Research Article

Effectiveness of Internal Control System in Balinese People's Credit Bank with Coso Approach

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Abstract: This study aims to determine the effectiveness of the internal control system on BPR in Bali. The sample used in this study consisted of 57 BPR from 135 BPR in Bali by distributing questionnaires to the BPR. The questionnaire in this study was adopted from the COSO 2013 approach. The distribution of the questionnaire was carried out using a simple random sampling technique at BPRs that had been registered at the OJK. This study uses a qualitative descriptive analysis, which is data obtained and collected, then analyzed based on established methods and aims to test the effectiveness of the components of the internal control system at BPRs in Bali. The results showed that BPR has implemented an internal control system that is the control environment, risk assessment, information and communication, effective control and monitoring activities in accordance with the COSO approach.

Keywords: control environment, risk assessment, information and communication, control activities, monitoring.

Introduction

Financial institutions have a very important role in supporting community welfare in a country. In Indonesia, the majority of its citizens depend on financial institutions to get funding assistance and a place to save money. Currently, the bank is still the belle of the public to get financial assistance and save money. However, it cannot be denied that BPRs also get the trust of the public, especially the middle to lower classes that have not been reached by the existence of Commercial Banks so that the existence of BPRs should get better attention.

In its development there are various problems faced by the banking world, especially rural banks. The current economic conditions and vulnerable crises have a significant effect on the banking industry. One of the ways that currently can be used to deal with threats and minimize risks to the organization is the existence of an internal control system (Spira and Page, 2003). The fact that the number of business failures is increasing in various companies caused by uncontrollable risks, has encouraged companies to focus more on internal control owned by the company (Jokipii, 2010). Companies that have weak internal controls tend to have smaller and less profitable developments (Doyle, Ge, and McVay, 2007), therefore good internal control is needed within a company. To find out whether or not the internal control system owned by an organization, it is necessary to do an assessment of the internal control system.

Historically, the increasing role of internal control cannot be separated from the downfall of the giant energy company Enron and several other large company cases that were motivated by fraud by management which finally made internal control aware as a preventive measure to prevent deficiencies that threatened the company's survival (Sinaga, 2014). Cases of financial abuse of authority related to weaknesses in the company's internal control still often occur in BPRs, some examples of which are: (1) Crime of misappropriation of funds by the Managing Director of BPR KS Agung Bali Sedana (Bisnis.com, 2018), (2) criminal misuse by BPR Multi Artha Mas Sejahtera Commissioner (SindoNews.com, April 2018).

These events are valuable lessons that provide awareness that the effectiveness of internal control is a preventive effort that must continue to be evaluated to prevent fraud and deficiencies in the company that can threaten its long-term survival. That awareness then gave birth to a guideline for the implementation of internal control, the Sarbanes-Oxley Act 2002 (SOX), which regulates the obligations of internal control within a company (SOX section 404).

Referring to the internal controls required in SOX, there is a standard in the form of a general framework that companies use to develop an internal
control system that suits their needs. The framework is the COSO Framework, published in 1992 by an independent organization called the Committee of Sponsoring Organizations of the Tradeway Commission (COSO).

There are five internal control components according to COSO which are interrelated and inseparable. In the 2013 Framework, COSO describes the five components in 17 principles that are the conditions for effective control in a company. The first component is the control environment which is the basis for all other elements of internal control that form discipline and structure in the organization. The second component is risk assessment, each company has risks inherent in its business characteristics. Risk assessment involves a dynamic and iterative process to identify and assess risk towards the achievement of objectives.

The third component is the control activity which is a variety of processes and efforts made by the company's management to enforce supervision or control of the company's operations (Winarno, 2006: 11.8). Control activities are carried out at all levels of the entity at various stages in the business process and on the technological environment. The fourth component of the COSO approach is Information and communication. Information is obtained or generated through a process of communication between internal and external parties which is carried out continuously, repeatedly and shared. Some components that influence information and communication are obtaining, producing and using quality and relevant information, communicating internally and externally. The fifth component is monitoring which becomes a process of evaluating the quality of the performance of internal control structures throughout that period involving the assessment of the plan and implementation of control operations by the right person for each specified period of time, to determine that the SPI has run as desired and that the modification necessary because changes in conditions have been made.

