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## Analysis Risk Management of Procurement System Goods/Services (Study Case in PT. Perusahaan Listrik Negara (PERSERO) of East Java Distribution, South Surabaya Service Area and Network

Oryza Tannar<sup>a\*</sup>

<sup>a</sup> Accounting Department, Faculty of Economic and Business, University of Pembangunan Nasional “Veteran” Jawa Timur

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### ARTICLE INFORMATION

### ABSTRACT

*Article history:*

Received date: 1 Desember 2018

Revised date: 20 Januari 2019

Accepted date: 17 Februari 2019

*Keywords:* procurement of goods and services; the company states; risk management

Procurement is expected to be carried out effectively and efficiently with the principles of fair competition, transparent, opened and fair treatment for all parties, in accordance with Peraturan Presiden Nomor 54 Tahun 2010 on Government Procurement is an activity to obtain goods and services by the Ministry/Institutions/Regional Working Units/other Institutions starting from the planning process needs to be disclosed all activities to obtain goods and services. As the development of an increasingly modern era, the government infrastructure was varied to keep track of and adapted to the needs of the government. The procurement of goods and services financed by the budget of revenues and expenditures country / region. This study focuses on government procurement of goods and services made in the area of PT. Perusahaan Listrik Negara (PERSERO) of East Java Distribution, South Surabaya Service Area and Network (PT. PLN Disjatim) by using the historical approach, sociological approach, institutional approaches, legal and political approach to development based on risk management. The data in this study were obtained by physical or direct data approach with several parties and employees concerned with the procurement of goods and services within the state electricity distribution company of the Eastern Java. The results of this study include the procurement of goods and services in the state electricity company disjatim generally been in accordance with the systems and mechanisms that have been defined in the Peraturan Presiden 54 Tahun 2010 on Government Procurement. However, once studied and reviewed more deeply there are some constraints and the presence of fraudulent behavior committed by the procurement committee and procurement participants and parties involved in the procurement of goods and services.

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\* Corresponding author

E-mail address: [oryza.tannar.ak@upnjatim.ac.id](mailto:oryza.tannar.ak@upnjatim.ac.id)

## INTRODUCTION

PT. The East Java PLN Distributor has succeeded in serving 6,112,656 customers using electricity a month on average 1,152,907,858 kWh, with an average income of 0.775 trillion per month, 92.77% consisting of household groups contributing 35.13% while the industry which amounted to 0.18% gave revenue of 46.83%, connected power amounted to 7,568,614,211 VA East Java energy consumption at noon the highest 2.210 MW and at night 2,791MW, the lowest load during the day was 933 MW at night 2,151 MW. PT. PLN Disjatim is managed by 4010 employees at PLN Distribution and 14 Service Areas, 1 Distribution Regulatory Unit, 108 UPPTR, 81 Guard Office Units, and 1715 Payment Point Units. While electricity facilities consist of Medium Voltage Network 27,756.6 Kms, Low voltage Network 49,953.5 Kms, Customer Area service PT PLN (Persero) Distribution East Java with an area of 47,922 Km<sup>2</sup>, consisting of 29 Regencies, 9 Madya Cities, 607 Districts , 8,402 villages. The leakage rate of 12.54% is successfully returned to the energy used illegally thanks to the Electricity Control Operation (OPAL) averaging Rp. 2 billion per month.

PT. PLN Disjatim which has been developed and is needed by the community and industry is carried out by making various procedures and other regulations that must be obeyed by each division within the company. One element of management control is internal auditing which is an activity comparing between the actual conditions (conditions) with the conditions that should be (criteria). This activity is carried out by the company itself with more professional, competent, and trained personnel in assessing the operations of an organization or company. The party that is able to provide assistance is an internal audit as a management tool whose duty is to provide adequate confidence in the adequacy and effectiveness of internal controls to support the achievement of the objectives of a company.

The main objective of the internal audit is to reassure management that the internal control system is created well and encourage management to implement the recommendations provided. The explicit and implicit purpose of internal control is to reassure management that internal control is good, identify non-compliance and encourage future compliance, identify system weaknesses and

make recommendations for improvements, and encourage management to accept and implement audit recommendations for improvement.

