

Enhancing the Role of the Audit Board of the Republic of Indonesia in Fraud Detection

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ABSTRACT

This study aims to investigate the rise of rampant fraudulent behavior committed by officials of government entities and explore the development of fraud detection performed by the Audit Board of Indonesia (BPK RI) in Indonesia. This study has three objectives. First, it investigates how officials of government entities in Indonesia committed fraud. Second, it aims to discover the role and performance of BPK in preventing fraud. Third, it aims to recognize the development of audit findings as a result of identified fraud and the contribution made by BPK in detecting fraud in government entities. This study was based on the analysis of study literature and other secondary data sources. This study has identified that the primary role and responsibility of BPK is to detect fraud that will cause material adverse impacts on the government's financial statements. Ergo, disregarding fraud will undermine BPK's reputation and lead to distrust in the quality of external audit findings. Based on the study results, the author suggests that auditors should further sharpen the audit process by providing sufficient evidence and executing audit standards accordingly during the audit process to provide better opinions and recommendations for fraud eradication. In addition, the insights drawn from this study can be used to develop other research instruments (e.g., questionnaires or interviews) to disclose empirical evidence on fraud detection in government entities throughout Indonesia.

KEYWORDS:

External auditors; fraud detection; government; corruption; compliance findings

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INTRODUCTION

The government's external auditor acts as a third party in agency theory, capable of bridging the differences between agents and principals regarding the management and accountability of state/regional finances. According to Indra, Gamayuni, and Syaipudin (2021), to minimize the risk of fraud and conflict in the agency concept, the principal must be assisted by a third party and allocate funding or budget funds for supervisory activities as it is impossible to have it performed unassisted. The government's external auditor in Indonesia is entrusted to the Audit Board of Indonesia (Badan Pemeriksa Keuangan, BPK), the only institution with a role in financial audit activities that assists the House of Representatives (Dewan Perwakilan Rakyat, DPR) in supervising government executive institutions.

Constitutionally, BPK must submit all audit reports to DPR. The supervisory function, which is an integral part of the audit mandated by the constitution to BPK, is one of the functions of DPR. The management and accountability of state finances carried out by all state and government institutions that function as executive institutions, both central and local governments, has a relationship between BPK and DPR. The relationship between BPK and DPR is significant in the state administration and regulated in Indonesia's constitution. Based on article 1, Law of the Republic of Indonesia (Undang-Undang, UU) Number 15 of 2006 concerning BPK, BPK is a state institution tasked with examining the management and responsibility of state finances. Those referred to the 1945 Constitution of the Republic of Indonesia (Undang-Undang Dasar Negara Republik Indonesia Tahun 1945). There are three types of audits carried out by BPK in performing their duties: financial, performance, and special purpose audits.

From the implementation of the audit upon the management and responsibility of state finances conducted by the BPK Representative Office to the Regional Government to the signing and issuance of the Audit Result Report (LHP), a delegation of authority and mandate takes place (Astuti & Sa'adah, 2019). Thereby auditors between the BPK Representatives Office in the regions should have the same perceptions regarding the problems identified in their respective regions due to the nature of delegation and mandate from the BPK at the national level.

During the audit, several findings were discovered. Some are administrative findings, and some are related to fraud or non-compliance that have a financial impact, resulting in state/regional losses. Based on these findings, the government entities subject to examination are given the opportunity to respond and required to follow up on the recommendations that the auditors have provided. According to State Financial Audit Standard (Standar Pemeriksaan Keuangan Negara, SPKN) 2017, state/regional loss is a reduction of the state/regional wealth in the form of money, securities, and goods, tangible and definite in amount as a consequence of unlawful acts, whether intentionally or negligently, which can result in the risk of future losses (BPK RI, 2017a). Fraud is an intentionally deceptive action detrimental to an organization or company and embezzlement of organizational assets/wealth committed by employees (BPK RI, 2011). In its development, fraud includes fraudulent acts committed by the management that harms public investors/funders for the benefit of the management itself, the organization, or the company. In general, fraud can be interpreted as a fraudulent act that is carried out in various ways and is deceptive and often not realized by the victim who is harmed. Victims who are harmed often only discover it sometime later. For the most part, the forms of fraud are theft, concealment, and

conversion of stolen goods into other forms (BPK RI, 2011).

