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ARTICLE

Analysis of Adaptation to Digital Transformation in Government Internal Supervision at Yogyakarta City and Sleman Regency Inspectorates

Matheus Gratiano Mali[1*], Tri Asih Wismaningtyas[2], Catur Wulandari[3]

[1,2,3] *Department of Public Administration, University of Tidar, Magelang, Indonesia*

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ABSTRACT
This study aims to examine the digital transformation adaptations undertaken by the Yogyakarta City Inspectorate and the Sleman Regency Inspectorate, functioning as Government Internal Supervisory Apparatus (APIP), and to assess how these adaptations influence the inspectorates' supervisory roles in today's digital era. The internal supervision process includes auditing, reviewing, evaluating, monitoring, and conducting other oversight activities to ensure that the tasks and functions of regional apparatus organizations are executed in alignment with established indicators. This qualitative descriptive research collects data through interviews, observation, and document analysis at the Yogyakarta City Inspectorate, Sleman Regency Inspectorate, and the Financial and Development Supervisory Agency (BPKP) Representative Office in the Yogyakarta Special Region. The data analysis involves data reduction, data presentation, and verification or conclusion drawing. The study specifically examines digital tools and processes such as electronic audit management systems, digital reporting platforms, and data analytics software used by the inspectorates. Results indicate that, as APIP entities both at Level 3, the Yogyakarta City and Sleman Regency Inspectorates have not yet fully integrated digital adaptations into their supervisory roles. However, both inspectorates have made notable progress, advancing from basic digitization toward digitalization and digital transformation, though the process remains incomplete. The use of these digital tools has begun to impact supervisory functions by enhancing data accuracy and streamlining some oversight activities, yet challenges remain in terms of system interoperability and user proficiency. Strong commitment from regional leadership and the inspectorates is essential to enhance regulatory readiness, budgeting, infrastructure, and human resource capabilities to achieve comprehensive digital adaptation in their supervisory functions

* Corresponding Author
Email : theogratiano@untidar.ac.id

Kata Kunci:
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ABSTRAK

Penelitian ini bertujuan untuk mengkaji adaptasi transformasi digital yang dilakukan oleh Inspektorat Kota Yogyakarta dan Inspektorat Kabupaten Sleman, yang berfungsi sebagai Aparat Pengawasan Intern Pemerintah (APIP), serta menilai bagaimana adaptasi tersebut memengaruhi peran pengawasan inspektorat dalam era digital saat ini. Proses pengawasan internal mencakup audit, tinjauan, evaluasi, pemantauan, dan kegiatan pengawasan lainnya untuk memastikan bahwa tugas dan fungsi organisasi perangkat daerah dilaksanakan sesuai dengan indikator yang telah ditetapkan. Penelitian deskriptif kualitatif ini mengumpulkan data melalui wawancara, observasi, dan analisis dokumen di Inspektorat Kota Yogyakarta, Inspektorat Kabupaten Sleman, dan Kantor Perwakilan Badan Pengawasan Keuangan dan Pembangunan (BPKP) di Daerah Istimewa Yogyakarta. Analisis data mencakup reduksi data, penyajian data, serta verifikasi atau penarikan kesimpulan. Studi ini secara khusus mengkaji alat dan proses digital seperti sistem manajemen audit elektronik, platform pelaporan digital, dan perangkat lunak analisis data yang digunakan oleh inspektorat. Hasil penelitian menunjukkan bahwa, sebagai entitas APIP yang berada di Level 3, Inspektorat Kota Yogyakarta dan Kabupaten Sleman belum sepenuhnya mengintegrasikan adaptasi digital dalam peran pengawasannya. Namun, kedua inspektorat telah membuat kemajuan yang signifikan, bergerak dari digitalisasi dasar menuju digitalisasi yang lebih maju dan transformasi digital, meskipun proses ini belum sepenuhnya selesai. Penggunaan alat digital ini mulai berdampak pada fungsi pengawasan dengan meningkatkan akurasi data dan memperlancar beberapa aktivitas pengawasan, namun tantangan masih ada terkait interoperabilitas sistem dan kecakapan pengguna. Komitmen kuat dari kepemimpinan daerah dan inspektorat sangat diperlukan untuk meningkatkan kesiapan regulasi, penganggaran, infrastruktur, dan kemampuan sumber daya manusia guna mencapai adaptasi digital yang komprehensif dalam fungsi pengawasan mereka.

