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RISK MANAGEMENT ANALYSIS ON REALLOCATION AND REFOCUSING OF THE NTT PROVINCE REGIONAL BUDGET DURING THE COVID-19 PANDEMIC

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ABSTRACT

This study aims to assess risks and carry out risk mapping in reallocating and refocusing the East Nusa Tenggara Provincial regional revenue and expenditure budgeting during the Covid-19 Pandemic. Qualitative research methods are carried out through literature studies, normative studies and prospective studies. Assessment of the scale of likelihood and impact risk for government management was carried out by 32 government internal supervisory in Provincial and District Inspectors in East Nusa Tenggara. Respondents assess, prospectively, the likelihood and impact scales of the identified risks. The results showed 25 risks of reallocating and refocusing the regional revenue and expenditure when Pademi Covid-19 was identified and analyzed. At the high-risk level, when reallocating and refocusing the budget during the Covid 19 pandemic, the PPK Region Unit Works has the task of preparing Region Unit Works financial reports. The risk of such activities is being late in preparing Region Unit Works financial reports; risk of being late in compiling budget implementation documents from the activities of Budget user officials; and the risk of an orderly general cash book made by the treasurer of receipt/expenditure. There is one risk involved at the very low level, namely inappropriate cash due to incorrectly inputting the transaction nominal; there are transactions that have not been inputted so that there is a difference; there is an advance payment which is not recorded; money used for non-operational needs.

Keywords: risk management, budget reallocating, refocusing programme, pandemic covid-19

1. Introduction

The Covid-19 pandemic has had a tremendous impact on the national economy and the socio-economic conditions of the community. Therefore, the Government has issued a stimulus to safeguard society and the economy through Government Regulation in Lieu of Law No. 1/2020 and Presidential Decree No. 54/2020. The Corona Virus Disease 2019 (COVID-19) pandemic has significantly disrupted economic activity and has had major implications for the economies of most countries around the world, including Indonesia. Global economic growth is estimated to decline from 3% (three percent) to only 1.5% (one point five percent) or even lower (kompasiana.com). Joint handling efforts between the Central and Local Governments through reallocation and refocusing of the 2020 APBN and APBD expenditure budgets for handling the pandemic and the impact of Covid-19. The State Revenue Budget, which was originally estimated at IDR 2,233 trillion, has turned into IDR 1,760 trillion. This State Revenue Budget consists of Tax Revenues of IDR 1,462 trillion, Non-Tax State Revenues of IDR 297.75 trillion and Grants of IDR 498.74 billion. Meanwhile, the State Budget, originally estimated at IDR 2,540,422 trillion, has increased to IDR 2,613.8 trillion. This State Budget consists of the Central Government Expenditure Budget of IDR 1,851.10 trillion (including additional spending for handling the COVID-19 pandemic amounting to IDR 255,110 trillion) and the Transfer to Regions and Village Funds Budget. which is estimated at IDR 762,718 trillion. Based on the State Revenue and Expenditure Budget calculation above, it is estimated that there will be a deficit of IDR 852.935 trillion or 5.07% of GDP, so that for Budget Financing, it is estimated that IDR 307.225 trillion will change to IDR 852.935 trillion (http://www.anggaran.kemenkeu.go.id).

The use of the Central Government Budget Structure is prioritized for handling the COVID-19 pandemic and its harmful effects on the national economy and/or financial system stability, focusing on health spending, social safety nets, and economic recovery. In addition, for the Transfer to Regions and Village Funds Expenditure Budget, the government has determined that the Village Fund Budget can be used as a social safety net fund in the village in the form of direct cash assistance to the poor in the village and activities to handle the COVID-19 outbreak. With the changes to the Posture and Details of the State Revenue and Expenditure Budget, the Education Budget has also adjusted to meet mandatory spending. This Education Budget includes the Government's Investment Endowment Fund in the education sector amounting to IDR 29 trillion to develop national education, research, culture and higher education.

East Nusa Tenggara is the southernmost province of Indonesia. It consists of more than 500 islands, with the largest ones being Sumba, Flores, and the western part of Timor; the latter shares a land border with the separate nation of East Timor. The province has a capital city in Kupang and has 22 districts/cities. The economy in East Nusa Tenggara is dominated by the agriculture sector, forestry sector and fisheries sector. East Nusa Tenggara Province is an area that is still developing and the economic development of East Nusa Tenggara Province continues to increase.