Research by Tatiana (2017) defined fraud as an intentional act that results in a material misstatement of financial statements. Furthermore, the research explains that fraudulent activities are carried out against public sector organizations, including national and subnational government ministries/agencies, where employees must be responsible for the availability of public services. Public sector fraud evolves when accountability and transparency that are expected to be delivered by employees are absent in public organizations. It leads to the theft of taxpayer money that has been paid by citizens and undermines the integrity of the budget system. According to Hargrove and Raiborn (2013), the government is increasingly relying on whistle-blowers to report fraud, given the success of the planned program. It stems from the fact that the government does not have adequate legal and investigative resources to enforce the law, which should not surprise many. The Association of Certified Fraud Examiners (ACFE) classified fraud into three types: corruption, fraud in financial statements, and misuse of assets (ACFE, 2022).

Meanwhile, according to some research, the external auditor may be responsible for detecting material misstatements that will significantly impact the financial statements due to corruption. Furthermore, it is stated that this is not directly specified within the auditing standards but it is implied. Auditing standards also imply that corruption may not impact financial statements, unlike other types of internal fraud such as misappropriation of assets and fraudulent financial reporting.

Previous literature has shown that government entities commit fraud. According to Kurniasari, Fariyanti, and Ristiyanto (2019),

it is mentioned that the phenomenon of fraud involves many actors from the government sector. The government's fraudulent practices will negatively impact the economic and social sectors. Deceptive practices in the government will hurt the economic and social sectors. As Tehupuring and Lingga (2017) reported, accounting fraud committed by individuals in local governments can be reduced by implementing an effective internal control system. On the other hand, a weak internal control system can trigger individuals to commit accounting fraud in local governments. The results of their research contribute to the theory that an effective internal control system must at least meet four elements, namely (1) safeguarding local government assets from possible misuse, (2) encouraging efficiency in compliance with local government management policies, (3) ensuring that accounting information is presented accurately and (4) compliance with applicable systems and procedures or regulations (Tehupuring & Lingga, 2017).

Several studies have examined the role of external auditors in detecting fraud. To the author's knowledge, no studies examine external auditors' responsibility for fraud. For example, Koroy (2008) has problems detecting fraud in financial statements audits by external auditors. However, as a result, many problems still hinder the implementation of proper detection, one of which is that the existing audit methods and procedures are not effective enough to detect fraud.

According to Uskara, Mulyani, Akbar, and Sudrajat (2019), there are still many cases of fraud committed by government officials. Furthermore, in their research, they explained that the alleged fraud and corruption involved government officials. This happens because of ineffective and inefficient management; hence, the community's prosperity decreases, infrastructure is quickly damaged due to the low quality of the materials used,

and the increase of poverty rate. Based on the preceding, this study aims to investigate the development of fraud detection conducted by BPK in the public sector, especially within government entities. In light of the above, the author tries specifically to answer the following research questions:

1. How do government entities in Indonesia often commit fraud?
2. What is the role and performance of BPK in preventing fraud committed by these government entities?
3. How do audit findings in the form of non-compliance due to fraud pose a financial impact? Moreover, what contribution has BPK made to this issue?

RESEARCH METHOD

This study uses a qualitative method to explain the role of BPK in detecting fraud committed by government entities in Indonesia. According to Noor (2015), the qualitative research method is a method that emphasizes more aspects of an in-depth understanding of a problem and examines it on a case-by-case basis as the nature of one problem will be different from the nature of another problem. Furthermore, Moleong in Noor (2015) states that the source of qualitative research data is evidence obtained in the form of spoken or written words observed by researchers and objects observed in detail; therefore, meaning and conclusions can be drawn from the documents obtained.