Ayagre (2014) examines the effectiveness of internal control systems of banks: the case of Ghanaian banks. The results of the study indicate that the majority of respondents are of the view that the environmental control and monitoring activities of the internal control system component are effective at the Ghana bank. Fajar and Rusmana (2018) conducted research on evaluating the application of BRI's internal control system with the COSO framework. The results of his research concluded that the implementation of internal control at Bank BRI had followed the existing concept in the internal control-integrating framework published by the committee of sponsoring organizations of the tradeway commission.

Research on internal control in BPR has not been much researched. Not as usual that most research on internal control is carried out in BUMN / D or manufacturing companies. Research on the effectiveness of internal control on BPRs is rarely conducted because BPRs are often regarded as organizations with less management and classification than commercial banks. At present BPR is much in demand by the public because of its function which can provide services not only in big cities, but can reach sub-district and rural areas or small cities that have not been reached by commercial banks. So that the presence of BPRs contributed to the circulation of money, especially in Bali. An internal control system is also needed to secure wealth, maintain accuracy and to what extent accounting data can be trusted in the BPR.

Based on the description above, the formulation of the problem in this study are: Has the environmental control component in the internal control system been effective at BPR in Bali?; Has the risk assessment component in the internal control system been effective at BPR in Bali?; Has the information and communication component of the internal control system been effective at BPR in Bali?; Has the component of the control activity in the internal control system been effective at BPR in Bali?; Has the monitoring component of the internal control system been effective at the BPR in Bali?

Literature Review

System Theory

A system is a set of interrelated and interdependent components that interact with how to achieve a set goal. Components or sub-systems are interdependent and failure of one component causes the failure of the entire system. The organization is a complex system that is divided into various sub-systems and therefore requires a control system over the sub-system for its effectiveness and survival. All control system components must be integrated into the management process of the entire organization (Subsidiaries, divisions, units). The interaction of internal control systems with business processes is a prerequisite for the effectiveness of internal control systems.

Understanding People's Credit Bank

BPR is an official banking institution regulated under Law No. 7 of 1992 concerning Banking and
as amended by Law No. 10 of 1998. The law clearly states that there are two types of banks, namely commercial banks and rural banks. BPR is a Bank that conducts business activities conventionally or based on sharia principles in which its activities do not provide services in payment traffic. BPR activities are much narrower when compared to commercial bank activities.

According to article 13 of the Banking Law No. 10 of 1998, the Rural Credit Bank has a business activity, namely: Collecting funds from the public in the form of deposits in the form of time deposits, savings, and / or other forms equivalent to that Give credit; Providing financing and placement of funds based on sharia principles, in accordance with the provisions stipulated by Bank Indonesia; Placing funds in the form of Bank Indonesia Certificates (SBI), time deposits, certificates of deposit, and / or savings at other banks

There are several types of businesses such as those carried out by commercial banks but BPRs cannot be done. Businesses that may not be carried out by an RB are: Receiving deposits in the form of demand deposits; Conducting business activities in foreign currencies; Conducting capital investment with prudent banking principles and concern for middle to lower class community services; Conduct insurance business; Conducting other business activities outside the business activities referred to in the RB business.

Internal Control System

Internal control is a monitoring mechanism established by management on an ongoing basis. Control has a very important role in every business because it produces considerations and suggestions that are useful for subsequent planning. Internal control is an important aspect of the organization and the ability to manage risk. Internal control ensures the achievement of the organization, creates, enhances, and protects stakeholder value (IFAC, 2012). According to The American Institute of Certified Public Accountants (AICPA) the internal control system is an organizational plan and all coordinated measures and methods applied in a company to protect assets, maintain the accuracy and reliability of accounting data, improve efficiency, and improve compliance with management policies.