A. INTRODUCTION

Environmental change strategies must prioritize strengthening APIP's resilience and adaptability. Transforming supervisory practices is essential for APIP to maintain accountability amidst ongoing disruptions. However, APIP cannot achieve this transformation in isolation; it must collaborate synergistically with other stakeholders to provide high-value, strategic oversight. This shift requires APIP to continuously enhance its institutional capabilities and human resource competencies in a sustainable manner.

Digital transformation plays a critical role in addressing these challenges. APIP's role is evolving from a traditional oversight body to a strategic partner in public administration, supporting organizations in resolving various issues and preparing for future risks. Similarly, Chun and Shulman (2015) highlight the challenges and opportunities involved in implementing digital government. As Flak (2017) discusses, governance, organizational, and managerial changes are essential in government transformation and digitalization. This aligns with Bannister and Connolly's (2015) findings on common issues in e-government literature. Furthermore, Lisina (2022) emphasizes how digital transformation enhances public oversight by integrating digital tools for information gathering, analysis, and corrective actions. Similarly, Mohsen and Magdi (2022) and Kettunen and Kallio (2021) explore the relationship between digital transformation and efficiency in government performance. These studies collectively highlight the need for APIP to adapt to digital advancements in order to improve its oversight function and maintain accountability.

In the context of local governments, particularly at the Inspektorat of Kota Yogyakarta and Kabupaten Sleman, the need for digital transformation is even more pressing. Both regions are facing the challenge of modernizing their oversight systems to better align with the evolving demands of public administration. The Inspektorat Kota Yogyakarta has begun to integrate digital platforms for auditing and monitoring, aiming to streamline processes and improve the transparency of government activities. Similarly, Kabupaten Sleman has initiated efforts to enhance its supervisory role through the adoption of electronic auditing systems, including the use of online audit tools to monitor financial and administrative performance across local government agencies. Both regions have recognized the potential of digital technologies to improve the efficiency and effectiveness of their oversight processes, aligning with the broader national goals of improving governance through digital transformation.

Uebernickel and Brenner (2014) underscores the importance of agility, customer focus, efficiency, and quality in the IT sector, particularly as operational stability, security, and flexibility become more critical. These factors directly impact APIP's performance in overseeing government agencies. Abdulridha and Gavurof (2021) also highlights how digital technologies facilitate public oversight in government activities, stressing the necessity for APIP to learn and master the technologies employed by the agencies it oversees, particularly in IT-based audits. The use of technology in auditing, such as electronic audit systems and computer-assisted audit techniques, is fundamental to APIP's role. Vuković, Tica, and Jakšić (2023) identifies key digital trends, including big data analytics, artificial intelligence, and robotic process automation, which present both opportunities and challenges. These technologies enhance the reliability and quality of audits, boosting stakeholder trust in audit outcomes. Ageev, Lepskiy, and Podoprigora (2022) proposes innovations such as digital registers and continuous auditing platforms, which enable adaptive management of public resources. Nwankpa (2014) emphasizes the importance of advanced data analytics tools to improve audit quality and address the needs of a digital business environment. Ageeva, Karp, and Sidorov (2020) further examines the integration of digital technologies into financial reporting and auditing, particularly the potential for continuous, real-time reporting. Looking ahead, it is likely that traditional field audit requirements will be reduced as auditors increasingly rely on artificial intelligence for digital and real-time supervision.

Thus, to meet the challenges of the digital era, APIP must not only adopt new technologies but also transform its approach to supervision and oversight. This transformation will require a comprehensive understanding of the digital tools at its disposal, and an ability to navigate the evolving landscape of public administration. The experiences of the Inspektorat Kota Yogyakarta and Kabupaten Sleman exemplify the importance of embracing digital transformation in enhancing the performance of local government oversight bodies. These regions provide a useful case study of how local governments can leverage technology to improve governance, transparency, and accountability, contributing to the broader vision of strengthening APIP's role in public administration.

