followed up since it may indicate problems in internal control.
 - e. Leader of Government Institutions ensure that advice and recommendations from internal supervisory apparatus,

auditors and other evaluators have been considered and followed up by fixing the problems or the identified weaknesses.

- f. Communication with the legislation committee, Government Institutions managing the budget and treasury, other Government Institutions, media, and the community must contain information in which mission, goals, and risks faced by Government Institutions can be more understandable.

C. FORM AND MEANS OF COMMUNICATION COMMENTS/NOTES

1. Leaders of Government Institutions utilizes various forms and means in communicating important information to personnel and others. Matters to be considered are as follows:

- a. Leaders of Government Institutions have utilized forms and means of effective communication, such as policy and procedure manuals, circulars, memorandum, announcements board, internet and intranet sites, video recording, e-mail, and verbal direction.
- b. The leaders have communicated through positive actions during interactions with personnel and show support for internal control.

2. Government Institutions continuously

manage, develop, and update its information system to improve the usefulness and reliability of information and communication. Matters to be considered are as follows:

- a. Information system management is implemented based on an information system strategic plan which is part of the Government Institutions strategic plan.
 - b. There is a mechanism to identify the development of information needs.
 - c. As part of information management, Government Institutions have monitored, analysed, evaluated, and utilized technological development and progress to be able to provide faster and more efficient service.
 - d. Leaders of Government Institutions continuously monitor the quality of the managed information, measured in terms of the feasibility of content, timeliness, accuracy, and ease of access.
3. Support from Leaders of Government Institutions towards information technology development is indicated by its commitment to providing adequate personnel and funding for the development effort.

Information and Communication Overview Section
Write General Conclusions and the Actions needed here:

PART V
MONITORING

Monitoring is the fifth or last element of internal control. Monitoring of the Internal Control System is carried out through continuous monitoring, separate evaluation, and following-up audit and other reviews recommendations. Continuous monitoring is conducted through routine management activities, supervision, benchmarking, reconciliation, and other actions related to the completion of duties. Separate evaluations are held through self-assessment, review, and test of the effectiveness of the Internal Control System which can be carried out by the government internal control apparatus or external parties utilizing internal control evaluation tools.

Follow-up recommendations of the audit and other reviews results must be completed immediately and implemented in accordance with the determined mechanism.

This following evaluation tool is intended to assess whether or not the Government Institutions has implemented elements of monitoring properly so that it can support the Internal Control System and sound management.

A. CONTINUOUS MONITORING COMMENTS/NOTES

1. Leaders of Government Institutions have a strategy to ensure that effective continuous monitoring can trigger a separate evaluation at the time a problem is identified or when the system is critical, as well during periodic testing. Matters to be considered are as follows:

a. Strategy of Leaders of Government Institutions provides regular feedback, performance monitoring, and control the achievement of goals.

b. There is a monitoring strategy which includes methods to

ensure program or operational leaders are aware that they are responsible for the effectiveness of internal control and monitoring of control activities as part of their duties regularly and every day.

- c. There is a monitoring strategy which includes methods to ensure that program leader are aware that they are responsible for internal control that their duty is to monitor the effectiveness of control activities regularly.
 - d. There is a monitoring strategy which includes identification of key operating activities and support system which may need special review and evaluation.
 - e. There is a strategy that includes plan to regularly evaluate control activities of the key operational activities and its support systems.
2. In the process of carrying out routine activities, personnel of Government Institutions receive information that internal control is running effectively. Matters to be considered are as follows:
- a. Operational report has been integrated or reconciled with financial and budget report and is used to manage the sustainability of operation; also leaders of Government Institutions pays attention to the existence of inaccuracies or irregularities

which may indicate internal control problems.