According to Winarno (2006, 11.6) the objectives of the internal control system are as follows: Protecting company assets; Improve the accuracy of information generated by information systems run by companies; Improve the efficiency of company performance; Improve compliance with management policies.

Effectiveness of the Internal Control System

Effectiveness is always related to the relationship between expected results and actual results achieved. In other words the effectiveness shows to what extent the achievement of results in accordance with the objectives set. In the context of agencies, effectiveness can be interpreted as the success of the agency in achieving its goals and targets. Internal control must be carried out as effectively as possible within a company to prevent and avoid mistakes, fraud, and fraud.

An effective internal control system is an integrated system with interrelated components, principles and supporting attributes. As a result, assessing the effectiveness of internal control must be carried out in connection with the internal control component. Assessing whether an organization's internal control system is effective or not is a subjective decision resulting from an assessment of the workings of the five components of internal control systems throughout the organization (COSO, 2013).

In assessing the effectiveness of internal controls, evaluators must understand the operation of the components, the purpose of the principles and assumptions that underlie the operation of control components and how they are applied throughout the organization. This researcher assessed the effectiveness of BPR's internal control system in Bali by adopting the COSO 2013 principle.

Internal Control Components

The most commonly accepted internal control framework in the U.S. issued by the Committee of Sponsoring Organizations (COSO). COSO is an initiative of the private sector formed in 1985, with the aim of identifying the factors that cause embezzlement of financial statements and making recommendations to reduce these events. COSO compiles a general definition for controls, standards and internal criteria that companies can use to assess their control systems. There are five internal control components according to COSO which are interrelated and inseparable. In the 2013 framework, COSO describes five components in 17 principles which are the conditions for effective control in a company, namely:

Control Environment

The control environment is the foundation for all other elements of internal control that shape the
discipline and structure of the organization. Without a good control environment, even a very good internal control system cannot run well. The effectiveness of control in an organization lies in management's attitude. Some components that influence the control environment, namely: Commitment to integrity and ethical values; Independence of directors to management in carrying out their duties; Create a structure, reporting line, authorization and accountability; Commitment to competence; Develop accountability.

Risk Assessment

Risk is an event or event that may exist and affect the achievement of objectives. Every company has risks inherent in its business characteristics. Risk assessment involves an iterative dynamic process to identify and assess risk towards the achievement of objectives. Thus risk assessment forms the basis for determining how risk will be managed. Some components that affect risk assessment, namely: Setting goals clearly; Identification and analysis of risks that affect the achievement of objectives; Assess potential fraud risks; Identify and analyze significant changes.

Information and communication

Information is needed by entities to carry out internal control responsibilities that support the achievement of objectives. The information needed by management is relevant and quality information. Information is obtained or generated through a process of communication between internal and external parties which is carried out continuously, repeatedly and shared. Some components that affect information and communication, namely: Obtaining, producing and using quality and relevant information; Communicate internally; Communicate externally

Control activities

Control activities are various processes and efforts made by company management to enforce supervision or control of company operations (Winarno, 2006: 11.8) Control activities are carried out at all levels of the entity at various stages in the business process and on the technological environment. Some components that influence control activities, namely: Establish and develop control activities; Establish and develop general control activities over technology; Implement controls through policies and procedures

Monitoring

Monitoring is a process of evaluating the quality of the internal control structure's performance throughout that period involving the appraisal of the plan and implementation of control operations by the right person for each specified period of time, to determine that the SPI has been running as intended and that modifications are needed because of changes condition changes have been made. Some components that influence monitoring, namely: Carry out periodic and ongoing evaluations; Evaluate and communicate the weaknesses of the definition.

Research Methodology

Research design

This study uses a descriptive design in accordance with the purpose of the study to describe the phenomenon of the object being studied (Yin, 2013). This study uses qualitative research. This research was conducted in several BPRs in Bali by distributing questionnaires to these BPRs. While the scope of the study is the effectiveness of the internal control system in Bali Rural Credit Banks with the COSO Approach.