B. LITERATURE REVIEW

Digital Transformation

Digital transformation is a comprehensive and evolving process that reshapes how organizations operate and deliver value to stakeholders through digital advancements. According to Avasarala and Mishra (2020), an analytical framework is essential for evaluating digital transformation processes in the public sector. Verhoef et al. (2021) categorize the journey of digital transformation into three distinct phases: digitization, digitalization, and digital transformation. This framework is essential for understanding the progressive nature of technological integration in organizations, particularly in the public sector, and for recognizing the importance of each stage in achieving full digital maturity.

1. **Digitization** The first phase, digitization, involves converting analog information into digital formats. This technical step focuses on creating digital versions of existing physical documents and records, making them easier to store, process, and retrieve. Research by Schallmo and Williams (2018) shows that digitization reduces reliance on physical paperwork, streamlines record-keeping, and enhances data accuracy, which is vital for auditing and oversight. Likewise, Mikulec and Petrovic (2019) proposed a systematic research agenda on digital auditing in government contexts. However, while digitization improves efficiency, it is merely a foundational step that does not address the deeper transformation of operational processes.
2. **Digitalization** The second phase, digitalization, moves beyond digitization by using digital technologies to optimize and automate existing business processes. This phase enhances operational efficiency and workflow automation. Bharadwaj et al. (2013) highlight that digitalization has significantly improved government internal supervision, particularly in areas such as data analysis and communication. For example, by digitalizing auditing procedures, governments can detect issues in real-time, improving oversight responsiveness. However, digitalization also presents challenges, such as the need for continuous adaptation to new technologies and the potential for unequal access to digital tools across regions or departments.
3. **Digital Transformation** The final phase, digital transformation, represents a fundamental shift in an organization's structure, culture, and strategy. It goes beyond process improvements to create new value through digital innovation. According to Verhoef et al. (2021), digital transformation involves creating agile, user-centered organizations capable of meeting the demands of a rapidly evolving technological landscape. In government internal audits, this phase includes the adoption of advanced technologies like AI, big data analytics, and cloud computing to enhance transparency and accountability. While this phase holds great potential for improving audit practices, it requires significant investments in technology, training, and organizational readiness, as emphasized by Mergel (2019).

Digital Transformation in Government Internal Audit Apparatus

Digital transformation is reshaping government internal audits by integrating digital tools that improve efficiency, accuracy, and accountability. However, while the benefits of digitalization in auditing are evident, challenges remain in its implementation.

1. **Adoption of Digital Auditing Tools** The integration of technologies such as big data analytics, artificial intelligence (AI), and robotic process automation (RPA) is becoming increasingly common in government internal audits. Vuković, Tica, and Jakšić (2023) discusses how digital tools, like AI and RPA, enable auditors to analyze large datasets quickly and identify irregularities with greater precision. Ageev, Lepskiy, and Podoprigora (2022) highlights the use of digital registers and continuous auditing platforms, which allow real-time monitoring and more dynamic auditing practices. These tools reduce reliance on manual processes, streamlining audits and increasing accessibility by Abdulridha and Gafurov (2021). However, the adoption of these technologies also requires technical expertise and substantial investments, which may pose barriers for smaller or less resourced agencies.
2. **Benefits of Digital Transformation in Government Internal Audits** The primary benefit of digital transformation in government audits is the improvement in audit quality and accuracy. Nwankpa (2014) notes that digital tools enable comprehensive data analyses, reducing human error and enhancing the reliability of audit outcomes. Furthermore, digitalization fosters greater transparency and accountability in public administration. Real-time data tracking and reporting allow government agencies to act promptly on audit findings (Lisina, 2022), which in turn builds public trust by making audit results more accessible and comprehensible (Uebernickel & Brenner 2014). Additionally, by automating repetitive tasks, digital tools increase operational efficiency, freeing up

auditors to focus on strategic tasks such as fraud detection and risk assessment (Flak, 2017). However, the success of these digital tools depends on adequate training and organizational commitment to change, which can be challenging in resource-constrained settings.