Based on the data from https://kupang.tribunnews.com, the province of East Nusa Tenggara is refocusing and reallocating the budget for handling Covid-19, which consists of IDR 100 billion for handling Covid-19; IDR 150 billion for social safety net allocation and IDR 605 billion for community economic empowerment. The total APBD of the Province of East Nusa Tenggara in 2020 amounting to IDR 810 billion.

The role of the Government Internal Supervisory Apparatus is increasingly strategic and moves according to the needs of the times. APIP is expected to be an agent of change to create added value of product or service of government agencies. The Government Internal Supervisory Apparatus as an internal government supervisor is an important element of government management in realizing good governance that leads to clean government/bureaucracy.

Risk management in financial management is necessary because government organizations/institutions are in high-risk responsibilities, where the government is carrying out its duties to provide services. The government must also accept and manage various types of financial risks effectively so that negative impacts do not occur. Apart from that, government financial managers admit that the 1997 monetary crisis occurred due to the absence of risk management. Therefore, in creating healthy and good governance conditions, it is necessary to apply risk management by conducting audits carried out by auditors, in this case, the auditor in question is an internal auditor. Objective internal auditors require resource allocation; the intended resources include budgetary resources, human resources, and the internal auditors' limited working days. So we need an audit approach that can help operational activities with the available resources.

The risk-based internal audit approach is an alternative for performing the audit function to run it effectively and efficiently. In other words, the implementation of risk-based internal audit results from the application of risk management. With a risk-based audit, the audit process will be carried out by evaluating the risks in the financial management process. Evaluation of these risks is then mitigated by implementing effective controls. The internal audit function must carry out risk assessment activities to prepare a schedule for audit work. Risk assessment is defined as the process of assessing professional judgments about the likelihood of conditions and/or events arising. These considerations are urgent for the internal audit function on the need for an audit approach that includes the risk assessment process as a centrepiece of the entire audit stage. This approach has become known as risk-based internal audit. Risk-based internal audit is not a methodology that completely replaces the conventional audit approach that has been used in conducting audits but is an approach and an understanding of the risks that the management must anticipate, face or transfer in achieving organizational goals. Based on the description above, the researcher is interested in researching with the title "Risk Management Analysis on Reallocation and Refocusing of the NTT Province Regional Budget During the Covid-19 Pandemic."

2. Literature Review

Risk Management

According to Kloman (2000), the word "risk" in English comes from ancient Italian, namely "scare". Risk has many different definitions with so many meanings and interpretations, depending on how people perceive it. Risk can be viewed as: (1) something harmful (Risk of Loss); (2) Uncertainty (Risk of Volatility); and (3) An advantage does not occur (Risk of Loss Opportunity). Risk is a concept used by auditors and management to express their concerns about the possible impact on an environment full of uncertainty. Any event that occurs can have a material impact or significant consequences for the organization and its objectives. Negative effects are called risks and consequences that are positive are called opportunities. Risk identification is the process of determining the events, causes, and impacts of risks that affect the achievement of organizational goals (Attachment Decree of the Minister of Finance (KMK) No 577/KMK.01/2019).

Objectives are a critical stage in the risk management process, namely to record all risks and whether they have been controlled through internal control. The process carried out in the risk identification stage are:

1. To take inventory of comprehensive incident data/events affecting the organization;
2. Determine the sources of risk, including business and legal relations, the economic environment, human behavior, natural events, the political environment, technology issues, management activities and individual activities;
3. Determine the areas affected by the risk, including assets and resources, income, costs, employees, community, performance, timing and schedule of activities, environment;
4. Determine the causes and risk scenarios
   The potential hazards found during the hazard identification stage will be carried out a risk assessment to determine the risk rating. Risk assessment is carried out based on the Australian Standard/New Zealand Standard for Risk Management (AS/NZS 4360: 2004, [4]).

Australia/New Zealand (AS/NZS) 4360:2004 Risk Management Standard, risk management is "the culture, process, and structures directed towards the effective management of potential opportunities and adserve effects". According to AS/NZS 4360 standards on risk management standards (Ramli, 2010).