Definition of Variable Operations

Operational definitions for variables in this study are (Romney and Paul, 2006: 231):

Control Environment. Control policies and procedures must be established and implemented to help ensure that actions identified by management to address the risks of achieving organizational goals are effectively carried out.

Risk Assessment. Organizations must be aware of dealing with the risks they face. The organization must also establish mechanisms for identifying, analyzing and managing associated risks.

Control activities. Control policies and procedures must be established and implemented to help ensure that actions identified by management to address the risks of achieving organizational goals are effectively carried out.

Information communication. Information and communication systems allow people in the organization to obtain and exchange information needed to carry out, manage and control its operations.

Monitoring. The entire process must be monitored, and changes made as needed. In this way, the system can act dynamically, changing according to the demands of the situation
The measurement of the effectiveness of the internal control system is carried out by distributing questionnaires to each BPR. The questionnaire was adopted from the 2013 COSO approach which consisted of 17 principles in 5 components. Each question consists of two answers: YES or NO. If the answer is YES then it is given a value of 1 (one) and for the answer is NOT given a value of 0 (zero).

**Determination of Data Sources**

Data sources used in this study consisted of primary data and secondary data. The primary data used was obtained through distributing questionnaires to respondents at BPR in BALI. Secondary data used comes from several literatures related to the problem to be examined, such as: BPR history, number of BPR, COSO literature, books on internal control systems and previous studies.

The type of data used in this study consisted of quantitative and qualitative data. Quantitative data is used, such as the number of BPR. Whereas qualitative data was obtained through various data collection techniques, such as document analysis, observation and respondents' perceptions.

**Sample Determination Method**

The population in this study is rural banks in Bali. In this study the Slovin formula is used to determine the number of samples:

Slovin formula:

\[ n = \frac{N}{N.d^2+1} \]  

\[ n = \frac{135}{135.(0,1)^2 + 1} = 57,44 \approx 57 \]  

Keterangan:

n = sample size  
N = population size  
d = standar error (10%)  

Based on the above formula, the sample used in this study consisted of 57 BPR out of 135 BPR in Bali. Respondents who fill out the questionnaire are managers or heads of operations or managers of each BPR. Each BPR is given one questionnaire. The distribution of questionnaires was done by simple random sampling technique. Simple random sampling technique is a sampling technique from a population carried out randomly without regard to strata in the population (Sugiyono, 2013: 118).

**Data analysis technique**

This study uses descriptive qualitative analysis, which is data obtained and collected, then analyzed based on established methods and aims to test the effectiveness of the components of the internal control system at BPR in Bali. The steps taken in this analysis are as follows: 

Distributing questionnaires to all respondents who have previously been authored; Questions consist of two parts, namely the general questions section concerning the identity of the respondent, and specific statements relating to effective internal control; Request and collect all statements (questionnaires) that have been filled out by respondents; Group answers based on problems. Where from all the respondents' answers, in this case the role of internal control was counted by the number of answers yes, and no; Furthermore, for each answer the value of the answer is given yes the value is 1, and the value is not 0; Count the number of yes answers and the number of questions for each group; Enter the number of yes answers and the number of questions in the ideal score formula:

\[ \text{Number of Answer}("Yes") \times 100 \]  

\[ \text{Total of Number Respondent's Answer} \]  

Calculate the percentage of the answer yes, for each group

In accordance with the topic of this study, the authors interpreted the implementation of effective internal control according to the categories as below:  
0% -25%, meaning that internal control was not effective; 26% -50%, meaning that internal control is less effective; 51% -75%, meaning that internal control is quite effective; 76% -100%, means that internal control is very effective.

So the internal control system is said to be effective if the answer to the internal control component has a number of 75% -100%.