This study uses secondary data and is carried out using field observation methods. The data obtained were sourced from the Audit Report published by BPK from 2016 to 2020 and Summary of Semester Audit Results (Ikhtisar Hasil Pemeriksaan Semester, IHPS) from 2017 until 2021. IHPS is a summary containing all BPK audit reports in one semester and audit follow-up

monitoring. Critical content analysis was used to describe the audit report, IHPS report, and the SPKN 2017. In addition, the authors also interviewed several senior BPK auditors to gain their perspective and experience in conducting audits and observing various training activities and webinars.

RESULT AND DISCUSSION

Fraud in Government Entities in Indonesia

Government entities commit fraud at the national and subnational levels regarding the management and accountability of the State Budget (Anggaran Pendapatan Belanja Negara/Daerah, APBN/D), which generally includes leaks on both the revenue and expenditure sides. On the revenue side, leakage occurs due to unregistered budget receipts or not deposited into the State/Regional Treasury Account accordingly, whereas, on the expenditure side, leakages occur as a result of budget expenditures that are greater than the amount allocated.

The following are the types of fraud that may occur in the management of the APBN/APBD that must be recognized and understood by government auditors as an initial step in detecting fraud. The authors obtain, analyze and summarize these types of fraud based on observations of compliance audit findings reported in the IHPS 2017-2021, literature study, training activities, and discussions or interviews with senior auditors.

1. Type of Fraud in the procurement of goods/services

Procurement of government goods/services by Ministries/Institutions/Regional Apparatuses is financed by the APBN/APBD, in which the process starts from the identification of needs to the handover of the work. Procurement activi-

ties are based on the budget plan, and its implementation begins from the planning stage to payment. At each stage of this procurement, activity is very prone to fraud, whether in the budgeting, planning, provider selection, or implementation and payment stages.

In the budgeting stage, the fraudulent activities that often take place include (1) the preparation of the budget without going through the APBD stages or the budget being deliberately infiltrated; (2) Marking up the value of the budget that has already been prepared or planned; (3) budget proposals are prepared globally without specific details on the quality and quantity of goods or services; (4) there is a budget allocation for certain parties; and (5) the budget is prepared using data from the winning company that has been planned previously. In the planning stage, fraudulent activities that often take place include (1) the Self Estimated Price (Harga Perkiraan Sendiri, HPS) document exceeds the HPS validity period and is not supported by valid data; (2) Technical specifications refer to specific products; (3) Marking up the value on HPS; (4) HPS is prepared by prospective providers and without conducting a preliminary survey; (5) The requirements specified in the tender document are discriminatory by design; (6) The procurement method is determined through e-purchasing although the goods to be purchased are not yet available in the e-catalog or vice versa; and (7) There are indications of unfair competition.

In the provider selection stage, the most common fraudulent activities that often take place include (1) The occurrence of conspiracy both vertically and horizontally; (2) Evaluation of pro forma tenders to win certain parties so that implementation does not exist; (3) The occurrence of infor-

mation leakage intentionally on the value of HPS in the implementation of the tender; (4) The bids of the bidders are controlled by one particular person or party; (5) Prospective providers provide incorrect documents/information in the procurement process. In the implementation and payment stages, fraudulent activities that often occur are: (1) Minutes of Hand-over are signed pro forma or not by the actual customers; (2) Work is intentionally transferred to another party; (3) The results of the work do not match the agreed contract specifications; (4) Addendums are made to avoid critical contracts; (5) Payments are still made 100% even though the activities are not carried out/not by the contract; (6) The value of the performance guarantee cannot be disbursed; (7) Funds are channeled to parties who are not entitled to receive such.

2. Types of fraud in land acquisition

According to President Regulation (Peraturan Presiden), Number 65 of 2006, land acquisition is an activity to obtain land from those who release or relinquish land, buildings, plants, and objects related to land. The procedure for land acquisition for development implementers consists of a preparation stage and an implementation stage. Several types of fraud in the preparatory stage are manipulating public consultations even though they are not carried out, issuance of a Location Determination Decree without going through a Public Consultation, land surveys purchased are not land that has been previously surveyed, and minutes of survey results are not based on surveys that have been carried out.