Internal control has a very important function for organizations as large as PT. PLN Disjatim. Internal control within the organization of PT. PLN Disjatim according to Presidential Decree number 169 of 2000 concerning the main points of the organization of PT. PLN (Persero) functions as a supporting element (corporate services) for the main activities of the organization. Furthermore, Article 21 paragraph (2) states that the task of Internal Audit is to provide guidance, control and supervision of finance, operations, and procedures within the Company to ensure compliance with all applicable regulations in conducting business activities so that deviations from company strategies and policies can be prevented as early as possible.

In order to carry out its duties, based on the Presidential Decree, the internal unit of PT. PLN Disjatim has the following functions: (1) Examination of all elements or natural environment of the Company that are deemed necessary, which cover the fields of general administration, financial administration, physical results from the implementation of corporate elements, business fields, business units, operating units, projects, and other special tasks; (2) Testing and evaluating at any time the results of periodic reports or years from each element or body within the Company within the direction of the President Director; (3) Business on the truth of reports on complaints about obstacles, irregularities, or misuse in the administrative or financial field carried out by elements or entities within the Company.

In carrying out its activities PT. PLN Disjatim is expected to be able to apply the best management principles of the company. This was reaffirmed by the Decree of the BUMN Minister No. 117/2002 concerning the implementation of Good Corporate Governance (GCG) in State-Owned Enterprises (BUMN) on 1 August 2002 which wanted SOEs to apply the principles of GCG so as to increase business success and accountability of companies to realize long-term shareholder value while paying attention the interests of other stakeholders, based on legislation and ethical values. One of the most important supporting organizations in realizing these principles is internal audit. By using the measures

that have been created, internal audits are expected to be able to evaluate and propose improvements so that the company's vision can be achieved.

PLN internal audit or referred to as the Internal Audit Unit responsible directly to the President Director. This SPI function takes care of several Regional Internal Audits, each of which has responsibility for several PLN office units in the area. Each Regional Internal Audit will submit a report to the General Manager of each unit and the Central SPI for evaluation. One of the Regional Internal Audit is Regional Internal Audit III (IAD III) domiciled in PT. PLN (Persero) located in Cirebon. IAD III is responsible for implementing operational activities at PT. PLN (Persero), PT. PLN (Persero) Processing Unit VI Balongan, PT. PLN (Persero) Jakarta Marketing Unit III, and Geothermal Kamojang.

For one year IAD III can carry out examinations approximately four times. One of the tasks is to help improve the performance and profitability of PT. PLN (Persero), the main priority that needs to be taken immediately is to increase efficiency in various operational activities of the company. Of the various elements of company operational costs, it turns out that the elements of procurement of goods and services are one of the relatively dominant costs of all company expenditures so that the influence arising from the efficiency program that has been proclaimed by PT. PLN (Persero) is very significant.

With this problem, the SPI by assigning assignments to IAD III and BPKP assistance periodically conducted an audit of the procurement activities carried out. For this reason, researchers want to see the internal auditing process for procurement activities in one unit, PT. PLN (Persero). The objectives to be achieved from this study are describe internal audit activities in order to support the company's main tasks and evaluate the effectiveness of internal audits in meeting the expected objectives according to the function of the existence of the internal audit.

## LITERATURE REVIEW

### Audit

According to Arens & Loebbecke (1994), audit is a process of collecting data evaluating evidence about information that can be measured regarding an economic entity, carried out by competent and independent parties to finally be

able to determine and report the suitability of the information referred to as predetermined criteria previous. Boynton and Kell (2001) define audit as follows a method for obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.

From the definition, it is stated that the audit is a systematic, structured, and has a specific purpose in the decision making process that will be carried out by management as well as the process of gathering evidence, where the process and assessment are carried out objectively and cannot be influenced by any party.

### Internal Audit

As disclosed in the module issued by STAN's Center for Accounting and Finance Development (2003), an internal audit is an audit held on behalf of an organization or company for internal purposes, and can form a compliance with established criteria. In addition, internal audit is an assessment that is free of activities that exist within an organization, as the provision of services to the leadership. The purpose of a free assessment shows that this function is free from the influence of other parties in the organization, so it is expected that the results of his work can provide an objective picture. The term existing activities shows that the examination carried out covers all activities within a business entity, not limited to accounting and financial matters. While the provision of services to the leadership is intended that the function of this internal audit is to provide assistance to the head of the business entity, and therefore the leadership must realize its benefits.