**Results and Discussion**

**Descriptive Research Object**

The population in this study is rural banks in Bali. The number of samples is determined using the Slovin formula. The method used to collect data is by distributing questionnaires with simple random sampling techniques to a number of rural banks. The following is a table of the number of BPR sampling sent, the number of returns and samples used for research, namely:
Table 5.1 Number of BPR Sample

<table>
<thead>
<tr>
<th>Regency</th>
<th>Number of Questionnaires Sent</th>
<th>Number of Return Questionnaires</th>
<th>Number of Questionnaires Used</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denpasar</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>15%</td>
</tr>
<tr>
<td>Badung</td>
<td>23</td>
<td>21</td>
<td>21</td>
<td>35%</td>
</tr>
<tr>
<td>Tabanan</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>13.33%</td>
</tr>
<tr>
<td>Gianyar</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>18.33%</td>
</tr>
<tr>
<td>Bangli</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1.67%</td>
</tr>
<tr>
<td>Buleleng</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>5%</td>
</tr>
<tr>
<td>Klungkung</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3.33%</td>
</tr>
<tr>
<td>Karangasem</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1.67%</td>
</tr>
<tr>
<td>Jembrana</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1.67%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>57</td>
<td>57</td>
<td>95%</td>
</tr>
</tbody>
</table>

Source: processed data (2019)

Based on the above table, the number of questionnaires sent were 60 and those returning were 57 at a percentage rate of 95%. The largest number of distributions in Badung Regency was 23 samples at the percentage level of 35% and the smallest in the districts of Jembrana and Karangasem, each of which amounted to 1 sample at a percentage level of 1.67%.

While the number of rural banks per each district is as follows:

Table 5.2 Number of BPR

<table>
<thead>
<tr>
<th>Regency</th>
<th>Number of Active BPR</th>
<th>Number of Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denpasar</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Badung</td>
<td>50</td>
<td>21</td>
</tr>
<tr>
<td>Tabanan</td>
<td>19</td>
<td>8</td>
</tr>
<tr>
<td>Gianyar</td>
<td>26</td>
<td>11</td>
</tr>
<tr>
<td>Bangli</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Buleleng</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Klungkung</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Karangasem</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Jembrana</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>135</td>
<td>57</td>
</tr>
</tbody>
</table>

Source: processed data (2019)

Research Results and Discussion

Internal control in BPR is very important in order to minimize the risks that might occur so that the company's goals can be achieved. To ensure that the implementation of the internal control system at the BPR has been effective, it is carried out with the internal control component established by COSO, namely the control environment, risk assessment, control activities, information and communication and monitoring. The data we obtained by distributing questionnaires to BPRs in Bali relating to overall internal control shows the results that BPRs have implemented an effective control system. This is indicated by the fulfillment of almost all the principles presented by COSO in each component of control with a percentage of 87.14% and some even up to 100%.

1) Control Environment

The control environment is the foundation of all control components that make up the discipline and structure of the organization. The effectiveness of control in an organization lies in management's attitude. The board and senior management must determine to give direction to the entire organization about the importance of effective internal control. The results of measuring the effectiveness of the environmental control components are in table 5.3.

Table 5.3 Control Environment

<table>
<thead>
<tr>
<th>Principle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The company shows its commitment to integrity and ethical values</td>
<td>97.51%</td>
</tr>
<tr>
<td>2 BPR management shows independence towards management and carries out oversight function on the development and performance of internal control</td>
<td>95.18%</td>
</tr>
</tbody>
</table>
3 Management with supervision from the management makes the structure, reporting lines, authorization and accountability in achieving organizational goals.

4 The organization shows a commitment to attract, develop and retain competent individuals in line with its goals.

5 Organizations hold individual responsibility as their internal control responsibility in achieving goals.

Average 97.10%

Source: processed data (2019)

Table 5.3 shows that overall the results of the study indicate that the environmental control component at BPR in Bali has a percentage above 75% which means the control component is said to be effective. This shows that BPRs in Bali have carried out almost all of the activities contained in the environmental control components determined by COSO.