Risk management is a system of risk monitoring and protection of assets, property rights and profits of business entities or individuals against possible losses due to a risk. According to Fahmi (2010: 2) Risk Management is "a field of science that discusses how an organization applies measures in mapping various existing problems by placing various management approaches comprehensively and systematically."

Risk management is defined as a logical and systematic method of identifying, quantifying, determining attitudes, establishing solutions, and monitoring and reporting risks that take place in each activity or process. The concept of risk management in this study is based on Governance, Risk Management and Internal Control published by the Financial and Development Supervisory Agency Education and Training Center in 2014. The risk management process is based on Australia/New Zealand (AS/NZS) 4360:2004. Many countries have adopted this standard in developing risk management constructs, including The Ministry of Finance of The Republic of Indonesia with the issuance Decree of the Minister of Financial No. 191 in 2008 for risk management within the Ministry of Finance. A risk is an event that has the potential to hinder the achievement of organizational goals. With this nature, the organization strives to manage risk appropriately. In the concept of integrated risk management, risk management is built into the organization's activities and is an internal control design to prevent and overcome risks. Thus, there is a close relationship between internal control and risk management.

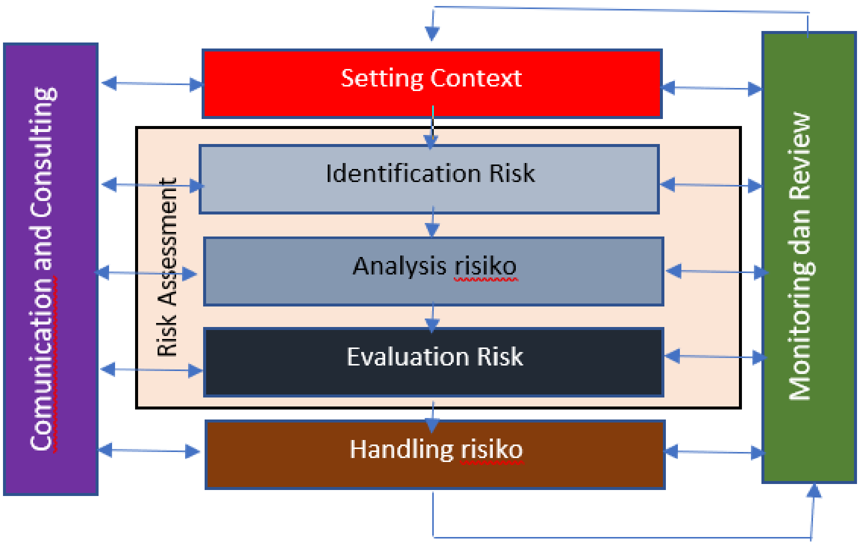

Figure 1. Risk Management Process According to AS/NZS 4360:2004
Source: Australian Standard and New Zealand Standard, 2004

Yayon (2006) steps in a risk-based audit conducted by auditors are: (a) identifying organizational objectives; (b) assessing risk by identifying risks and measuring risks; and (c) Setting priorities in efforts to minimize risks.

Risk Assessment

The potential hazards found during the hazard identification stage will be carried out by assessing the risk in order to determine the risk rating. Risk assessment is carried out based on the Australian Standard/New Zealand Standard for Risk Management (AS/NZS 4360:2004, [4]). There are two parameters used in risk assessment, namely probability and severity. The risk assessment scale and the information used "Probability" scale of AS/NZS 4360 standard has five levels. Level 1 Rate, which means can happen at any time; Level 2 Unlikely, which mean often occurs; level 3 Possible, which mean it can happen once in a while; level 4 Likely, which mean often occurs dan level 5 Almost Certain which mean can happen at any time.