- b. The leaders responsible for operational activities compare information on activities or other operational information obtained from daily activities with information generated by the information systems and follow up on all inaccuracies or other problems.
 - c. Operational personnel must guarantee the accuracy of the unit financial statements and is responsible if error is found
3. Communication with external parties must strengthen the data generated internally or must be able to indicate an internal control problem. Matters to be considered are as follows:
- a. Partners' complaint about unfair practice Government Institutions is investigated.
 - b. Legislative Committee and supervisory board communicate information to Government Institutions regarding compliance or other issues reflecting the functioning of internal control and leaders of Government Institutions follows up on all problems identified.
 - c. Failure of control activities in preventing or detecting arising problems must be reviewed.
4. Organizational structure and adequate supervision may help monitor the

internal control function. Matters to be considered are as follows:

- a. Automatic editing and checking and administration activities are used to help control accuracy and completeness of transaction processing.
 - b. Separation of duties and responsibilities are used to help prevent fraud.
 - c. Government internal supervisory apparatus must be independent and have the authority to report directly to the head of Government Institutions and does not carry out operational duties for the benefit of the leaders of Government Institutions.
5. Data recorded in the financial and information system is periodically compared to the physical assets and, if discrepancy is found, it must be examined. Matters to be considered are as follows:
- a. Inventory level, equipment, and other assets are checked periodically; the difference between the amounts recorded with the actual amount must be corrected and the cause must be explained.
 - b. Frequency of comparison between the records and physical assets are based on the level of vulnerability of assets.
 - c. Responsibility for storing, safeguarding, and securing assets

and other resources are delegated to the assigned employee.

6. Leaders of Government Institutions take steps to follow up regular improvement recommendations from the internal control apparatus and other evaluators.
7. Personal meeting is used to obtain input about the effectiveness of the internal control. Matters to be considered are as follows:
 - a. Any problem, information, and relevant feedback with regard to internal control arising during training, seminars, planning meetings, and other meetings is received and used by leaders to solve the problem or to strengthen the internal control system.
 - b. Advice from employees regarding internal control must be considered and acted upon.
 - c. Leaders of Government Institutions encourage personnel to identify internal control weaknesses and to report it to their immediate supervisor.
8. Personnel are regularly asked to explicitly express whether or not they comply the code of ethics or similar behavioural regulations. Matters to be considered are as follows:
 - a. Personnel periodically declare their compliance with the code of ethics.
 - b. A signature is required to prove

the functioning of the key internal control, for example reconciliation.

B. SEPARATE EVALUATION

COMMENTS/NOTES

1. The scope and frequency of separate evaluation is adequate for Government Institutions. Matters to be considered are as follows:
 - a. Results of risk assessment and continuous monitoring effectiveness are considered when determining the scope and frequency of separate evaluation.
 - b. Separate evaluation activities are often required in the event of major changes in management plan or strategy, expansion or contraction of the Government Institutions, or changes in operational or financial and budgeting information processing.
 - c. Periodically evaluations are carried out adequately towards part of internal control.
 - d. A separate evaluation is carried out by employees who have required expertise and may involve government internal control supervisory apparatus or external auditors.
2. Internal control evaluation methodology must be reasonable and adequate. Matters to be considered are as follows:
 - a. Utilized methodology has included self-assessment using checklist, questionnaire, or other

- device.
- b. The separate evaluations include a review of the internal control design and direct testing for internal control activities.
 - c. In Government Institutions which use computer based information systems computer based, separate evaluation is conducted using computer-assisted audit techniques to identify inefficiency, waste, or abuse.
 - d. Separate evaluation team composes an evaluation plan to ensure that the implementation of these activities is coordinated.
 - e. If a separate evaluation process is carried out by personnel of the Government Institutions, it must be led by an official with adequate authority, ability, and experience.
 - f. A separate evaluation team must adequately understand the vision, mission, and objectives of the Government Institutions as well its activities.
 - g. Separate evaluation team understands how to internal control of Government Institutions should function and how it's implemented.
 - h. A separate evaluation team analyses its evaluation results compared to predetermined criteria.
 - i. The evaluation process is documented accordingly.

3. If a separate evaluation is carried out by government internal supervisory apparatus, then the apparatus must possess adequate resources, abilities, and independency. Matters to be considered are as follows:
 - a. Government internal supervisory apparatus is staffed by adequately competent and experienced personnel.
 - b. Government internal supervisory apparatus is organizationally independent and reports directly to the highest leader of Government Institutions.
 - c. Responsibility, scope of work, and supervisory plan for government internal supervisory apparatus is according to the needs of the Government Institutions.
4. Weakness found during separate evaluation is solved promptly. Matters to be considered are as follows:
 - a. Weakness finding is soon communicated to people who are responsible for the function and to their immediate supervisor.
 - b. Serious weaknesses and control problems are immediately reported to the highest leaders of Government Institutions.

