

Research Article

Internal Control Systems and Financial Performance in an Indonesian Public Service Agency University: Evidence from Universitas BLU

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Abstract: This study examines how internal control systems are linked to financial performance in an Indonesian public university operating under the Public Service Agency (Badan Layanan Umum, BLU) scheme. Using a descriptive-evaluative case study of Universitas BLU, the analysis draws on 2023 performance accountability records, SAKIP evaluation worksheets, internal audit documentation, budget realization evidence, and audited financial statements. To protect confidentiality, institutional identifiers were anonymized and nominal monetary amounts were proportionally masked, while ratios, scores, predicates, and analytical relationships were preserved. The university obtained a SAKIP score of 80.55 with an A predicate, improving from BB in the preceding year. Performance Measurement (77.00%) and Internal Performance Accountability Evaluation (78.00%) were the weakest control-related components. Gap analysis shows an 11.40-point difference between self-assessment and external assessment, with the largest correction in measurement-related controls. Financially, the anonymized budget ceiling of IDR 376,845,620,000 was realized at IDR 357,325,016,884, equivalent to 94.82% absorption and 5.18% efficiency, while the Budget Performance Value reached 90.49 against a target of 92. The audited financial statements received an unmodified opinion. The study concludes that internal control quality contributes to financial performance through planning discipline, hierarchical measurement, timely reporting, and systematic follow-up.

Keywords: Budget Performance; Higher Education; Indonesia; Internal Control; Public Sector Accountability; Public Service Agency; SAKIP.

1. Introduction

Public universities that operate under semi-autonomous financial management arrangements face a demanding governance paradox. On the one hand, they are expected to act flexibly, mobilize institutional income, and respond quickly to academic and service priorities. On the other hand, this flexibility increases the need for robust accountability mechanisms to ensure that public resources are planned, executed, monitored, and reported in a manner consistent with statutory mandates and public value. In Indonesia, this paradox is particularly salient for state universities with Public Service Agency (Badan Layanan Umum, BLU) status, where managerial autonomy is accompanied by heightened expectations for financial discipline and performance accountability.

Internal control systems provide the organizational architecture through which such expectations are translated into routines. The conventional view treats internal control as a compliance mechanism designed to safeguard assets and ensure reliable reporting. A more contemporary public-sector view, however, positions internal control as a performance governance mechanism: it links strategy, budgeting, execution, measurement, evaluation, and corrective action. For BLU universities, the quality of internal control is therefore not merely reflected in the absence of audit qualifications, but also in the quality of performance planning, the reliability of measurement, the integrity of reporting, and the usefulness of evaluation for managerial decisions.

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The Indonesian Government Agency Performance Accountability System (Sistem Akuntabilitas Kinerja Instansi Pemerintah, SAKIP) offers a useful empirical lens for examining this linkage. SAKIP evaluates the quality of performance planning, performance measurement, performance reporting, and internal performance accountability evaluation. These four components mirror core internal-control functions: setting objectives, measuring progress, communicating results, and monitoring corrective actions. At the same time, BLU financial performance is commonly assessed through budget absorption, budget efficiency, and the Budget Performance Value (Nilai Kinerja Anggaran, NKA). The conceptual question addressed in this study is therefore straightforward but policy-relevant: how does the quality of SAKIP-based internal control relate to the financial performance of a BLU university?

This paper contributes to the literature and practice of public-sector accountability in three ways. First, it interprets SAKIP not only as a performance reporting instrument but also as an operational proxy for internal control quality in higher education. Second, it triangulates internal control evidence with budgetary outcomes and independent audit evidence, thereby avoiding an overly narrow reliance on either audit opinion or budget absorption alone. Third, it demonstrates how a confidentiality-preserving case study can report meaningful analytical evidence by anonymizing institutional identifiers and masking nominal financial amounts while preserving percentages, scores, and substantive relationships. The analysis is based on Universitas BLU, a pseudonym for a public university with BLU status in Indonesia.