The results of the risk assessment will be used as the basis for exercising risk control. Risk control aims to minimize the risk level of an existing hazard. Hazards that fall into the category of moderate risk, high risk and extreme risk will be followed up with risk control. Risk control is carried out to reduce or eliminate risk. Risk Control Matrix (RCM) and Control, in the form of mapping risks and controls that exist in significant processes of a business process. The purpose of preparing RCM is to ensure that the risks in each significant process have been identified, managed, and mitigated with adequate controls. The benefits of preparing RCM are:

1. Increase understanding of significant existing processes, as well as applications and supporting infrastructure;
2. Increase the understanding of the risks and controls that exist in each significant process;
3. More effective and efficient audit

Table 1. "Severity" Scale of AS/NZS 4360 Standard

Level	Impact	Information
1	Very High	Threatening programs from organizations and stakeholders
2	Big	Threatens the effective program function of the organization. The losses are quite large for the organization from a financial and political perspective
3	Medium	Interfere with program administration. The financial and political losses were substantial.
4	Small	Threatens program effectiveness and effeiciency. Losses are less material and have little impact on stakeholder.
5	Very Low/insignificant	Impact can be handled in routine activities. Losses are not material and affect the stakeholder a little

Source: Australian Standard and New Zealand Standard, 2004

Table 2. “Risk Matrix” Scale of AS/NZS 4360 Standard

Frequency of Risk	Impact Risk				
	1	2	3	4	5
5	Low	Moderate	High	Extreme	Extreme
4	Low	Moderate	Moderate	High	Extreme
3	Very Low	Low	Moderate	High	High
2	Very Low	Very Low	Low	Moderate	High
1	Very Low	Very Low	Low	Moderate	Moderate

Source: Australian Standard and New Zealand Standard, 2004

Regional Revenue and Expenditure Budget

The Regional Revenue and Expenditure Budget is a government work plan that is expressed quantitatively, usually in monetary units that reflects the sources of regional revenue and expenditure to finance regional activities and projects within one fiscal year. In essence, The Regional Revenue and Expenditure Budget is one of the tools to improve public services and public welfare in accordance with the objectives of regional autonomy that are broad, real and responsible. Thus the The Regional Revenue and Expenditure Budget must truly reflect the needs of the community by paying attention to the potentials of regional diversity (Lasminingsih, 2004: 223). In the The Regional Revenue and Expenditure Budget, revenue is divided into 3 categories, which are Regional Original Income, Balancing Funds, and Other Legitimate Regional Revenues. Furthermore, expenditures are classified into 4, which are Regional Apparatus Expenditures, Public Service Expenditures, Production Sharing Expenditures and Financial Assistance, and Unchecked Expenditures. Regional Apparatus Expenditures are classified into 3 categories namely General Administration Expenditures, Operations and Maintenance Expenditures, and Capital / Development Expenditures. Public Service Expenditures are grouped into 3 namely General Administration Expenditures, Operations and Maintenance Expenditures, and Capital Expenditures. Financing, as stated above, is a source of regional revenue and expenditure intended to cover the budget deficit or as an allocation of a budget surplus. Financing is grouped according to financing sources, which are: regional revenue sources and regional expenditure sources. Sources of financing in the form of regional revenues are: remaining excess from last year's budget, loan and bond receipts, proceeds from the sale of separated regional assets, and transfers from reserve funds. Meanwhile, the source of financing in the form of regional expenditures consists of: payment of overdue principal debt, equity participation, transfers to reserve funds, and the remaining excess of the current year's budget.

Government Regulation in lieu of Law No.1 in 2020 concerning State Financial Policy and Financial System Stability Facing Covid-19

Taking into account the spread of Corona Virus Disease 2019 (Covid-19) which was declared by the World Health Organization as a pandemic in most countries around the world, including in Indonesia, shows an increase over time and has caused casualties, and greater material losses, which have implications for social, economic and social welfare aspects. Based on these considerations, President Joko Widodo (Jokowi) has issued a Government Regulation in Lieu of Law No. 1/2020 concerning State Financial Policy and Financial System Stability for Handling the Corona Virus Disease 2019 Pandemic (Covid-19) and/or in the context of Facing Threats Endangering the National Economy and/or Financial System Stability signed on March 31, 2020. This Government Regulation in Lieu of Law states that the implementation of the State Revenue and Expenditure Budget (APBN) as referred to in the framework of: a.) handling of a pandemic (Covid-19) and/or b.) facing threats that endanger the national economy and/or financial system stability, it is necessary to establish state financial policies and financial system stability policies.