C. COMPLETION OF AUDIT

COMMENTS / NOTES

1. Government Institutions have mechanism to ensure that audit or other review findings are followed up promptly. Matters to be considered are as follows:

- a. Leaders of Government Institutions immediately review and evaluate findings, assessment results, and other reviews which indicate weakness and identify the corrective actions.
 - b. Leaders of Government Institutions determined proper actions to follow up findings and recommendations.
 - c. Corrective action to solve problems that attract attention the leaders of the Government Institutions is carried out within a determined period of time.
 - d. In case of disagreement about findings or recommendations, the leaders of Government Institutions state that the findings or the recommendations are incorrect and do not need following up.
 - e. Leaders of Government Institutions consider consultation with auditors (such as Audit Boards, government internal supervisory apparatus, or other external auditors) and reviewers if it may aid the process of completing the audit.
2. Leaders of Government Institutions are responsive to audit and other review findings and recommendations to strengthen internal control. Matters to be considered are as follows:
- a. Leaders of Government

Institutions are authorized to evaluate findings and recommendation and to make decision regarding the proper action for improvement.

- b. Necessary internal control measures are followed up to ensure its application.
3. Government Institutions properly follow up findings and audit recommendations and other review and. Matters to be considered are as follows:
- a. Problems related to certain transactions or events are corrected immediately.
 - b. Cause of problems stated in the findings or recommendations are examined by the Leaders of Government Institutions.
 - c. Corrective actions are taken to improve the condition or to solve the cause of findings.
 - d. Leaders of Government Institutions and the auditors monitor audit and review findings and its recommendations to ensure that necessary action is implemented.
 - e. Leaders of Government Institutions periodically receive status reports of audit completion and review so leadership can be sure about the quality and timeliness of the completion of every recommendation.

Monitoring Overview Section

Write General Conclusions and the Actions needed here:

PART VI

OVERVIEW OF OVERALL INTERNAL CONTROL

A. CONTROL ENVIRONMENT	COMMENTS / NOTES
<p>Leaders and personnel of Government Institutions have positive attitudes and support internal control and clean management. Leaders of Government Institutions convey the message that integrity and ethical values may not be compromised. Leaders of Government Institutions are committed to personnel competence/ ability and using sound human resource policy and procedure. Leaders of Government Institutions have conducive leadership which supports effective internal control. Organizational structure and delegation of authority and responsibility contribute to the effectiveness of internal control. Government Institutions have a good work relation with the legislation committee and both internal and external auditor.</p>	
B. RISK ASSESSMENT	COMMENTS / NOTES
<p>The leaders of Government Institutions determine clear and consistent entity-wide and supporting activity-level objectives. The leaders of Government Institutions have identified overall risks, both internally and externally, which may influence the ability of the Government Institutions in achieving its objectives. Risk analysis has been carried out, and Government Institutions have developed proper approach to</p>	

managing risk. In addition, a mechanism to identify changes which may affect the ability of the Government Institutions in achieving its vision, mission, and purpose is established.

C. CONTROL ACTIVITIES

COMMENTS / NOTES

Adequate policies, procedures, techniques and mechanisms of control has been developed and applied to ensure compliance with the management directives. Appropriate control activities are developed for each Government Institutions' activity and are applied properly.

D. INFORMATION AND COMMUNICATION

COMMENTS / NOTES

Information system to identify and record operational and financial information relating to internal and external events is in place and implemented. The Information is communicated to the leadership and other parties within the Government Institution in a form that enables them to carry out their duties and responsibilities efficiently and effectively. Leaders of Government Institutions ensure that internal communication is effectively in place. The Leaders Government Institutions must also ensure that effective external communication with groups which may influence the achievement of the Government Institutions' vision, mission and objectives is established. The Leaders of Government Institutiond use various forms of communication suited to their needs and they manage, develop, and improve the information system as an effort to improve continuous communication.

E. MONITORING COMMENTS/NOTES

Internal control monitoring continuously assesses the quality of Governments Institutions's internal control performance as part of day-to-day activity execution. In addition, separate evaluations of internal control are carried out periodically and weaknes findings are investigated further. Procedure to ensure that all audit and other review findings are immediately evaluated, correct response is determined, and corrective actions are implemented.