2. Literature Review

Internal control in public-sector organizations

The Committee of Sponsoring Organizations of the Treadway Commission defines internal control as a process, effected by an entity's governance body, management, and personnel, designed to provide reasonable assurance regarding the achievement of objectives related to operations, reporting, and compliance (COSO, 2013). In the Indonesian public sector, this logic is reflected in the Government Internal Control System (Sistem Pengendalian Intern Pemerintah, SPIP), which emphasizes control environment, risk assessment, control activities, information and communication, and monitoring. These elements are not isolated administrative requirements; they are mutually reinforcing conditions for credible public-sector performance.

In higher education institutions, internal control must be interpreted more broadly than financial compliance. Universities manage complex portfolios of academic programs, research activities, student services, infrastructure, procurement, personnel, and third-party funds. A control system that focuses only on ex-post financial verification may detect irregularities but will not necessarily improve the timeliness, relevance, or effectiveness of budget execution. Hence, internal control in a university setting requires an integrated performance-management orientation, aligning strategic plans, annual performance agreements, budget implementation, and evidence-based evaluation.

SAKIP as a performance accountability and control mechanism

SAKIP is a systematic process for performance planning, measurement, data collection, classification, summarization, and reporting within government agencies. Its four evaluation components correspond closely to the managerial control cycle. Performance planning clarifies institutional priorities and cascades targets into operational commitments. Performance measurement tests whether targets are monitored using reliable indicators and data. Performance reporting communicates achievements and variances. Internal performance accountability evaluation assesses whether the institution learns from evidence and follows up recommendations.

The SAKIP scoring structure is useful for diagnosing control weaknesses because it assigns different weights to each component and allows evaluators to compare self-assessment with external assessment. A high aggregate score signals that the accountability system has matured, but component-level weaknesses may still reveal important vulnerabilities. In particular, weak performance measurement and weak internal evaluation are significant because they affect the institution's ability to detect deviations during the budget year and to adjust activities before financial performance deteriorates.

Financial performance in BLU universities

Financial performance in BLU institutions is commonly assessed through budget realization relative to the budget ceiling, budget efficiency, and the Budget Performance Value. Budget absorption reflects the institution's ability to execute planned activities, whereas efficiency reflects the capacity to deliver outputs with lower resource consumption. However, high absorption alone should not be equated with good governance: spending can be high but poorly timed, weakly linked to outputs, or insufficiently supported by performance evidence. The NKA therefore provides a more balanced perspective because it incorporates aspects of implementation quality, output achievement, consistency, and efficiency.

Agency theory provides a useful explanation of why internal control matters for financial performance. Public universities act as agents entrusted with resources by the state and society. Without effective measurement, reporting, and evaluation, information asymmetry may allow underperformance, delayed execution, or weak follow-up to remain invisible until the end of the fiscal year. Internal control mechanisms reduce this asymmetry by producing timely evidence and establishing consequences for performance. The expected relationship is not purely mechanical, but a stronger control system should improve the quality of budget execution by strengthening planning discipline, monitoring, and accountability.

3. Materials and Methods

Research design and case context

This study adopts a descriptive-evaluative case study design. The purpose is not to estimate statistical causality across a large sample but to develop a rigorous, evidence-based interpretation of how internal control quality and financial performance are connected within a real institutional setting. The single-case strategy is appropriate because BLU universities operate within a distinctive regulatory environment where performance accountability, budget execution, and audit assurance are interdependent.

The case institution is referred to as Universitas BLU. This name is used throughout the paper to protect institutional confidentiality. Other potentially identifying information, including detailed audit report numbers, names of the independent public accounting firm, names of institutional officers, specific facilities, and uniquely traceable decree information, has also been removed or generalized. This anonymization does not alter the analytical meaning of the findings.

Data sources, variables, and confidentiality treatment

The study relies on secondary documentary evidence from the 2023 accountability cycle. The documents include the institutional performance report, SAKIP evaluation worksheets, external evaluation results, follow-up records, the internal audit unit's control review, budget realization information, and audited financial statements. Cross-checking was conducted by comparing the same indicators across documents to identify consistency in scores, percentages, and interpretations.