Based on Article 2 of this Government Regulation in Lieu of Law, in implementing state financial policies, the Government has the authority to: a.) set limits on the budget deficit; b.) make adjustments to the amount of mandatory spending (mandatory spending); c.) shifting budgets between organizational units, between functions, and/or between programs; d.) take action resulting in expenditure on the burden of the state budget; e. using the budget sourced from the Excess Budget, the endowment fund and the accumulated education endowment fund, funds controlled by the state with the certain criteria. Funds managed by the Public Service Agency; and/or funds originating from reduction of State Equity Participation in State-owned Enterprises; f.) issue Government Obligation or Government Sharia Obligation; g.) determine the sources of Budget financing originating from within and/or abroad; h. provide loans to the Deposit Insurance Corporation; i.) prioritizing the use of budget allocations for certain activities (refocusing), adjusting allocations, and/or cutting/delaying the distribution of transfers to Regions and Village Funds, with certain criteria; j.) provide grants to local governments; and/or k.) simplify the mechanism and simplify documents in the field of state finance. "In the framework of implementing policies in the regional financial sector as referred to in Article 1 paragraph (4), the Regional Government is given the authority to prioritize the use of budget allocations for certain activities (refocusing), change allocations, and use of the Regional Revenue and Expenditure Budget." Article 3 of this This Government Regulation in Lieu of Law states that the arrangements for changes in the regions are regulated in a Regulation of the Minister of Home Affairs. Changes in posture and/or details of the APBN in the context of implementing state financial policies and measures, as referred to in this This Government Regulation in Lieu of Law, are regulated by or based on a Presidential Regulation. In implementing the financial system stability policy, as referred to in Article 14 of this This Government Regulation in Lieu of Law, the Financial System Stability Committee is given the authority to: a. holding face-to-face meetings or through the use of information technology to formulate and determine steps to deal with