PRESIDENT OF THE REPUBLIC OF INDONESIA

signed

DR. H. SUSILO BAMBANG YUDHOYONO

ELUCIDATION
OF
GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA
NUMBER 60 OF 2008
ON
GOVERNMENT INTERNAL CONTROL SYSTEM

I. GENERAL

The implementation of the state finance law requires a more accountable and transparent state financial management. This can be attained when the management in every level performs the necessary control activities upon all the organization's programs. Therefore, every activity conducted in a Government Institution, from planning, implementation, supervision, to accountability stage must be carried out in an orderly and controlled manner, as well as efficient and effective. Consequently, a system is needed to provide adequate assurance that the Government Institution can achieve its objectives efficiently and effectively, prepare reliable reports on the management of state finances, secure state assets, and encourage compliance legislation. This necessary system is Internal Control System which in its implementation must take into account a sense of justice and propriety as well consider the size, complexity, and nature of the duty and the function of the entities.

Article 58 section (1) and section (2) of Law Number 1 of 2004 on State Treasury instructs further regulation of a more rigorous government internal control system through a Government Regulation.

Internal Control System in this Government Regulation is based on the assumption that the system is attached throughout government's activities, influenced by human resources, and only provide reasonable, instead of absolute assurance.

Based on this assumption, elements of the internal control system are developed to guide its implementation and to evaluate its effectiveness. The development of the internal control system elements needs to consider cost and benefit aspect, human resource, clear criteria to measure effectiveness, and information technology development, and it is conducted comprehensively.

Elements of the Internal Control System in this Government Regulation refer to the ones which have been practiced in other countries, which cover:

a. Control environment

The Leaders of Government Institutions and all personnel must create and maintain the environment in the whole organization to foster positive behavior and to support fair internal control and management.

b. Risk assessment

Internal control must provide an assessment of risks, both externally and internally, faced by organizational units.

c. Control activities

Control activities help ensure that the implementation of directions of the Leaders of the Government Institutions . These activities must be efficient and effective in achieving the objectives of the organization.

d. Information and communication

Information must be recorded and reported to the Leaders of the Government Institutions and other parties as deemed necessary. Information is presented in due time and in a certain form and means, so as to enable the leaders of the Government Institutions to carry out control activities and their responsibilities.

e. Monitoring

Monitoring activities must be able to assess the quality of performance from time to time and to ensure immediate follow-up on the recommendations of audits and other reviews.

To strengthen and to support the effectiveness of the Internal Control System implementation, internal supervision and development of SPIP are carried out.

Internal supervision as part of the internal control activities which has function is to carry out independent assessments of the execution of the duties and functions of Government Institution. The scope of regulating internal supervision consists of organizations, scope of duties, human resource competencies, codes of ethics, audit standards, reporting and peer-review.

The development of SPIP includes the preparation of the technical guidelines of implementation, the dissemination of SPIP, education and training, guidance and consultancy on SPIP, as well as competency development of the government internal supervisory apparatus auditor.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Section (1)

Point a

The term "Control environment" means the condition in the Government Institution which affect the effectiveness of internal control.

Point b

The term "risk assessment" means assessment activities for possible events which may threaten the achievement of the Government Institution objectives and goals .

Point c

The term "control activities" means the necessary actions in order to overcome risks as well as the establishment and implementation of policies and procedures to ensure that actions addressing risks have been carried out effectively.

Point d

The term "information" means data which has been

processed to be used for decision making to implement the duties and functions of the Government Institution.

The term "communication" means the delivery process of messages or information with the use of certain symbols, either directly or indirectly, to obtain feedbacks.

Point e

The term "internal control monitoring" means the evaluation process of the quality of Internal Control Systems performance and the process which can provide confidence that the findings of audit and other evaluations will be immediately followed up.

Section (2)

In applying the elements of SPIP, the Leaders of Government Institutions are responsible to develop detailed policies, procedures and practices in accordance with the activities of Government Institution and to ensure that these elements have been integrated and become an integral part of the activities of Government Institution.

Article 4

Sufficiently clear.

Article 5

Point a

Rules of conduct include, among other things, ethical standards and Code of Conduct for employees of the Government Institutions, which are prepared in a participatory manner at the level of ministry/institution, province and regency/municipality. The Government Institution may propose a more specific rules of behavior as needed. Application of rules of conduct is carried out both as public servant and as part of the community.