At the implementation stage, fraud that usually occur are the procurement committee is not preparing documents properly, manipulation of the assessment results to mark up the compensation val-

ue, providing compensation to unauthorized parties, duplication of compensation payments for the same land object, and distribution of land to avoid a lengthy process. In addition, there was fraud involving third parties, such as the Deed of Release of Rights made pro forma by a Notary/Land Deed Officer (Pejabat Pembuat Akta Tanah/PPAT), identification and inventory carried out by unauthorized parties, and the survey team did not carry out activities according to the provisions. The procurement committee prepares documents for the procurement process however it is not executed accordingly.

3. Types of fraud in the inventory money management

Inventory Money (Uang Persediaan, UP) is a work advance in a certain amount given to the Expenditure Treasurer to finance the working unit's operational activities or expenses. According to its nature and purpose, money is not possible through a direct payment mechanism. Some of the fraudulent activities that often occur within the management of UP are fictitious spending or exceeding what it should be; realization of expenditures without evidence; evidence of liability testing or verification not performed; UP funds are used to cover the previous year's liabilities/lapping; UP is used not according to its designation; no periodic cash checks; mark up proof of liability; taxes collected and/or remaining UP are not deposited into the State Treasury, and the Expenditure Treasurer is deemed incompetent.

4. Types of fraud in personnel expenditures

According to Minister of Finance Regulation (Peraturan Menteri Keuangan, PMK) Number 102/PMK.02/2018, personnel expenditure is in the form of compensation paid to domestic and foreign govern-

ment employees. These include State Officials, Civil Servants (Pegawai Negeri Sipil, PNS), and employees who are not civil servants as compensation for the work given to support the duties and functions of government organizational units. Several fraudulent activities that often occur in personnel expenditure activities are budget proposals/revisions that are not by conditions or needs; there is no nominative list as the basis for submitting allowance/honorary payments, and the process carried out by the operator is not verified by the Commitment Making Officer (Pejabat Pembuat Komitmen, PPK) and the Paying Order Signing Officer (Pejabat Penandatanganan Surat Perintah Membayar, PPSPM). In addition, there is fraud related to the disbursement of allowances and honoraria for recipients who are not entitled or repeatedly/doubled and overpayments for employees' personal expenses and other purchases without the budget availability.

5. Types of fraud in business trip expenditure

A business trip is an activity carried out by central and regional state officials with both APBN/APBD funding sources. Some frauds that often occur in business travel expenditure activities are fictitious Official Business Trip Orders (Surat Perintah Perjalanan Dinas, SPPD) and fictitious assignment letters, the distribution of the proceeds from the disbursement of the fictitious SPPD fund as a welfare honorarium, and the use of fake documents as business trip evidence such as airline tickets, boarding passes, and hotel bills.

BPK's Role in Preventing Fraud Committed by Government Entity

Based on the preceding, this study will further describe BPK's efforts in taking preventive actions to reduce fraudulent activities, as

well as the involvement and role of the community in supporting BPK in fraud prevention efforts. Thus the various types of fraud described in the previous section can be minimized, sound governance can be realized, and corruption can be reduced.

Othman, Aris, Mardziyah, Zainan, and Amin (2015) explain that accountants in the public sector play an essential role in fraud detection and prevention. The government should consider providing more hotlines on fraud, improving whistleblowing policies, and establishing a forensic accounting department in the public sector to improve fraud prevention mechanisms (Othman et al., 2015). BPK, as the external auditor, has followed the development of public sector audits and responded to the expectations of the public and stakeholders concerning the role of BPK. Based on BPK Regulation Number 10/K/I-XIII.2/11/2016 concerning the Organization and Implementing Work Procedure of the BPK, a new organizational structure at the echelon I level is established, namely the Directorate General of Investigative Audit (Auditorat Utama Investigatif, AUI). It has the task of carrying out an investigative audit on the management and responsibility of state finances, calculating state/regional losses, and providing expert information. Due to this, the role of BPK is very strategic in detecting fraud in government entities in Indonesia, both at the national and sub-national levels.

