

ANNEX OF  
GOVERNMENT REGULATION  
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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;
- e. proper delegation of authority and responsibility;
- f. development/preparation and implementation of sound policies regarding human resource development;
- g. effective government internal supervisory apparatus; and
- h. good work relationship with relevant Government Institutions.

This following evaluation tool is intended to assess whether or not a control environment have created positive and conducive behaviours for a sound implementation of Internal Control System and management.

A. ENFORCEMENT OF INTEGRITY AND ETHICAL VALUE COMMENTS/NOTES

1. Government Institutions have developed and implemented codes of conducts and other policies which contain expected standards of ethical behaviours, acceptable practices, including violation of standards such as conflicts of interest. Matters to be considered are as follows:
  - a. Codes of conducts are comprehensive and immediately addressing issues such as improper payment, proper use of resource, conflict of interest, personnel political activities, gratification, and the implementation of due professional care.
  - b. Periodically, all personnel sign a statement of commitment to apply rules of behaviours.
  - c. Personnel understand which behaviours are acceptable or unacceptable, sanctions for unacceptable behaviours, and they know what to do if they encounter improper behaviours.

2. An ethical atmosphere is built at every 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 discloses 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.



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



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 and 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: <ul style="list-style-type: none"><li>a. All relevant objectives and risks for each important activity have been identified during risk assessment.</li><li>b. Leaders of Government Institutions have identified actions and control activities needed to deal with these risks and has provided the implementation guide.</li></ul>	
2. Identified control activities are implemented properly. Matters to be considered are as follows: <ul style="list-style-type: none"><li>a. Control activities described in policy and procedure manuals are properly and adequately applied</li><li>b. Personnel and their superiors understand the purpose of control activities.</li><li>c. The supervisory officers reviewed the functioning of control</li></ul>	

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

COMMENTS/NOTES

## OF TRANSACTIONS AND EVENTS

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:

COMMENTS / NOTES

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, 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</p>	

have developed proper approach to 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