Point b

Prime examples are manifested in the form of words and actions.

Point c

Sufficiently clear.

Point d

In the event that Leaders of Government Institutions intervene or ignore the internal control, they must explain and be accountable about the intervention and the neglect of the internal control.

Point e

To eliminate policies or assignments which can encourage unethical behavior, Leaders of Government Institutions are demanded to have a strong foundation to set realistic and achievable targets and do not demand that personnel to reach unrealistic goals. In addition, Leaders of Government Institutions must award personnel in proportion with their work performance. This award is given in the context of upholding integrity and compliance with ethical values.

Article 6

Point a

Sufficiently clear.

Point b

Competency standards are prepared based on the analysis of the necessary knowledge, skills and abilities to carry out the agency duties and functions.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Article 7

Point a

In considering risk, the Leaders of the Government Institutions make a decision after carefully analyze related risks and determine how these risks be minimized.

Point b

Sufficiently clear.

Point c

The term "specific functions" includes, among others, the recording and reporting of finance, management information

system, human resource management, as well as internal and external supervision.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Article 8

Sufficiently clear.

Article 9

Sufficiently clear.

Article 10

Section (1)

Point a

Policies and procedures related to human resource development are among others: personnel formation establishment, recruitment, pre-service training, in-service training, internal appointments, performance evaluation, discipline, payroll and dismissal.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Section (2)

Sufficiently clear.

Article 11

Sufficiently clear.

Article 12

The term "cross-check mechanism" refers to the matching of interrelated data from 2 (two) or more different Government Institutions.

Article 13

Sufficiently clear.

Article 14

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Point a

Sufficiently clear.

Point b

In establishing an integrated strategy management and risk assessment plans, the Leaders of Government Institutions :

1. consider the objectives of the Government Institutions and the relevant risk sources both internally and externally, and
2. establish control structures to deal with these risks.

Article 15

Sufficiently clear.

Article 16

Point a

Risk identification methods can include qualitative and quantitative ranking activities, discussions at the leadership level, forecasts and strategic planning, and consideration of findings of audits and evaluations by the government internal supervisory apparatus.

Point b

Examples of risks that come from external factors are new legislations, technology developments, natural disasters, and security disturbances.

Examples of risks originating from internal factors are limited operational funds, human resources incompetency, inadequate equipments, unclear policies and procedures, and unconducive working atmosphere.

Point c

In assessing other factors that may increase risk, the Leaders of Government Institutions consider all risk due to the failure to achieve goals and budget constraints that have occurred may be caused by improper program spending, violation of fund control, and noncompliance to legislation. In addition, the Leaders of Government Institutions identify any risks inherent in the nature of the mission or at the significance and complexity of each program or specific activities.

Article 17

Section (1)

Sufficiently clear.

Section (2)

The term “accepted risk level” means the limit of risk tolerance by considering cost and benefit aspect.

Article 18

Sufficiently clear.

Article 19

Performance benchmarks are among others targets, budgets, forecast, and performance of the past period.

Article 20

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

The strategy for the planning and the development of human resource includes policies, programs, and practices which become the reference for Government Institutions and can identify present and future human resource needs.

Point c

Sufficiently clear.

Article 21

Section (1)

Sufficiently clear.

Section (2)

Point a

The term "general control" includes structures, policies and procedures applicable to all of the computer operated within the Government Institutions.

Point b

The term "application control" includes structures, policies, and procedures designed to ensure completeness, accuracy, authorization and validity of all transactions during application processing.

Article 22

Sufficiently clear.

Article 23

Sufficiently clear.

Article 24

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term "physical control" means limitation to physical access to information resources, such as the use of room access cards to enter the computer room.

The term "logical control" means limitation of access to information resources using computer logic, for example through the use of an access code (password) to enter a communication network system.

Point d

Sufficiently clear.

Article 25

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The procedures to ensure the implementation of control over the software libraries include labeling, access restriction, and the use of separate software literatures.

Article 26

Sufficiently clear.

Article 27

Sufficiently clear.

Article 28

Point a

Sufficiently clear.

Point b

Examples of the prevention steps and the minimization of potential damage and interruption of computer operation are the use of back up procedures of data and program, separate storage for back-up data, controlled environment, staff training, and management and maintenance of hardware.