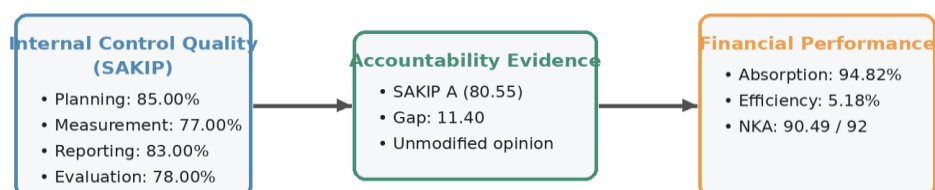
Internal control quality is operationalized through four SAKIP components: Performance Planning, Performance Measurement, Performance Reporting, and Internal Performance Accountability Evaluation. Financial performance is operationalized through budget absorption, budget efficiency, and the Budget Performance Value. Accountability quality is further interpreted through the total SAKIP score and predicate, the gap between self-assessment and external assessment, and the external auditor's opinion on the financial statements.

For confidentiality, all nominal monetary values reported in this article are proportionally masked. The masking procedure changes the absolute rupiah values while preserving all ratios, percentages, year-end conclusions, and analytical relationships. This means that the reported budget absorption of 94.82%, efficiency of 5.18%, and Budget Performance Value of 90.49 remain unchanged, while the underlying nominal budget and realization values differ from the source documents.

Analytical procedures

The analysis proceeded in three stages. First, a descriptive analysis was conducted to summarize the SAKIP score, component achievements, financial performance indicators, and key performance indicator outcomes. Second, a gap analysis compared self-assessment and external assessment scores to identify where the institution's internal perception differed most sharply from evaluator judgment. Third, triangulation was used to compare SAKIP evidence, budget performance evidence, and independent audit evidence. This triangulation is important because each source captures a different dimension of accountability: performance systems, budget execution, and financial statement fairness.

SAKIP-Based Internal Control and Financial Performance



Ratios and scores are preserved; monetary values are anonymized in the manuscript.

Figure 1. Conceptual framework of SAKIP-based internal control and financial performance.

4. Results and Discussion

Internal control quality reflected in SAKIP results

Universitas BLU obtained a SAKIP score of 80.55 in 2023, corresponding to an A predicate. This represented an improvement from the BB predicate in the previous year and indicates that the institution had substantially strengthened its performance accountability system. The component-level results, however, reveal that not all parts of the control cycle were equally mature.

Table 1. SAKIP component scores of Universitas BLU in 2023.

SAKIP component	Weight	Score	Achievement
Performance planning	30%	25.50	85.00%
Performance measurement	30%	23.10	77.00%
Performance reporting	15%	12.45	83.00%
Internal performance accountability evaluation	25%	19.50	78.00%
Total performance accountability score	100%	80.55	A

Table 1 shows that Performance Measurement and Internal Performance Accountability Evaluation were the two weakest components, with achievements of 77.00% and 78.00%, respectively. This pattern is analytically important because those two components are closest to the monitoring and corrective-action functions of internal control. Strong planning establishes the intended direction, but without reliable measurement and evaluation, the institution may not detect performance deviations early enough to correct budget implementation during the fiscal year.

The relatively stronger score for Performance Planning suggests that Universitas BLU had formal planning documents and performance commitments in place. However, the weaker measurement score indicates that performance information was not yet fully institutionalized across hierarchical units or fully used for managerial decision-making. In public-sector control systems, such a weakness can create a disconnect between formal plans and actual execution.

Gap between self-assessment and external assessment

The self-assessment score was 91.95, whereas the external assessment score was 80.55, producing an aggregate gap of 11.40 points. This gap does not necessarily imply manipulation; rather, it indicates differences in evidence standards, documentation quality, and interpretation between internal assessors and external evaluators. In accountability systems, the size and distribution of such a gap can be a valuable diagnostic signal.

Table 2. Summary of self-assessment and external assessment gaps.