According to Tatiana (2017), auditors need to understand the essence of each fraud to classify each type of fraud. Tatiana (2017) also classifies fraud in the public sector as follows:

1. Overspending is fraud in consuming, spending, or doing what is worthless or useless; producing something unprofitable; a waste of budget money;
2. Abuse is the illegal use of official positions or budgetary resources committed by offi-

cial for their gain;

3. A kickback is the return of the financing portion of a budget to an official's pocket, usually in cash or transfer as a percentage of the allocated amount;
4. Accounting fraud refers to the intentional manipulation of accounting records;
5. Procurement fraud is all types of fraud during the process of procurement of government goods/services;
6. Misappropriation of assets occurs when a person entrusted with managing assets belonging to the public sector commits theft or uses assets for personal gain by officials;
7. Bribery and corruption are defined as offering, giving, receiving, or soliciting anything of value for an illegal advantage with influence on the actions/inactions of officials in charge of public duty.

The Government of the Republic of Indonesia established the National Public Service Complaint Management System (Sistem Pengelolaan Pengaduan Pelayanan Publik Nasional, SP4N) – People's Online Aspirations and Complaints Service (Layanan Aspirasi dan Pengaduan Online Rakyat, LAPOR!) as specified in Presidential Regulation Number 76 of 2013 and Regulation of the Minister of State Apparatus Utilization and Bureaucratic Reform (Peraturan Menteri Pendayagunaan Aparatur Negara Dan Reformasi Birokrasi, Permenpan RB) Number 3 of 2015. SP4N LAPOR! delivers all aspirations and complaints of the Indonesian people through several complaint channels, namely the website www.lapor.go.id, SMS, Twitter, and mobile applications. SP4N LAPOR! will be a complaint management application in all government agencies at the national and sub-national levels.

Meanwhile, institutionally, BPK also plays a role in the disclosure of public information. BPK guarantees the disclosure of public information that is easily accessible as a

provision of the rights of citizens or the public to obtain information. BPK provides and announces public information through, among others, the BPK website and the Information and Communications Center (Pusat Informasi dan Komunikasi, PIK). This is stipulated in BPK Regulation Number 3 of 2011 concerning Public Information Management. BPK provides and announces public information through, among others, the BPK website and the PIK. BPK has provided an online platform by providing an Electronic-Information and Documentation Management Officer (elektronik-Pejabat Pengelola Informasi dan Dokumentasi, e-PPID) menu via the web with the address: <https://e-ppid.bpk.go.id> as a form of public service. The public can use this facility to request information and submit complaints more comprehensively without paying extra costs for physically coming to the center. The public can also submit documents/forms and their submission requirements online. Furthermore, BPK provides and announces information through PIK. PIK is located at the BPK Head Office and every BPK representative office.

Since 2018, BPK has begun to develop new online media that are easier to access anywhere and anytime. This is in response to the development of digital technology, which is rapidly developing and increasing access to online media by the public. The online media in the form of an Android-based mobile application is called SIPADU (Sistem Pemantauan Aplikasi Pengaduan). The SIPADU application allows the public to obtain information related to BPK and submit online complaints reports to BPK via mobile phones wherever they are. With this application, the public can submit requests for information related to BPK, complaints related to problems in managing state finances, or fraud committed by government entities through public information channels established by BPK (BPK RI, 2020).

People who want to complain about problems related to state financial management or report fraud committed by government entities can do so online by creating an account and registering through the SIPADU application or the website <https://e-ppid.bpk.go.id>. The PIK officer will verify the complainant's identity and the attached evidence's completeness. If the requirements are complete, the PIK Officer will process the submission of the complaint report to be forwarded to the relevant work unit. The reporter can check the progress of the complaint on the application that has been used regularly. This service is free of charge.