Point c

Examples of contingency plan are security measures to deal with natural disasters, sabotage and terrorism.

Point d

Sufficiently clear.

Article 29

Sufficiently clear.

Article 30

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

The term “exception reporting” means a report that reveals unusual circumstances, such as accounts receivable with a credit balance, the date of decision letter of an application which precedes the date of the application letter.

Article 31

Sufficiently clear.

Article 32

Point a

In designing data entries, the features which supports data accuracy should be noted. For example, for standardized fields, such as organizational units, data entry is done by entering the unit code number and the system automatically displays the name of the organization unit.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Article 33

Sufficiently clear.

Article 34

Section (1)

Physical control of assets is carried out to secure and protect high-risk assets.

Section (2)

Point a

Examples of assets physical security policies and procedures are among others:

- a. Assets at risk of being lost, stolen, damaged, or used without authorization such as cash, securities, equipments, and supplies are physically secured, and access to these assets are controlled.
- b. Access to buildings and facilities is controlled with fences, guards, and/or other means of physical control.
- c. Access to facilities is limited and controlled outside of work hours.

Point b

In practice the term for recovery plan after a disaster is known as disaster recovery plan.

Article 35

Section (1)

The determination and review of indicators and performance measures are aimed to achieve an appropriate performance measurements.

Section (2)

Point a

The performance measurements and indicators are set at the level of Government Institutions, activities, and personnel.

Point b

Sufficiently clear.

Point c

The evaluation of performance measurement factors is carried out to ensure that these factors are balanced and related to the missions, goals and objectives as well as to regulate appropriate incentives by taking into account legislation.

Point d

Sufficiently clear.

Article 36

Section (1)

Separation of functions is intended to reduce risk of errors, waste, or fraud.

Section (2)

Responsibility and duty for transactions or events are systematically separated or delegated to different personnel to guarantee checks and balances and to reduce the chance of collusion. The main aspects of transaction or event which are separated include authorization, approval, processing and recording, payment or receipt of funds, reviews and audits, and asset storage and handling.

Article 37

Section (1)

Authorization of important transactions and events is done to provide confidence that only valid transactions and events are carried out.

Section (2)

Terms and conditions of authorization are in accordance with the provisions of legislation.

Article 38

Section (1)

Accurate and timely recording aims to provide relevant and reliable information for decision-making processes.

Section (2)

Point a

Proper classification and prompt recording are done so that the obtained information remains relevant, valuable, and useful for Leaders of Government Institutions for controlling activities and decision-making. The accurate classification of transactions and events include the information arrangement and format of the source documents as well as summary record as the source of reporting.

Point b

The cycle of transactions or events includes authorization, implementation, processing and final classification in the summary record.

Article 39

Sufficiently clear.

Article 40

Section (1)

A good documentation of the Internal Control System and important transactions and events are carried out so that activities can be controlled and evaluated.

Section (2)

The Documentation of the Internal Control System includes identification, implementation, and evaluation of objectives and functions of Government Institution at the level of activity as well as its control reflected in the administrative policy, accounting guidelines, and other guidelines. Documentation of the Internal Control System also includes documentation that describes the automatic information system, data collection and handling, as well as general and application control.

Documentation of important transactions and events is carried out completely and accurately to facilitate the tracing of transactions and events as well as related information since the authorization and initiation, processing, and settlement.

Article 41

The identification, recording and communication of information are carried out to simplify the implementation of control and accountability.

Article 42

Section (1)

Sufficiently clear.

Section (2)

Point a

Forms and means to communicate important information are including policy and procedure guidebooks, circular letters, memorandums, bulletin boards, internet sites and intranets, video recordings, e-mails, and verbal directives, as well as the actions of leaders to support the implementation of the Internal Control System.

Point b

To manage, develop, and update the information systems, Leaders of Government Institutions need to consider information system management, the mechanism to identify the information, the development and progress of information technology, the monitoring of information quality, and the adequacy of human and financial resources for the development of information technology.

Article 43

Section (1)

Sufficiently clear.

Section (2)

The term "continuous monitoring" means a continuous and integrated quality assessment of the performance of the Internal Control System in activity of Government Institutions.

The term "separated evaluation" means a quality assessment of the performance of the Internal Control System with a limited scope and frequency based on the result of risk assessment and the effectiveness of sustainable monitoring procedures.