Component	Self-assessment	External assessment	Gap
Performance planning	27.60	25.50	2.10
Performance measurement	27.60	23.10	4.50
Performance reporting	14.25	12.45	1.80
Internal performance accountability evaluation	22.50	19.50	3.00
Total	91.95	80.55	11.40

The largest correction occurred in Performance Measurement, with a 4.50-point gap. This finding strengthens the interpretation that measurement is the central control bottleneck. The most salient issues were hierarchical measurement, continuity of monitoring, and the limited use of measurement results as a basis for reward, sanction, strategy adjustment, and staffing decisions. The second-largest correction occurred in Internal Performance Accountability Evaluation, suggesting that follow-up mechanisms had improved but had not yet produced consistently demonstrable effects across units.

From an agency-theory perspective, the gap reflects an information-asymmetry problem within the accountability chain. Internal managers may perceive that systems are already functioning because documents and procedures exist, whereas external evaluators tend to require evidence that those systems influence decisions and outcomes. In other words, the control question is not only whether measurement is performed, but whether measurement changes behavior.

Budgetary and financial performance

The financial performance indicators show a generally positive execution profile but also reveal room for improvement. The anonymized budget ceiling was IDR 376,845,620,000, with realization of IDR 357,325,016,884. This corresponds to a budget absorption rate of 94.82% and budget efficiency of 5.18%. The Budget Performance Value reached 90.49, slightly below the institutional target of 92.

Table 3. Masked financial performance indicators of Universitas BLU in 2023.

Financial indicator	Anonymized value / score	Interpretation
Budget ceiling	IDR 376,845,620,000	100.00% baseline
Budget realization	IDR 357,325,016,884	94.82% of budget ceiling
Budget efficiency	IDR 19,520,603,116	5.18% of budget ceiling
Budget Performance Value	90.49	Target: 92; not fully achieved
External audit opinion	Unmodified opinion	Financial statements fairly presented in all material respects

Note: Monetary values are masked; percentages, scores, and interpretations are preserved.

The absorption rate of 94.82% indicates that Universitas BLU was able to execute most of its approved budget. At the same time, the NKA result suggests that implementation quality had not yet reached the desired benchmark. This distinction is important: budget absorption captures how much was spent, whereas NKA is more sensitive to the quality, timing, consistency, and output relevance of budget execution. The

finding therefore supports the view that financial performance should not be evaluated solely through spending realization.

The unmodified audit opinion strengthens financial accountability by indicating that the financial statements were fairly presented in all material respects. Nevertheless, an audit opinion on financial statements should not be treated as comprehensive assurance over internal control effectiveness. Financial statement audit procedures require the auditor to understand internal control for audit planning purposes, but this does not automatically imply that all internal controls are effective. This distinction helps reconcile the positive audit opinion with the SAKIP evidence showing weaknesses in measurement and evaluation.

Performance indicator achievement and budget performance constraints

The institution achieved six of ten performance indicators in the 2023 performance agreement. Four indicators remained below target, including the Budget Performance Value. The underachieved indicators provide additional context for understanding why budget performance did not fully meet the target despite relatively high absorption.

Table 4. Key indicators that did not fully achieve the 2023 target.

Indicator	Target	Realization	Status
Students participating in off-program activities or gaining achievements	30.00	9.14	Not achieved
Lecturers with competency/professional certification	20.00	19.90	Not achieved
Study programs with international accreditation/certification	5.00	0.00	Not achieved
Budget Performance Value	92.00	90.49	Not achieved

These results suggest that the financial performance gap was linked not only to spending capacity but also to the conversion of budget implementation into performance outcomes. Indicators related to student mobility, lecturer certification, and international accreditation depend on coordination across academic, administrative, and financial units. If monitoring is not sufficiently hierarchical and continuous, budget allocation may not translate into timely program completion or measurable output achievement.

The finding that the SAKIP predicate exceeded the target while the NKA remained slightly below target also illustrates a common challenge in public-sector performance management. Improvements in accountability systems may be visible before their full effects appear in budget performance. Strengthening measurement and evaluation is therefore the critical bridge between formal accountability improvement and higher-quality financial performance.

Triangulation of accountability evidence

The three accountability sources considered in this study are mutually reinforcing but not identical. SAKIP reflects the maturity of the performance accountability system, budget performance reflects implementation quality, and the external audit opinion reflects the fairness of financial statement presentation. Triangulating the three provides a more balanced interpretation than relying on any single indicator.