### Procurement of goods

Procurement of goods or services carried out by State-Owned Enterprises or other Agencies that receive assistance from the government must be guided by Presidential Decree No. 18 of 2000 concerning Guidelines for the Procurement of Goods/Services for Government Agencies. In the Presidential Decree, several meanings are mentioned, including:

1. Procurement of goods or services is a business or activity for the procurement of goods or services needed by government

agencies, including: procurement of goods, chartering services, consulting services, and other services.

2. The procurement committee is the auction committee or direct election committee or direct appointment committee assigned to carry out the procurement of goods or services.
3. Goods are objects in various forms and descriptions, including raw materials, semi-finished goods, finished goods, equipment, whose specifications are determined by users of goods or services. Procurement documents are documents determined by the procurement committee as a guideline in the process of making and submitting bids by prospective suppliers of goods or services and evaluating bids by the procurement committee.
4. The user of goods/ services is the head of the office/work unit/project leader/project leader/ Regional budget user/official who is equated as the work owner who is responsible for the implementation of goods/services procurement within a particular work unit/project.
5. Providers of goods/services are business entities or individuals whose business activities provide goods/services.
6. Contract is an agreement between the head of office as a user of goods or services and suppliers or contractors or consultants as providers of goods or services in the procurement of goods and services.
7. Contract documents are written agreements and all attachments which contain the terms and conditions that must be fulfilled by the parties.

In carrying out procurement of goods, especially for the operations of government agencies, State-Owned Enterprises, the Government determines the stages that must be followed, so as to avoid the occurrence of irregularities at the time of the procurement of the goods. Through Presidential Decree No. 18 of 2000 stated several stages or procedures that must be obeyed, namely:

1. Internal Audit Function for Procurement of Goods  
PT. Internal Control Unit (SPI) PLN Disjatim in collaboration with the BPKP

makes an instruction on the implementation of audits of goods and services. The implementation of internal audit work according to internal audit performance standards consists of four stages, namely planning, field review, reporting, and follow-up.

## 2. Audit Planning

Audit planning is the first step and is the most decisive stage in an audit process to decide on audit priorities, audit directions and approaches, as well as plans for allocating resources and audit time. Audit planning can be defined as a formulation of goals and objectives made to adjust opportunities with existing resources so that these resources can be used effectively. For internal audits, these resources include staff and budget. Internal audit requires an effective procedure in planning. This shows the other parties in the organization that the audit has been planned and carried out properly.

## 3. Field Review Audit

Implementation of internal audits of procurement activities as stated in the instructions for carrying out the audit of PT. PLN Disjatim and BPKP include assessments of internal control systems and detailed audits.

## 4. Assessment of the Internal Control System

An assessment of internal control is carried out on five components of internal control, namely the control environment, risk assessment, control activities, communication / information, and monitoring, especially those related to the company's procurement system.

## 5. Detailed Audit

A detailed audit is a more in-depth audit stage to assess the procurement process.

## METHOD

The research conducted is qualitative research and uses a case study method (explanatory case study). As quoted by Yin (2003), case studies are used as research methods because the first problem in the company that is appointed is closed or should not be known by other parties. Second, case studies

are widely used in research in the social sciences, including sociology, politics, and psychology.

### **Design of Case Studies**

In the case study method there are two known case study designs, namely multiple-case studies and single-case study designs. To determine the design to be used, there are several requirements that must be met. In this study a single case study design was chosen because of the limited time and also limited access of researchers to obtain data and information as well as being involved in the auditing process carried out to support the implementation of research. Yin (2003:40) divides the design of single case studies into two categories, namely:

1. It is holistic (holistic), using a single unit of analysis.
2. Embodied (embedded), using multiple unit of analysis.

The case study approach was chosen because of the form of research questions about "how (how) and what (what)" and researchers only have little or no ability to control the results of research so the appropriate design approach is a case study approach Yin (2003). The research question in this case is:

1. How is the responsibility of the internal audit function at PT. PLN Disjatim?
2. What is the role and position of internal audit at PT. PLN Disjatim?
3. What is the internal audit process for procurement activities?