3. **Challenges in Implementing Digital Transformation in Government Internal Audits**
   Despite its benefits, the implementation of digital transformation in government internal audits faces significant challenges. Resistance to change is one of the primary obstacles, as audit staff may be reluctant to adopt new technologies, especially when they are unfamiliar or lack confidence in using digital tools (Mergel, 2019). Furthermore, the implementation of digital auditing tools requires specialized technical skills and ongoing training, which can be difficult to sustain in government agencies with limited budgets (Bharadwaj et al., 2013). Additionally, while digital auditing tools improve the accuracy and speed of audits, they also introduce new risks, such as data security concerns and the potential for over-reliance on automated systems that may overlook critical nuances in audit processes.

C. METHOD

This study employs a qualitative research approach to examine the digital transformation within the Inspectorates of Yogyakarta City and Sleman Regency. A qualitative approach is particularly appropriate for this study as it allows for a deeper understanding of the nuanced experiences of inspectors in adapting to digital tools and practices. As Sugiyono (2013) explains, qualitative research is designed to explore natural settings where the researcher acts as the key instrument. Data collection is carried out through triangulation, which combines multiple methods, such as interviews, observations, and document analysis, to gain a comprehensive view of the phenomenon being studied.

The choice of a qualitative approach is justified by the need to capture the perspectives of inspectors at both the Yogyakarta City Inspectorate and the Sleman Regency Inspectorate regarding the challenges and opportunities they encounter in implementing digital systems for oversight and auditing. This approach is ideal for uncovering the underlying meanings and personal experiences related to digital adaptation, which quantitative methods may not fully capture. The data analysis is inductive, meaning that it will derive patterns and insights from the data itself, rather than testing pre-existing hypotheses. The goal is to prioritize understanding and interpreting the lived experiences of the inspectors, rather than generalizing findings across larger populations.

This research focuses on the specific context of local government inspectorates, which serve as the Government Internal Supervisory Apparatus (APIP) at the regional level. The study includes the Yogyakarta City Inspectorate and the Sleman Regency Inspectorate, both of which are responsible for overseeing local government activities and ensuring accountability. Additionally, the study examines the role of the Financial and Development Supervisory Agency (BPKP) Representative Office of the Special Region of Yogyakarta, which functions as the supervisory body for APIP. By exploring these institutions, this research aims to gain a deeper understanding of the digital transformation process in local government oversight and the experiences of the individuals involved in this shift.

D. RESULT AND DISCUSSION

Digital Transformation in APIP at Level 3: Evaluating Yogyakarta City and Sleman Regency Inspectorates

Based on Government Regulation of the Republic of Indonesia Number 60 of 2008 on the Government Internal Control System and Presidential Regulation Number 192 of 2014 on the

Financial and Development Supervisory Agency, a Level 1 Evaluation of the APIP Capability Independent Assessment was conducted at the Sleman Regency and Yogyakarta City Inspectorates in 2022. The evaluation concluded that the overall capability of both inspectorates in 2022 reached Level 3, indicating significant progress in terms of integrated internal auditing and governance. This assessment covered multiple elements, including the APIP's role and service delivery, human resources management, professional practices, accountability, performance management, organizational relations, and governance structure.

1. Yogyakarta City Inspectorate: Progress and Challenges in Digital Transformation

At the Yogyakarta City Inspectorate, the policies, processes, and procedures for APIP have been well established and documented, although the full implementation of digital tools remains a work in progress. The Inspectorate has taken significant steps by adopting Linktree as an initial data access tool, but it still lacks a dedicated digital application to fully support APIP's functions. For APIP capability assessments, the Inspectorate relies on applications provided by the Financial and Development Supervisory Agency (BPKP) for the Special Region of Yogyakarta. This reliance on external applications signals a gap in self-sufficiency, highlighting the Inspectorate's need to build or adopt a comprehensive digital solution tailored to its specific operational requirements.