The results of the study stated that most BPRs carry out environmental control activities in accordance with principle 4, then followed by principles 1, 3, and 5, while principle 2 has the lowest percentage. From these results it is seen that the BPR does not prioritize principle 2. This is because in some BPR managers giving management rights in carrying out the functions and management in the BPR internal system, in some cases there is a section head at the BPR who also doubles as one of the members of the supervisory unit internal.

The attitude of the board and senior management determines the level of effectiveness of internal control in an organization. If top management believes that control is important, others in the organization will feel it and respond by observing existing controls. Likewise, establishing support for integrity and ethical values is an important element of the control environment because they affect design, administration and monitoring other internal control components. The results show that management has shown a strong commitment to promoting internal control of the environment that is strong enough to receive top management support, set standards and responsibilities, and hold people accountable for their successes and failures.

2) Risk Assessment

Risk assessment is the process of identifying, analyzing, and managing risks that affect the company's goals. The most critical stage in risk assessment is identifying changes in external and internal conditions and identifying the actions needed. The results of measuring the effectiveness of the risk assessment component are in table 5.4.

Table 5.4 Risk Assessment

<table>
<thead>
<tr>
<th>No</th>
<th>Principle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The organization sets goals with sufficient clarity allowing for the identification and assessment of risks that have the potential to influence the achievement of objectives</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>The organization identifies risks that affect achievement of objectives across all entities and risk analysis as a basis for determining how risks must be managed</td>
<td>100%</td>
</tr>
<tr>
<td>3</td>
<td>The organization is aware of the potential for fraud in assessing risks that affect the achievement of objectives</td>
<td>98.25%</td>
</tr>
<tr>
<td>4</td>
<td>The organization identifies and assesses significant changes that can affect the internal control system</td>
<td>100%</td>
</tr>
</tbody>
</table>

Average 99.56

Source: processed data (2019)

Table 5.4 shows that overall the results of the study indicate that the risk assessment component at BPR in Bali has a percentage above 75% which means the control component is said to be effective. This shows that BPRs in Bali have done almost all of the activities contained in the risk assessment component determined by COSO.

The results of the study stated that most BPRs carry out risk control activities in accordance with principles 1, 2, and 4, while principle 3 has the lowest percentage. From these results it appears that the BPR does not prioritize principle 3. This is because the potential for fraud is always present in the risk assessment plus in some cases organizational members hold two different positions.

3) Control Activities

Control activities are policies and procedures that are built to help ensure that management directives
are carried out properly. Control activities have a variety of objectives and are applied in various actions and functions of the organization. Control activities include different activities, such as: authorization, verification, reconciliation, analysis, work performance, maintaining the security of company assets and separation of functions. The results of measuring the effectiveness of the control activity components are in table 5.5.

Table 5.5 Control Activities

<table>
<thead>
<tr>
<th>No</th>
<th>Principle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The organization selects and develops control activities that contribute to mitigating risk to an acceptable level</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>The organization selects and develops general control activities over technology to support the achievement of objectives</td>
<td>97.27%</td>
</tr>
<tr>
<td>3</td>
<td>The organization implements control activities through policies that establish what is expected and procedures that put the policy into action</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>99.09</td>
</tr>
</tbody>
</table>

Source: processed data (2019)

Table 5.5 shows that overall the results of the study indicate that the control activity component of BPR in Bali has a percentage above 75% which means the control component is said to be effective. This shows that BPRs in Bali have done almost all of the activities contained in the control activities component determined by COSO.

The results of the study stated that most BPRs carry out control activities that are in accordance with principles 1 and 3, while principle 2 has the lowest percentage. From these results it is seen that BPRs develop control activities that contribute to mitigating risks to an acceptable level and implement control activities through policies that set what is expected and procedures that put policies in action. Developing general control activities over technology to support the achievement of objectives has a lower percentage because the resources that can use technology in several BPRs are still quite limited and the costs for using IT systems are quite large.

4) Information and Communication

Information and communication refers to an organization's accounting system, which consists of methods and records created to identify, compile, analyze, classify, record and report on organizational transactions and to maintain accountability of related assets and debts. The results of measuring the effectiveness of the information and communication components are in table 5.6.