Article 44

Sufficiently clear.

Article 45

Section (1)

Separated evaluation of the Government Institutions is carried out by taking into account the scope and frequency of evaluation, methodology, and resources.

Section (2)

Sufficiently clear.

Section (3)

In conducting a separated evaluation, the evaluators may use other methods or tools as deemed necessary, such as benchmarking, questionnaires, flowchart, and quantitative methods.

Article 46

Sufficiently clear.

Article 47

Sufficiently clear.

Article 48

Section (1)

Sufficiently clear.

Section (2)

Audit activities, review, evaluation and monitoring refer to activities directly related to quality assurance.

Point a

The term "audit" means a process of problem identification, analysis, and evaluation of evidence which is carried out independently, objectively and professionally in accordance with audit standards, to assess the truth, accuracy, credibility, effectiveness, efficiency, and reliability of information concerning the implementation of duties and functions of Government Institutions.

Point b

The term "review" means a process of re-examining the evidences of an activity to ensure that the activity has been carried out according to the provisions, standards, plans, or norms which have been determined.

Point c

The term "evaluation" means a series of process to compare the results of an activity with the standards, plans, or norms which have been determined, and in the process also determines the factors which affect either the success or failure of the activity.

Point d

The term "monitoring" means the process to assess the progress of a program or activity in achieving the determined objectives.

Point e

Other supervisory activities include the dissemination of supervision, supervisory education and training, mentoring and consultancy, management of supervisory results, and the presentation of supervisory results.

Article 49

Section (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term "Provincial Inspectorate" includes the Government Institution with the title of Provincial Supervisory Board .

Point d

The term "Regency/Municipal Inspectorate" include the Government Institutions with the title of Regency/Municipal Supervisory Board .

Section (2)

Point a

Cross-sectoral activity is implemented by two or more state ministries/agencies or local governments which cannot be supervised by the Government Internal Supervisory Apparatus of a government ministry/agency, province, or regency/municipality due to limitations of authority.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

The term "funded by State Budget" means the part of the budget which is controlled by the minister/leaders of the institutions as the official holder of the authority to use the ministry/agency budget as the Budget User.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Article 50

Section (1)

Sufficiently clear.

Section (2)

Performance audits of state finance management are among others:

- a. audit of budget preparation and implementation;
 - b. audit of receipt, distribution and use of fund; and
 - c. audit of asset and liability management.
- a. Meanwhile, the performance audit of the implementation of duties and functions includes audit of the achievement of goals and objectives .

Section (3)

Audits with specific objectives are among others investigative audit, audit of the implementation of SPIP, and audits of other financial matters.

Article 51

Section (1)

The term "auditors" mean civil servants functional position in Government Institution in accordance with the legislation.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 52

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

At the time this Government Regulation was enacted, "guidelines set by the government" refer to the Code of Ethics of the Government Internal Supervisory Apparatus as referred to in the Regulation of the Ministry of State Apparatus.

Article 53

Section (1)

The term "audit standards" mean the criteria or quality measure to perform audit which are required as guidance for the government internal supervisory apparatus.

Section (2)

Sufficiently clear.

Section (3)

At the time this Government Regulation was enacted, "guidelines determined by the government" refer to the Audit Standard for Government Internal Supervisory Apparatus as referred to in the Regulation of Ministry of State Apparatus.

Article 54

Section (1)

Supervisory result reports may take form in audit report, review report, monitoring report, or evaluation result report.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 55

Section (1)

The term "peer review" means the activity which is carried out by the designated supervisor unit to gain assurance that the implementation of the audit activities is in accordance with audit standards.

Section (2)

Until peer review guidelines is set, peer review is done by referring to the guidelines determined by the Ministry of State Apparatus.

Article 56

The term "independency" means the government internal supervisory apparatuses are free from any influence in carrying out their duties.

Article 57

Sufficiently clear.

Article 58

Sufficiently clear.

Article 59

Section (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

The improvement of internal supervisory apparatus competency includes education and training, research and development, and the development of audit functional position.

Section (2)

The implementation of dissemination, education and training, and guidance and consultancy on SPIP may be done by other Government Institutions after they coordinate with BPKP.

Article 60

Sufficiently clear.

Article 61

Sufficiently clear.

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