A major strength of the Yogyakarta City Inspectorate lies in its commitment to professional development. APIP management and professional practices are well established, as evidenced by the Inspectorate's participation in various training programs. The mandatory 120 learning hours required by the Corruption Eradication Commission's (KPK) Monitoring Center for Prevention (MCP) program ensure that staff stay updated on evolving capabilities and anti-corruption measures. However, while the Inspectorate has prioritized ICT audits, training on digital audits and developing digital systems internally has been insufficient. This gap in training is a key limitation, as the transition to digital auditing and monitoring remains a challenge. In terms of internal supervision, the Yogyakarta City Inspectorate's approach to risk management and the preparation of the Annual Supervision Work Program (PKPT) is notably risk-based. This approach aligns with governance challenges, incorporating risk assessments from each Regional Apparatus Organization (OPD). However, the process remains manual, and the effort to map OPD risks through a digital risk database has yet to be fully realized. Despite some progress in using digital tools for risk evaluation, formalizing these processes remains an ongoing effort. . This points to a need for further integration of digital systems to enhance operational efficiency and risk management. Data security concerns are also reflected in the work of Norris and Reddick (2013), who examined the role of ICT in maintaining public sector integrity.

Furthermore, although digital tools like the Internal Monitoring System (SIWASIN) have been introduced to streamline the supervision process, many areas of the Inspectorate's operations, such as HR management, lack digital support. This underlines a crucial gap in the digital transformation strategy, where the focus has been on improving auditing and consultancy services but has not yet fully encompassed the management of human resources or the broader organizational capabilities.

2. Sleman Regency Inspectorate: Balancing Digital Initiatives with Traditional Practices

The Sleman Regency Inspectorate, like its counterpart in Yogyakarta City, has integrated digital tools into its operations but faces similar challenges in optimizing their use. Archiving processes have transitioned to digital formats through the Audit Result Report Management Information System (SIM LHP), and correspondence activities have been digitized. However, the working paper archives, which are critical for auditing and documentation, remain in manual form. This disconnect between digital tools and traditional practices limits the full potential of the Inspectorate's digital capabilities. Despite these challenges, the Sleman Inspectorate's APIP management and professional practices are

well-established, and auditors are appropriately certified. The Inspectorate has made efforts to build a team capable of conducting digital audits, but these initiatives are still in the early stages. The team's capacity is gradually expanding through participation in training programs related to digital audits, but not all auditors have received this specialized training, indicating a gap in knowledge and readiness to fully transition to digital systems.

Risk assessments and performance evaluations, though beginning to align with governance challenges, are still carried out manually. While some aspects of performance assessment are digitized through the Online Government Agency Performance Accountability System (E-SAKIP), the overall process remains fragmented. The performance evaluation indicators are conducted digitally, but follow-up actions, which are crucial for improving governance and accountability, still rely on manual methods. This points to an urgent need for a comprehensive digital solution that links all aspects of performance assessment, risk management, and audit follow-up actions.

Independence and objectivity in internal monitoring are maintained through careful team composition and integrity pacts for every audit. However, this process is still manual, and no digital system exists to automate or streamline the integrity pact process. The absence of digital solutions for such critical components of the audit process underscores the Inspectorate's struggle to fully modernize its internal auditing procedures.

While both the Yogyakarta City and Sleman Regency Inspectorates have made notable progress in their digital transformation efforts, significant gaps remain. The reliance on external applications like BPKP's tools in Yogyakarta and the partial digitalization in Sleman suggests that these Inspectorates have yet to fully develop or integrate self-sustaining digital platforms that address all operational needs. Specifically, the absence of digital tools in HR management, risk management, and the integrity pact process hinders the overall efficiency and effectiveness of the internal audit processes. Moreover, the limited training on digital audits and the lack of comprehensive digital systems for APIP's HR management and governance structures illustrate the challenges in adapting to the digital era. The Yogyakarta City Inspectorate, for example, has made progress in digitalizing its performance audits and consulting services but still struggles with fully embracing digital tools for HR management and risk management. Similarly, while the Sleman Regency Inspectorate has digitized some aspects of its operations, such as archiving and correspondence, it continues to rely on manual methods for risk assessments and audit follow-ups. To achieve a truly integrated digital transformation, both Inspectorates must prioritize the development of comprehensive, tailored digital systems that address all aspects of internal auditing, from risk management to HR development. Additionally, there is a pressing need to invest in continuous digital training for all auditors, ensuring that they are well-equipped to handle the evolving demands of digital auditing.