Table 5. Triangulation of accountability evidence.

Accountability dimension	Indicator	2023 result	Analytical meaning
Performance accountability	SAKIP score and predicate	80.55; A	Improved accountability system with remaining component weaknesses
Budget accountability	Budget absorption and efficiency	94.82%; 5.18%	Strong execution with residual optimization space

Budget performance quality	Budget Performance Value	90.49 of 92	Target not fully achieved; quality/timing issues remain
Financial reporting accountability	Independent audit opinion	Unmodified	Statements fairly presented in all material respects
Internal control assurance	Self-external assessment gap	11.40 points	Measurement and evaluation require stronger evidence and follow-up

The triangulated evidence leads to a nuanced conclusion. Universitas BLU had reached a good level of accountability, as reflected in the A predicate and unmodified audit opinion. However, the institution had not yet reached the highest level of integrated control maturity. The persistence of gaps in performance measurement and internal evaluation suggests that the next stage of improvement should focus less on producing additional documents and more on improving the use of performance information for decisions, staffing, rewards, sanctions, and budget revisions.

Policy implications

The findings produce practical implications for Universitas BLU and comparable BLU universities. The most important policy agenda is to transform performance measurement from a reporting requirement into a managerial control tool. This requires clear cascading of indicators, routine monitoring at unit level, evidence-based follow-up, and stronger integration between internal audit findings, external evaluator recommendations, and budget execution reviews.

Table 6. Recommended control-improvement agenda.

Observed weakness	Recommended action	Expected contribution
Measurement not fully hierarchical	Develop a unit-level performance dashboard aligned with institutional indicators	Earlier detection of deviations and better budget timing
Measurement results not fully used for decisions	Link evidence to reward, sanction, strategy revision, and staffing decisions	Stronger accountability consequences
Internal evaluation effects not fully demonstrable	Require documented follow-up evidence for each recommendation	Reduced recurrence of control weaknesses
NKA below target	Align procurement, activity calendars, and output milestones with budget execution monitoring	Higher implementation quality and budget performance value
Audit and internal control findings not fully integrated	Use external audit control and compliance observations as inputs for annual internal audit planning	More comprehensive financial, compliance, and performance assurance

For comparable BLU universities, the key lesson is that autonomy must be matched by control intelligence. A high audit opinion and high budget absorption are necessary but insufficient indicators of governance quality. Institutions seeking to move from a good to an excellent accountability predicate need to demonstrate that performance data are actively used to steer resources, adjust programs, and correct implementation problems before year-end.

5. Conclusions

This study analyzed the linkage between internal control systems and financial performance in Universitas BLU, an anonymized Indonesian public university operating under the BLU financial management scheme. The evidence shows that the institution achieved a SAKIP score of 80.55 with an A predicate, improved from the previous BB

predicate. The strongest areas were planning and reporting, while the weakest were performance measurement and internal performance accountability evaluation.

Financially, Universitas BLU recorded 94.82% budget absorption and 5.18% budget efficiency based on anonymized nominal amounts, while its Budget Performance Value reached 90.49 against a target of 92. The financial statements received an unmodified opinion from an independent auditor. Taken together, these findings indicate that the institution had achieved a solid level of accountability but had not yet fully optimized the control mechanisms needed to convert planning and spending into consistently superior budget performance.

The main conclusion is that internal control quality contributes to financial performance through planning discipline, reliable measurement, meaningful reporting, and effective follow-up. The most strategic leverage point is not the existence of documents, but the use of performance information for managerial decisions. Strengthening hierarchical measurement, unit-level SAKIP ownership, workload analysis, reward and sanction mechanisms, and integrated follow-up of internal and external audit findings should help the institution maintain its A predicate and move toward higher accountability and budget performance.

This study is limited by its single-case and single-year design. Future research should extend the analysis to multi-year data or comparative BLU university samples, allowing quantitative tests of the relationship between internal control maturity, performance accountability scores, audit findings, and budget performance outcomes.

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