BPK has also planned strategic initiatives to prevent fraud or corruption in its development, as outlined in the 2020-2024 Strategic Plan (BPK RI, 2020a). The strategic initiatives initiated are the Strategic Initiative led by the Inspectorate General, namely the Integrity Management System (Sistem Manajemen Integritas, SMI), and the Strategic Initiative led by AUI, namely the Development of a Corruption Prevention Strategy Based on the Results of the State Financial Audit. SMI is a comprehensive system that harmonizes all existing integrity systems to create the dignity, honor, image, and credibility of BPK economically, efficiently, effectively, and according to principles. Implementing this strategic initiative is hoped to prevent future integrity violations, not only to identify integrity violations but also to provide assurance that the implementation of BPK's duties and BPK's institutions have been managed based on BPK's basic values. SMI consists of an Integrity Assurance Management System and an Integrity Risk Management System.

Compliance Audit Findings with Financial Impact Due to Fraud

The formulation of a corruption prevention

strategy based on BPK's audit report will be achieved by increasing the capacity of investigative audits, strengthening non-investigative audits based on fraud risk, developing a corruption prevention system at the BPK, and strengthening the corruption prevention system in entities (BPK RI, 2020b). At the end of the 2020-2024 strategic plan period, this activity is expected to achieve one of the expected conditions: increasing stakeholder confidence in BPK's performance in preventing and eradicating corruption.

The generally accepted accounting principle for the government sector is Government Accounting Standards (Standar Akuntansi Pemerintah, SAP). SAP establishes additional reporting standards, one of which is compliance with the provisions of laws and regulations. Auditing financial statements aim to provide an opinion on the fairness of the financial information presented in the financial statements (Alfiani, Rahayu, & Nurbaiti, 2017). Criteria for giving an opinion on financial statements include compliance with SAP, adequacy of disclosure, compliance with laws and regulations, and the effectiveness of the internal control system.

The statement of financial audit reporting standards related to compliance must disclose that the auditor has performed tests on compliance with the provisions of laws and regulations that have a direct and material effect on the presentation of financial statements. Furthermore, the compliance report revealed: (1) non-compliance with the provisions of laws and regulations, including disclosure of administrative irregularities, violations of civil engagements, as well as irregularities containing elements of criminal acts, and (2) significant non-compliance (Yunanti, 2016).

BPK has two criteria for providing an opinion on the audit of financial statements: assessing the effectiveness of the internal control system and assessing compliance with the provi-

sions of laws and regulations. This study presents the development of specific audit findings related to findings of compliance with laws and regulations identified by BPK during the last five years for both central and local governments. The progress of the audit findings on compliance presented is data obtained from the IHPS for 2017 to 2021 on financial audits.

In the last five years, from 2016 to 2020, there has been a decrease in the number and value of non-compliance findings reported in Ministry/Agency financial audit reports (Laporan Keuangan Kementerian/Lembaga, LKKL), as presented in Table 1. Based on Table 1, it can be seen that compliance findings that have an impact on returning money to the state treasury or transferring assets have been carried out by government entities, and the trend tends to increase every year and increase significantly in 2020. In 2020, the amount deposited reached 22.20% of the total non-compliance findings, whereas, in previous years, it only ranged from 0.87% to 5.99% of the total non-compliance findings. This shows that government entities are committed to following up on recommendations and making yearly improvements. This is inseparable from the BPK's encouragement to monitor the audit results effectively and ensure that state assets are used according to their designation and reused for the community's welfare. BPK significantly contributes to saving and protecting state assets from fraud committed by individuals who are not responsible for managing state finances in ministries/agencies.