### **Data Collection Techniques**

The main data units (units) in this study are single cases at PT. PLN Disjatim. The data needed in this study is obtained by conducting in-depth interviews and also giving questionnaires to resource persons who understand the problems raised by the researcher.

### **Data Testing Techniques**

The data collected in this study are qualitative data derived from the results of interviews and questionnaires given to resource persons. The accuracy of the measurement variables used depends on the quality of the data collected. There are two aspects in testing this qualitative data,

namely the aspects of validity and aspects of representation.

For this qualitative research the aspect of representation can be obtained using the snow balling technique, namely completing data completion. The meaning of complete data submission is that the adequacy or representation of the data/information needed, will be sought through the informant (data source) which is increasingly more and more in number, in accordance with the requirements to completion.

## **RESULT AND DISCUSSION**

Risk management for the system of procurement of goods/services at PT. PLN Disjatim will be carried out according to the stages of the risk management process, which begins with a discussion of setting the context up to the risk assessment which will be described below.

### **Context Determination**

The first thing to do is gain an understanding of what is at risk. To ensure that all significant risks have been recorded, it must be well understood the objectives of the organization where the risk is managed. The scope of the context setting includes:

1. Policies, functions, processes and activities for the procurement of goods / services at PT. PLN Disjatim.
2. Strengths and weaknesses of the goods / service procurement management unit.
3. The main purpose of the unit for managing goods / services procurement.
4. The biggest threats and opportunities faced by the goods / service procurement management unit.
5. Stakeholders and their interests.
6. Responsibility of the unit managing the procurement of goods / services to stakeholders.
7. Internal and external environmental factors.

The technique used in context setting is collecting and analyzing organizational documents, in this case reviewing the structure and chart of the QA, including the main tasks, and functions of each position involved in the procurement system of goods/services.

In addition to the documents above, some documents that are important to be examined in the determination of this context are the reports on the results of the SPI audit of PT. PLN (Persero) for the

procurement of goods / services in 2012 and the results of the BPK RI audit report on Capital expenditure and Management of Fixed Assets of PT. PLN (Persero) in 2012. Based on the findings of SPI PT. This PLN (Persero) and BPK RI in the aspect of procurement of goods / services will then be identified with triggers of findings that become potential risks in the system of procurement of goods / services at PT. PLN (Persero)

**Risk identification**

The next step after setting the context is risk identification. The process of identifying this risk at an early stage is carried out by the author based on the documents that have been available at the stage of setting the context and experience so far in auditing the system of procurement of goods/services at PT. PLN Disjatim. After the author completes the risk identification process, the results of the author take on interviewing (interviewing) with the management of the procurement of goods / services to do a review and assessment of the impact and occurrence of each risk of the procurement of goods / services at PT. PLN Disjatim. Along with interviewing conducted at SPI PT. PLN Disjatim, the results were also given to middle management in the QA and the Procurement Unit to carry out a review and risk assessment by these units.

**Analyzing/Measuring Risk**

The next step after risk identification is complete and produces a risk table for the procurement system of goods / services at PT. PLN Disjatim, then the next step is to separate minor risks and major risks and determine consequences and likelihood. This step can use data sources and information on past records, justification based on relevant experience, practice, industry experience, and literature. In this study used past records, interviews with the SPI PT. PLN Disjatim and relevant practices and experience from middle management in QA and UP.