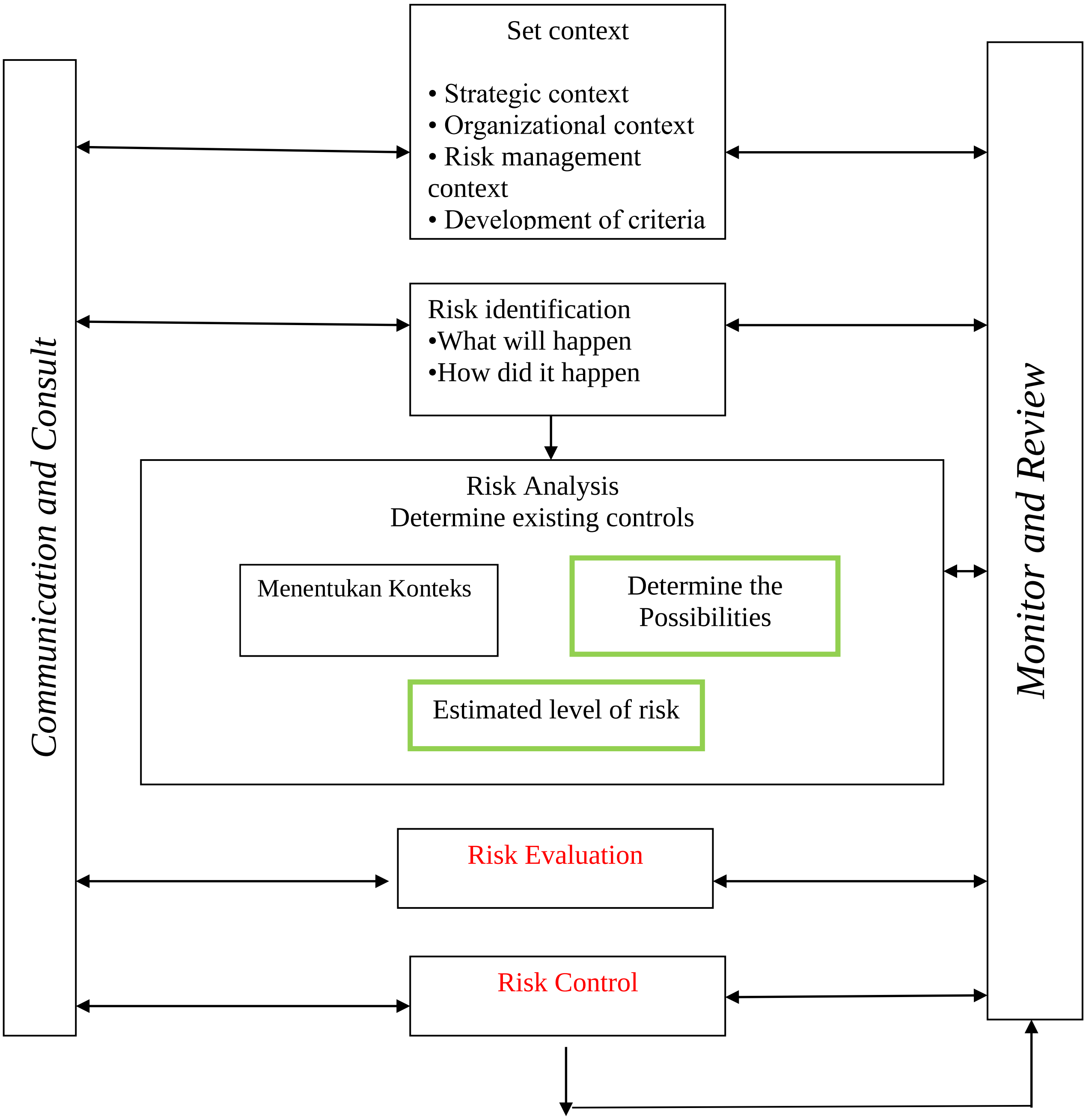

Figure 2. Risk Management Process AS/NZS 4360:2004
Source: Australian Standard and New Zealand Standard, 2004

problems of financial system stability; and b. establish a scheme for providing support by the Government to address problems with financial service institutions and financial system stability that endanger the national economy. According to this This Government Regulation in Lieu of Law u, Bank Indonesia, the Deposit Insurance Corporation, and the Financial Services Authority have the authority stipulated in CHAPTER III regarding the Financial System Stability Policy in Articles 16 to 23. In accordance with Article 27 of this This Government Regulation in Lieu of Law, costs that have been incurred by the Government and/or Financial System Stability Committe member institutions in the context of implementing state revenue policies including policies in the field of taxation, state expenditure policies including policies in the regional finance sector, financing policies, financial system stability policies, and national economic recovery programs, are part of the economic costs to save the economy from the crisis and not a loss to the State (Cabinet Secretariat of the Republic of Indonesia, 2020).

3. Data and Methodology

The focus in this study is to calculate and analyze the scale of causes and impacts in order to know the highest and lowest risk sequences that can be considered in the scope of the preparation of an audit work program. Respondents in this study were the Provincial and District/City Inspectorate of the Government Internal Supervisory Apparatus (APIP) in East Nusa Tenggara (NTT). The research stages to be carried out are shown in the scheme (Figure 2).

4. Findings and Discussion

Before an organizational unit carries out the Risk Assessment, identification of Government Internal Control System weaknesses may have been carried out, both by internal and external organizations, through Diagnostic Assessment or the findings of audit results or reviews from Audit Board of the Republic of Indonesia, Financial and Development Supervisory Agency or The Government Internal Supervisory Apparatus (APIP). The weaknesses of Government Internal Control System from DA results as well as findings from audits or reviews from Audit Board of the Republic of Indonesia or The Government Internal Supervisory Apparatus need to be analyzed so that risk assessment is effective and efficient. Identifying internal control weaknesses is intended to provide initial data on risks that must be identified or assess how they affect when a risk analysis is carried out. The weakness of control in a particular activity aspect will be assessed how it affects the impact value or the likelihood value. Diagnostic Assessment also produces areas of improvement (Areas of Improvement, abbreviated as AOI). This area of improvement not only points to the infrastructure or SPIP elements that will be repaired but also points to which organizational units will be improved, including identifying sub-elements of the Control Environment. In terms of the implementation of the Diagnostic Assessment, it can refer to the Regulation of the Head of Financial and Development Supervisory Agency Number 500 of 2010 concerning guidelines for mapping (Diagnostic Assessment) of the implementation of the Government Internal Control System within Government Agencies. Regardless of the direction, since operational improvements will require planning and budgeting for performance and planning to be activity-based, the improvements recommended in the AOI must select from “main activities” in the organizational unit or propose “additional main activities” so that budget is available. If the AOI lies in the Control Environment element, the risk assessment is still carried out by taking into account the impact of the weaknesses of the Control Environment on the risks faced by organization. The same applies to the existence of AOI which is based on the Audit Board of the Republic of Indonesia Audit Result Report or The Government Internal Supervisory Apparatus which is related, either directly or indirectly, to government internal control system. Follow-up on these findings needs to be done within the framework of government internal control system, in this case, Regional Work Units must determine the relationship between the findings referred to with the main activities that exist.