The trend of the development of the number and value of non-compliance findings in the last five years on local government's financial audits conducted by BPK Representatives is presented in Table 2. Table 2 shows that local government financial audit compliance findings differ from the central gov-

Table 1. Non-compliance Findings in Central Government from 2016 to 2020

In billions Rupiah

Compliance Findings	2020		2019		2018		2017		2016	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
* Loss	397	707.18	427	573.70	525	447.51	535	613.83	583	518.04
* Potential loss	46	257.35	43	558.14	46	553.67	49	2,275.73	52	507.09
* Lack of Receipt	162	1,630.77	154	2,188.80	160	2,935.01	186	521.60	198	15,050.55
financial impact (1)	605	2,595.30	624	3,320.64	731	3,936.19	770	3,411.16	833	16,075.68
Administrative irregularities (2)	413		384		371		367		402	
Total (1) + (2)	1,018	2,595.30	1,008	3,320.64	1,102	3,936.19	1,137	3,411.16	1,235	16,075.68
Depositing money to the state treasury or handing over assets		576.27		199.08		185.77		103.32		140.81

Source: BPK RI (2017, 2018, 2019, 2020, 2021)

ernment's. The local government's compliance findings tend to fluctuate over the past five years regarding the number of findings and their value. Likewise, the deposit of money into the regional treasury or the delivery of assets also fluctuated. This illustrates that local governments have different and varied characteristics in the management and accountability of local finances; thus, compliance findings also vary in type, value, and amount between regions.

Seeing this phenomenon, the head of the local governments needs to give serious attention to implementing the policies they take and maximize the vital role of internal auditors/government internal supervisory apparatus (Aparat Pengawas Internal Pemerintah, APIP) in overseeing budget implementation. In addition, there is a need for synergy between BPK auditors in each region to have the same understanding of the findings identified in each region. With this understanding, it is hoped that the BPK auditor can provide recommendations that can be understood and followed up by local governments to make improvements for the next period. That way, the trend of finding com-

pliance with financial impact can be suppressed. In regional financial management, BPK also contributes to saving and securing assets managed by local governments from fraud committed by irresponsible individuals. One is the return to the regional treasury for non-compliance findings that have a financial impact as a follow-up to the BPK audit results.

CONCLUSION

Auditors must comprehend and be able to identify the types of fraud that occur in the management of state finance, mainly in the procurement of goods/services, land acquisition, inventory money management, personnel expenditures, and business trip expenditure. Furthermore, it is helpful for government entities as a warning in managing and accounting for state/regional finances so that they can be avoided to minimize the occurrence of fraud in the future.

BPK monitors the follow-up on the results of the audit to ensure that the entity's recommendations and management improvements

Table 2. Non-compliance Findings in Local Government from 2016 to 2020

In billions Rupiah

Compliance Findings	2020		2019		2018		2017		2016	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
* Loss	2,645	1,194.38	2,147	898.30	2,642	1,304.81	2,903	1,540.60	2,525	1,130.17
* Potential loss	549	260.36	359	342.86	426	308.85	426	317.87	413	419.60
* Lack of Receipt	854	623.87	715	285.75	933	577.78	868	686.49	846	537.72
financial impact (1)	4,048	2,078.61	3,221	1,526.91	4,001	2,191.44	4,197	2,544.96	3,784	2,087.49
Administrative irregularities (2)	2,247		2,103		2,258		2,361		2,331	
Total (1) + (2)	6,295	2,078.61	5,324	1,526.91	6,259	2,191.44	6,558	2,544.96	6,115	2,087.49
Depositing money to the state treasury or handing over assets		310.42		285.79		434.78		476.65		388.19

Source: BPK RI (2017, 2018, 2019, 2020, 2021)

have been fully implemented. The downward trend in audit findings of ministry/institutional financial statement audits followed by an increase in depositing losses to the state treasury or handing over assets shows that the results of BPK's audits and recommendations can improve the management of state finances and suppress fraud that occurs. Whereas in the local government tends to fluctuate due to each region's different characteristics and management. Monitoring by APIP as the government's internal auditor needs to oversee budget planning and implementation effectively. On the other hand, BPK has made efforts to prevent fraud by initiating a complaint service that can be utilized by the public if there are indications of fraud committed by government agencies.

The results of this study contribute to knowledge regarding the types of fraud to watch out for or the possibility of fraud committed by government entities. One of the auditor's roles is to protect state assets from unscrupulous persons so that the budget can be fully utilized for the community's welfare.

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