This process of risk measurement is carried out per each aspect of the goods / services procurement system. The risks of each aspect and sub aspect are assessed to be able to form the conclusions of the most potential risks and evaluate the potential risks of the goods / services procurement system at PT. PLN Disjatim until now is in the condition of very low risk, low risk,

medium risk, high risk or very high risk. This risk assessment uses the Threat method of ranking by risk evaluation, that is, with only two parameters, namely impact and probability of occurrence (probability of a threat being realized). Through this method, risk assessment becomes a function of parameters with the following formula:

$$R = I \times P \qquad R = f(I_{AV.T}, P_{V.T})$$

R = Risk  
 I = Impact  
 P = Realization Probability

Furthermore, the risk value based on the formula mentioned above is categorized into the risk threat range with the following categories:

Risk Level	Range of Value	Risk Category
I	21 – 25	Very High
II	16 – 20	High
III	11 – 15	Medium
IV	6 – 10	Low
V	1 – 5	Very Low

**Potential risks of Goods / Services Procurement Systems at PT. X East Java**

Potential risks in the system of procurement of goods/services at PT. PLN Disjatim. These potential risks are categorized from category IV (low) to category I (very high). The results of the assessment as above are the results of the SPI assessment of PT. PLN Disjatim as supervisor and QA as users of goods / services. Based on the results of the assessment of the Procurement Unit, the results that are less accountable are independent. This is because the results of the assessment from the procurement unit show that the system of procurement of goods / services at PT. PLN Disjatim is included in the categories V (very low) and IV (low). If based on risk assessment from the results of the assessment of the procurement unit, the findings of PT. PLN Disjatim and BPK are not material. However, in reality the findings are included in the material category. The risk assessment here is used as a result of more independent parties to produce more independent and accountable conclusions.

**Risk treatment**

The next step after risk assessment is risk treatment. The risk treatment here is more about input to management is not a decision. This is

because this risk treatment should be taken by the management of PT. PLN Disjatim. According to AS / NZS 4360-1999 Risk Management there are five options that can be chosen by management as a risk treatment, out of the 5 (five) options, then input the results of the risk assessment on the procurement system of goods / services at PT. PLN Disjatim can take the following options:

1. Reducing likelihood or the possibility of Reducing the likelihood of occurrence.
2. Reducing the likelihood of occurrence.

While the risks that are in the category IV (low), risk treatment can be chosen avoided, with a note that the risks in category IV (low) have been limited by a regulation, policy, system that limits the potential occurrence of risks in that aspect . The risks in category IV (low) must still be monitored periodically to keep these risks in category IV (low) or down to category V (very low).

Description of potential risks in the procurement of goods / services at PT. PLN Disjatim is categorized from category I (very high) to category IV (low). The potential risks per category will be explained as follows:

- a. Risks that are in category I (very high) are related to: Potential risks in the Procurement Operation and Market aspects include delivery of goods/services including delivery of goods, delivery of consulting services, delivery of construction services, among others, delays and delays in the delivery of goods/services.
- b. The risks found in category II (high) are related to: (1) Potential risks in the aspects of the Legislative & Regulatory Framework (Legal and Legislative Framework) include the lack of clarity in the articles in government procurement regulations which pose potential obstacles during implementation, procurement is approaching the end of the year in trouble, there are discrepancies between procurement regulations, problems related to procurement finance, lack of operational definition and rules in Perpres 54 of 2010; (2) Potential risks in the Institutional Framework and Management Capacity aspects include PA/KPA, Procurement committee, results recipient committee, which includes less competent procurement committees and unrealistic procurement schedule,

appointment of PPK/PP, assessment of supplier capability/service does not meet the criteria and is not objective; (3) Potential risks in the Procurement Operation and Market aspects include procurement planning/work requirements plan, preparation and ratification of HPS, delivery of goods/services, delivery of construction services, delivery of consulting services, payment and reporting, procurement of procurement, including cost/HPS planning activities/projects are not in accordance with needs and mark up, preparation and ratification of nonstandard basic price HPS in preparing HPS, quality of goods delivered are not in accordance with the provisions in technical/contract specifications, reporting that is not in accordance with the conditions, quality of goods/services received not according to needs and goods/services that have not/cannot be utilized; (4) Potential risks in the aspects of Integrity & Transparency (Anti-Corruption) regarding the lack of responsibility of procurement executors, executing supervisors and leaders, lack of supervision and monitoring of executors of procurement of goods/services, there is no periodic evaluation of the process of implementing goods/services procurement, the absence of periodic evaluations of policies, compliance and systems that run from the planning process to the utilization of procurement of goods / services, not on line.