In conclusion, while the digital transformation efforts in both the Yogyakarta City and Sleman Regency Inspectorates are commendable, they remain works in progress. Achieving a fully integrated digital system will require overcoming existing challenges related to training, system development, and the harmonization of manual and digital processes. Only then can these Inspectorates fully leverage digital tools to enhance governance, accountability, and the effectiveness of their auditing functions.

Adaptation of Digital Technology in Internal Supervision Duties

Boulton (2020), as cited by Hadiono and Santi (2020), defines digital transformation as a radical process that involves leveraging existing resources, including the use of digital technology, to produce organizational outcomes in the form of new experiences. Huang & Karduck (2017) proposes a methodology for digital government transformation, emphasizing the need to go

beyond online services and portals to achieve comprehensive digitization of government functions. Zainasheva, Khuramshina and Zagitova (2021) highlights the potential of digital technologies to transform traditional approaches to planning, monitoring, and evaluating results in state control.

1. Yogyakarta City Inspectorate

In managing supervision, particularly for performance audits, operational audits, and audits with specific objectives, the Yogyakarta City Inspectorate has implemented the Internal Monitoring System (SIWASIN). This system facilitates the entire process, from planning and task orders to follow-up monitoring by auditees. In addition to SIWASIN, the Inspectorate also utilizes an application from the Ministry of Finance for conducting Special Allocation Fund (DAK) review assignments. Moreover, the complaint reception and consultation services are accessible through the inspectorate's official channels, including the website and email. For document management, both general and confidential files are stored digitally, primarily in PDF format.

The Yogyakarta City Inspectorate's Internal Monitoring System (SIWASIN) is designed to manage follow-up actions electronically, offering a streamlined process for supervision. Accessible via the Jogja Smart Service account, SIWASIN allows APIP management, audit teams, and auditees to interact and manage the supervision tasks and subsequent actions. This system aims to increase the effectiveness and efficiency of supervision in accordance with audit quality control standards. It also facilitates the follow-up process and enhances the monitoring of these follow-ups by the auditees. Key features of SIWASIN include planning, implementation, reporting, and follow-up monitoring. In the planning stage, APIP management uses the system to create task orders (SPTs) and the Annual Supervision Work Program (PKPT). During implementation, both the audit team and auditees input findings, recommendations, and follow-up evidence. The reporting feature is used to summarize and print follow-up recaps, while the follow-up monitoring feature tracks the status of the supervision outcomes. This system has greatly improved the process by eliminating manual tracking and facilitating communication between the Inspectorate and auditees through the platform. In addition to SIWASIN, the Yogyakarta City Inspectorate has integrated several other digital applications for internal monitoring, such as the Regional Financial Information and Management System (SIPD) for financial management and the Monitoring & Evaluation Information System (SIMONEVA) to assess the performance of regional programs. The Inspectorate is also using the OSMAPAN application for monitoring the physical implementation of the Special Allocation Fund (DAK).

To support further digital transformation in supervision, the Yogyakarta City Inspectorate is working on a roadmap for SIWASIN development. This includes efforts to enhance the technical capabilities of APIP personnel through training in digital transformation. The Inspectorate is collaborating with the Ministry of Communication and Information to optimize the digital infrastructure, ensuring better data synchronization and interoperability between existing application systems. This infrastructure will enable the implementation of advanced digital audit techniques, including e-audits, data analytics, and digital forensics, which are essential for improving efficiency, accuracy, and transparency in governmental supervision. In this context, Janssen and van der Voort (2016) highlighted the need for strategies to tame complexity in public sector digital governance

2. Sleman Regency Inspectorate

In line with Government Regulation Number 12 of 2017, the Sleman Regency Inspectorate has established an information system to manage supervision outcomes and follow-up actions. This system allows real-time access for both the Inspectorate and auditees through the Follow-up Order Letter (SPTL). The use of this system has greatly improved the efficiency of managing and monitoring follow-up actions by reducing the need for physical meetings and enabling faster document processing. The system works by having

the auditor input the supervision assignment letter and related documents, after which the auditee uploads follow-up evidence. The auditor then verifies the evidence and updates the status, which is visible to both the Inspectorate and the auditee.