Table 3. Risk Map for Reallocation and Refocusing of the 2020 APBD Program

	Significant		Impact / Severity				
			1	2	3	4	5
			Very Low	Small	Medium	Big	Very High
	5	Very Often	D17	E23	A3;C16;D19	D20	
	4	Often		A4;D18;E22	B12		B9;E24
	3	Moderate	B11	A5;B13	A1;A2;B10		
	2	Rarely	C15			A6	A7
	1	Very Rarely	E21	C14		B8	E25

Source: Processed data, 2020

From this research; activities of the position of Regional Financial Management Officer which have frequent risks are: Delays in drafting the Regional Revenue and Expenditure Budget; Weak control during regional revenue and expenditure implementation; Local tax revenue receipts are not on target including during the Covid-19 pandemic; Human resource readiness, information technology readiness is inadequate and there are no policies and guidelines for the management and elimination of regional property. The activity of the position of "Budget User Officer" which has a "frequent" risk is that budget execution is not in accordance with the Value for Money approach; From the risk matrix, it is known that the company has 32 risks. After knowing the risk according to the level, the next step is to respond to the risk whether the risk can be accepted, avoided, reduced or transferred to a third party. Explanation of the risk response from each level, namely:

1. High Level
   At this level as a whole contains activity risks that must be avoided. The way to respond to risk at this level is to avoid risk with active management and regular reviews where a strategy must be implemented in order to avoid possible risks. Activities that have a high risk during budget reallocation and refocusing during the Covid 19 pandemic are the commitment officer in Regional Work Units having the task of preparing Regional Work Units financial reports, the risk of these activities is being late in preparing Regional Work Units financial reports (D20); risk of being late in compiling budget implementation documents (B9) from the activities of Budget user officials; as well as the risk of an orderly general cash book made by the treasury of payment/expenditure (E24).
2. Moderate level
   At the moderate level, there are 6 risks in it. The way of handling to respond to risks at this level is to avoid and reduce these risks, for example there is a need for online guidance to all revenue/expenditure treasurers.
3. Low Level
   The highest risk scoring at this level is Delay in the preparation and determination of the implementation plan for the procurement of goods/services (C14) carried out by the Commitment Officer.
4. Very Low Level
   At the very low level, there is one risk involved, namely E21, namely inappropriate cash due to incorrect input of the transaction nominal; there are transactions that have

not been inputted so that there is a difference; there is an advance payment which is not recorded; money used for non-operational needs.

5. Conclusion

1. Activities that have a high risk during budget reallocation and refocusing during the Covid 19 pandemic are the commitment officer in Regional Work Units having the task of preparing Regional Work Units financial reports, the risk of these activities is being late in preparing Regional Work Units financial reports; risk of being late in compiling budget implementation documents from the activities of Budget user officials; as well as the risk of an orderly general cash book made by the treasurer of receipt/expenditure;
2. Activities that have a very low risk when reallocating and refocusing the budget during the Covid 19 pandemic are the duties of the revenue/expenditure treasurer, namely inappropriate cash due to incorrectly inputting transaction nominal; there are transactions that have not been inputted so that there is a difference; there is an advance payment which is not recorded; payment used for non-operational purposes.
3. Risk control that can be carried out by the East Nusa Tenggara Provincial Government in minimizing the risk of reallocation and refocusing the Regional Revenue and Expenditure Budget are: reviewing Regional Work Units performance; HR development; separation of functions; authorization of important transactions; accurate and timely transaction recording; restriction of access to resources and recording them; and good documentation of the internal transaction control system.

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