- c. The risks in category III (medium) are related to: (1) Potential risks in the Legislative and regulatory framework aspects regarding differences in the recognition of the budget year in accordance with the rules of the finance minister with the year of completion of work/procurement of goods/services and differences in evidence of agreements and technical matters not submitted to the Presidential Regulation 54 of 2010; (2) Potential risks in the Institutional Framework and Management Capacity aspects include the PA/KPA, PPK/PPTK, Procurement Officer Committee, the recipient committee, which includes not publicly announcing the planned procurement of goods/services at the beginning of the budget implementation. competence and absence of certificates of

procurement, not independent and transparent expertise in the process of procurement of goods/services, lack of integrity from the procurement committee/ procurement/unit service procurement, material clear and complete procurement announcements of goods/services, lack of technical competencies that affect evaluation results , the receiving committee B/J did not make a Minutes of Handover of Goods/Works; (3) Potential risks in the Procurement Operation and Market aspects include planning of procurement/work letter plans, preparation and ratification of HPS, preparation and ratification of selection documents for providers of goods/services, auction/ selection/ procurement announcements, appointment of prequalification/ post-qualification, registration and collection document, Explanation, Bid evaluation, Bid guarantee, Evaluation and verification of qualifications, Minutes of evaluation and determination of winners, Disclaimer news, Signing of contract procurement, Payment and reporting, Procurement of procurement which includes planning activities/projects directed to certain products/companies ,not announcing auction/selection/procurement, criteria for evaluating pre-qualification documents are incomplete, bid documents submitted are not the same and document distribution time is limited, evaluation of bids is not in accordance with the stipulated RKS, lack of an independent and accountable committee, is the contract is not in accordance with the specifications in the HPS, lack of collection and deposit of tax/ PNBK; (4) Potential risks in the aspects of Integrity & Transparency (Anti-Corruption) concerning lack of concern from the leadership regarding issues of goods/services procurement, high leadership intervention in the process of procurement of goods/services, the omission of problems in procurement of goods/services, and lack of transparency in the procurement process limited public access to information on procurement of goods/services.

- d. Risks found in category IV (low) are related to: (1) Potential risks in the Institutional Framework and Management Capacity

aspects, among others regarding the Committee of procurement officials, the recipient committee of the results, which includes the conception of procurement officials with financial officials, collusion between the committee for the procurement of goods/services and goods/services providers, no response to objections, and document replacement, B/J Recipient Committee was not formed, B/J recipient committee concurrently as financial manager; (2) Potential risks in the Procurement Operation and Market aspects include procurement planning/work letter plans, preparation and approval of HPS, auction/ selection/ procurement announcements, registration and document selection of goods / services providers, explanation, bid evaluation, guarantee bidding, Evaluation and verification of qualifications, Minutes of evaluation and determination of winners, Determination of winners of procurement, refutation news of bidders, Appointment of auction winners, Signing of contract procurement, Contract procurement, Consultation services including not publicly announcing planned procurement of goods / services on the beginning of the budget implementation, the HPS was not signed by all members of the procurement committee, explanation of information and limited descriptions, making agreements that violated procedures and explanations were not supported by minutes of detailed explanations, validity period of the guarantee bids had expired, announcements were not If there is no rule or no input from the public, the announcement is very limited to the public, the signing of the contract is postponed.

## CONCLUSION

From the results of the evaluation of the system of procurement of goods/services at PT. PLN Disjatin with risk management based produces an assessment that the system of procurement of goods/services at PT. PLN Disjatin is still in the high potential risk category. If you look at aspects of the system of procurement of goods/services, then from these four aspects each contributes risks from medium to high. Evaluation



results from risk categories in the goods/services procurement system at PT. PLN Disjatim is:

1. Risks that are in the very high category, namely regarding the delivery of goods/services.
  2. Risks that are in the high category, namely regarding year-end procurement, appointment of officials and procurement executors by PA/KPA that lack competence and integrity, planning that is not in accordance with needs, marking up HPS, breaking down procurement, evaluating processes that are not optimal and according to regulations, reporting that is not in accordance with the conditions, lack of supervision and monitoring, oversight functions that are not running optimally, and the absence of job allocation, the clear separation of duties and authorities determined by the leadership.
  3. Risks that are in the medium category, namely the existence of differences in the recognition of the fiscal year with the end of the work completion, material that is less clear announcement, the absence of handover minutes, partners who do not have adequate financial and technical capabilities, the price of HPS leads to certain brands and lack of concern of the leadership for the problems of procurement of goods/services.
  4. Risks in the low category can be avoided, provided that periodic monitoring is done so that the risks in the low category do not change to a higher risk. Supervision and monitoring of procurement unit leaders is not optimal. This is one of the causes of technical level implementers at running goods/services procurement systems. Punishment policies for executors and officials in the system of procurement of goods/services that violate regulations are not yet firmly enforced. Supervision of the procurement system of goods/services at PT. PLN Disjatim which has been carried out so far is supervision after the process has been completed. This always results in the existence of problems in the system of procurement of goods/services at PT. PLN Disjatim.
1. This research is carried out only in the scope of PT. PLN Disjatim. The conclusions taken in this study cannot be generalized into a public conclusion regarding the system of procurement of goods / services in Indonesia.
  2. With a risk management approach to evaluate a system of procurement of goods / services, relatively little has been done, so it is possible to have other approaches that can be used to evaluate the system of procurement of goods / services.
  3. The risk management process is a process that is carried out continuously in an entity's business processes. So that the results of this study are also not the final result, but a beginning for continuous monitoring to be able to create a system of procurement of good goods / services.

### **Recommendation**

Based on the results of the research and the limitations of the above research, the authors provide the following suggestions:

1. PT. PLN Disjatim takes several steps that can be taken to reduce likelihood or the possibility of risk occurrence by carrying out several things, namely:
  - a. Conduct audits  
Conducting an audit here is primarily a type of probity audit or audit conducted during the process. So from the initial stages of budgeting, planning to the utilization of the results of the procurement of goods / services needs continuous monitoring and supervision through probity audits.
  - b. Formal review of specifications and design of operations  
There needs to be a review or review from the beginning of the process of procurement of goods / services. From planning, budgeting to the utilization it has been well designed for one period.
  - c. Process control  
Adequate and strong controls on the procurement of goods / services at PT. PLN Disjatim. This can be done with the implementation of policies, proper authorization, and periodic monitoring processes.
  - d. Management and quality standards

### **Limitations**

This study has several limitations including:

A good, competent and integrity management composition needs to be put in place to oversee the system of procurement of goods / services at PT. PLN Disjatim. These include quality standards both from the HR side and from the work output side.

- e. Technology research and development  
Researches on the aspect of evaluating the system of procurement of goods / services need to be improved. Including the development of technology to support the system of procurement of goods / services that run optimally such as the optimization of the use of SPSE (Electronic Procurement System).
  - f. Technical supervision and control.  
The supervision process cannot be released from the system of procurement of goods / services. This is because procurement executives are prone to intentional and unintentional negligence. In addition, technical control is also very important so that monitoring of the procurement of goods / services can be carried out up to the technical aspects, not just strategic management aspects.
2. PT. PLN Disjatim takes several steps that can be taken to reduce the consequences or impacts of risk by carrying out several things, namely:
- a. Contingency planning and election planners  
The existence of careful planning to follow up if a significant risk really occurs, as well as audit findings from both internal and external auditors of PT. PLN Disjatim, the design of the follow-up plan and improvement needs to be carefully formulated.
  - b. Fraud control  
The design of fraud control in the procurement system of goods / services. Giving punishment as a deterrent effect if a fraud occurs needs to be firmly enforced.
  - c. Minimizing exposure to sources of risk  
In this case carefulness in looking at the opportunities for risks must be realized by the parties involved in the

procurement of goods / services to immediately make controls so that risks can be minimized. Compliance with regulations and policies, enforcement of moral integrity is also an important concern.

- d. Policy and control  
Policies that are firm, clear, and operational need to be implemented well, including controls from university management.
  - e. Separation or relocation of an activity or resource.  
A good initial plan to allocate every activity from an important business process is carried out including the allocation of resources both human resources and economic resources.
3. There needs to be an internal supervision review or review related to government regulations to be able to photograph the existence of contradictions, inconsistent and non-operational regulations and other regulations, such as the issue of procurement regulations with financial regulations.

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