In addition to the SPTL, the Sleman Regency Inspectorate has developed other IT tools for monitoring and review tasks. For example, the Inspectorate utilizes an application provided by the central government for the management of performance and operational audits. However, these audits are still conducted manually, as the system is not yet fully integrated for all audit processes. The Sleman Inspectorate is currently working on developing an application that will allow for direct uploading of audit results, with the goal of streamlining the process by integrating the assignment letter directly with the Audit Result Report (LHP). The application is still in its trial stage but is expected to improve the monitoring and follow-up system once fully implemented.

Further, the Sleman Inspectorate is enhancing its complaint management system, which is part of the Whistleblowing System (WBS). The WBS allows employees and external parties to submit complaints regarding violations or misconduct. While the system has existed in the form of a website, efforts are underway to improve its functionality and integrate it more effectively with Sleman's administrative processes. This system aligns with best practices illustrated by Harrison and Doughty (2021) in case studies of digital innovation in public sectors globally. The aim is to enhance the system's accessibility, reliability, and user engagement by developing it similarly to the LKPP's system, focused primarily on addressing corruption-related complaints. The Sleman Inspectorate's digital transformation efforts have made significant progress in improving data management, transparency, and efficiency in its internal monitoring tasks. However, there are still challenges to overcome, particularly in fully digitizing the audit process and integrating all aspects of the monitoring system. The Inspectorate is committed to continuous improvement through collaboration with local communication and information offices and the adoption of new technologies, which will eventually lead to more effective and efficient internal supervision.

E. CONCLUSION

The capabilities of APIP in the Yogyakarta City and Sleman Regency Inspectorates, currently at Level 3, are essential for aligning with digital transformation. As the complexity and scope of supervisory tasks increase, it becomes critical to integrate digital tools and governance into the oversight process, particularly to support policies aimed at accelerating digital implementation. Digital adaptation is crucial to support APIP's internal oversight duties, as APIP's role spans both assurance and advisory functions. To effectively carry out these functions—from planning supervision to follow-up monitoring and evaluation—IT-based tools are necessary to ensure that supervision is both efficient and impactful. This also includes the digitalization of auditees' operations, which increasingly rely on sophisticated processes that demand continuous adaptation from APIP, such as the incorporation of digital forensics.

Despite achieving Level 3, several key areas still require improvement to fully embrace digital transformation. First, enhancing APIP's functions requires addressing human resource needs by allocating sufficient budgets for competency development, including training and certification, and investing in IT infrastructure to support internal supervision. Second, it is essential to encourage local government leadership to strengthen risk management maturity and push APIP to refine and enhance its capabilities. This would enable APIP to make a more significant contribution to governance, risk management, and internal controls in digital-first organizations. This requires a collaborative effort among regional officials, especially those overseeing electronic government systems, such as the Department of Communication and Information Technology, and strong leadership from both institutions and APIP personnel. Such commitment will foster continuous innovation in supervisory functions and ensure that

APIP's digital adaptation and transformation are sustained. Ultimately, this will accelerate the oversight process and improve governance quality.

Considering the broader impact, digital transformation not only provides efficiency and accuracy in oversight but also has the potential to increase transparency and public confidence in local government performance. Therefore, the need to adapt to digital technologies is not merely a technical development but a critical step in ensuring better governance and accountability in carrying out governmental duties.

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Contributorship

[Matheus Gratiano Mali] – Conceptualization, Methodology, and Data Analysis. Author 1 developed the study's concept and research design, formulated the methodology, and conducted the data analysis. Additionally, Author 1 contributed to the manuscript's initial drafting and theoretical framework.

[Tri Asih Wismasningtyas] – Literature Review, Data Collection, and Writing (Original Draft). Author 2 was responsible for gathering and reviewing relevant literature, collecting data, and drafting the initial sections of the manuscript. Author 2 also assisted in interpreting the findings within the context of existing research.

[Catur Wulandari] – Supervision, Writing (Review & Editing), and Visualization. Author 3 provided supervision throughout the research process, offering guidance on data interpretation and theoretical perspectives. They also reviewed and edited the manuscript for clarity and coherence and ensured the final document was ready for submission.

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