Table 5.6 Information and Communication

<table>
<thead>
<tr>
<th>No</th>
<th>Principle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The organization obtains, produces and uses quality and relevant information to support the internal control function</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>The organization internally communicates information, including internal control objectives and responsibilities needed to support the internal control function</td>
<td>97.45%</td>
</tr>
<tr>
<td>3</td>
<td>Organizations with external parties communicate information about matters affecting the internal control function</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>99.15</td>
</tr>
</tbody>
</table>

Source: processed data (2019)

Table 5.6 shows that overall the results of the study indicate that the information and communication component of BPR in Bali has a percentage above 75%, which means the information and communication component is said to be effective. This shows that BPRs in Bali have done almost all activities contained in the information and communication components specified by COSO.

The results of the study stated that most BPRs carry out activities of information and communication components that are in accordance with principles 1 and 3, while principle 2 has the lowest percentage. From these results it can be seen that in some BPRs, communication of information carried out internally, including the objectives and responsibilities of internal control needed to support the function of internal control is not the main focus and is not done periodically.

5) Monitoring

The monitoring component of the internal control system determines whether the control exists and functions as intended. If it does not control the shortage it is reported to the appropriate personnel responsible for the control. Properly designed and implemented monitoring will help organizations identify and correct internal control problems in a
timely manner, thus ensuring the functioning of the internal control system (Thornton, 2009). The results of measuring the effectiveness of the monitoring component are in table 5.7.

Table 5.7 Monitoring

<table>
<thead>
<tr>
<th>No</th>
<th>Principle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The organization selects</td>
<td>92.40%</td>
</tr>
<tr>
<td>2</td>
<td>The organization evaluates and communicates weaknesses in internal control in a timely manner to those responsible for taking corrective actions</td>
<td>98.68%</td>
</tr>
</tbody>
</table>

Average 95.54

Source: processed data (2019)

Table 5.7 shows that overall the results of the study indicate that the monitoring component of BPR in Bali has a percentage above 75% which means the monitoring component is said to be effective. This shows that BPRs in Bali have done almost all activities contained in the monitoring component determined by COSO.

The results of the study stated that BPR conducted the most monitoring component activities in accordance with principle 2 while principle 1 had the lowest percentage. From these results it is seen that in some BPRs do not prioritize principle 1. This is one of the risks that needs to be considered by BPRs because evaluation can be one of the assessments to ensure the functioning or internal control component in a company.

The results show that existing monitoring is focused on an independent internal audit unit that objectively evaluates the control system periodically involving external evaluators to objectively evaluate the control system; and management's ability to track whether there is a lack of recovery in a timely manner. It can be concluded that banks have adopted aggressive mechanisms to assess the quality of the performance of the internal control system over time, which includes ongoing monitoring activities, separate or combined evaluations (Intosai, 2004).

Conclusions and Recommendation

The study results show that, there is strong control in the risk assessment component and continues to monitor the information and communication components of BPR in Bali. Both components were rated high by respondents with a percentage of 99.56 and 99.15. This research reveals that BPRs have paid attention to risk assessment, there are a number of cases that occur related to banking risk and operational activities ranging from high non-performing loans and the possibility of fraud because it is not uncommon for one person to hold two different positions. Information and communication also become important components that are considered because through good information and communication, the objectives and responsibilities of internal control needed to support the internal control function can be achieved. We recommend that the level of independence of the internal bank must also be considered so that fraud can be minimized, the quality of human resources in the management environment must also be a concern so that no different positions are held by the same person. Ongoing evaluation and monitoring also need to be done regularly to ensure that the controls that are really there are functioning properly.

This study only uses a questionnaire so that it cannot obtain a picture in the real field, further research is expected to be able to add other methods such as direct interviews with respondents. This research was conducted at BPR so that it could not represent banking conditions in general, further research could broaden the scope of research to make comparisons at commercial banks and BPRs.

References

6. Jokipii, A. (2010). Determinants and


