

Analysis of The Occurrence of repeated BPK Audit Findings in The Financial Statements of a Government Institution

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ABSTRACT

One tangible manifestation of the implementation of transparency and accountability of government institutions is through the preparation of relevant and reliable government financial reports. To ensure the quality of Government Financial Reports, the State Audit Board (BPK/Badan Pemeriksa Keuangan) audits related to state financial accountability are carried out in order to provide an opinion on the fairness of the information presented in the government's financial statements. Based on the results of BPK audits on government institution, there are still repeated findings, namely findings with the same problems and repeated from year to year. This study aims to determine the factors that cause repeated findings in BPK audit results and propose appropriate strategies to prevent the occurrence of repeated findings. The research technique used is qualitative, with data collection through literature study, data observation of BPK audit results and interviews. Interviews will be conducted with internal parties such as financial managers, asset managers, commitment makers, and internal auditors. In addition, interviews will also be conducted with external parties, namely the BPK auditors. The results showed that the causes of repeated findings were due to man, budget, organization, technology, regulation factors and internal control factors.

Keywords: Audit, Internal Auditor, Repeated Findings, Strategy

JEL Classification: D73, H11

INTRODUCTION

To perform government functions effectively, the government collects various forms of revenue from the people and then spends it on administering government in the context of serving the people (Runtunuwu & Tussabaha, 2020). For a good government, measuring organizational performance is an urgent task that must be completed (Marzuki et al., 2020). Several variables affect a region's government's performance, including public involvement, internal control mechanisms, openness in regional financial management, public accountability, and financial statement quality (Sumual, 2018). As an agent, the government is required to account to the people represented by the House of Representatives (DPR/Dewan Perwakilan Rakyat) for its financial management.

There is an imbalance in the ownership of information in the pattern of relations between the Government as agent and the House of Representatives as representative of the principal. Representative institutions lack sufficient information to determine whether the government's accountability report on financial management accurately reflected actual conditions, whether it complied with applicable laws and regulations, implemented an adequate internal control system, and disclosed all relevant information. As a result, an impartial and competent third party is required to examine the accountability report. According to Law No. 15 of 2004 on Audit of Accountability and Management of State Finances, the State Audit Board (BPK/Badan Pemeriksa Keuangan) is authorized to conduct audits of these accountability reports. BPK's responsibility as an external auditor is not limited to ensuring compliance with auditing rules and standards, it also includes discovering and reporting fraud and other irregularities that might undermine public trust in financial statements (Sailendra et al., 2020).

A quality financial statement is one that is understandable, relevant, comparative, and trustworthy. Aside from that, the auditor's judgment may be used to convey the quality of financial statements (Kawatu et al., 2018). BPK audits of state financial accountability are conducted in accordance with Law No. 15 of 2006, in order to provide an opinion on the fairness of the information presented in the government's financial statements. BPK audits include the identification of problems, analysis, and evaluation of all stages, independently, objectively, and professionally based on examination, with the purpose of determining the truth, accuracy, credibility, and reliability of information pertaining to the management and responsibility of state finances (Musa, 2015).

The term "opinion" refers to a professional declaration by the examiner about the fairness of the financial information included in the government's financial statements (Premananda & Latrini, 2017). According to the explanation of Law No. 15 of 2004, there are types of opinions given by BPK, namely unqualified opinion, qualified opinion, adverse opinion, not expressing an opinion, disclaimer.

Obtaining views from BPK has an effect on a Ministry's/Government Agency's reputation and degree of public confidence. Because the view reflects the agency's performance and responsibility. According to the findings of a research conducted by Banyubiru (2012), BPK's opinion has a substantial beneficial impact on the Government's performance score. Along with affecting the government's reputation for performance, BPK's view on the financial statements of government agencies has an effect on the bureaucratic reform index's outcomes. Because getting BPK's opinion has such a significant effect on the Government, Government Agencies constantly attempt to acquire WTP opinion from BPK.

The BPK highlights a number of issues, one of which is the repeated finding. Agung Firman Sampurna, Chairman of BPK, stated that the results of the BPK's audit revealed

that recurrent findings in the Government Financial Statements persisted, despite the fact that BPK had made suggestions to improve these findings in the previous year's financial statements. Therefore, in this study, the causes of repeated findings in a government institution will be analyzed.

LITERATURE REVIEW

Repeated Findings

According to Holland & Ge (1999), repeated findings are findings in which the agency did not take mitigation actions from the prior audit and therefore the auditor repeats its recommendations in the subsequent audit. According to Sadu (2017), an increase in recurring outcomes often suggests that the underlying cause of a control weakness has not been effectively addressed. When auditors make similar recommendations, the underlying causes of these control flaws are often related to human factors. A good working environment can improve the auditor's performance and increase public trust in the auditor's independence in auditing financial statements (Merawati, 2019).

Numerous prior studies have examined the frequency of repeated findings inside government organizations. Nunu et al., (2017) discovered that several factors contributed to repeated findings, including: 1) ineffective audit coordination and communication; 2) a lack of integrity and ethical values; 3) ineffective internal control systems; 4) a lack of management commitment; 5) financial manager mutation; and 6) regulatory changes.

Yunanti (2016) says that improving communication and coordination with BPK, increasing employee competence related to regulations, and assisting the Inspectorate's implementation of internal control can all be used to prevent recurrences. Other strategies include emphasizing leadership understanding and commitment in achieving organizational goals, and implementing the government's internal control system (SPIP/Sistem Pengendalian Intern Pemerintah). Internal control is a significant problem in every organization that wishes to succeed and achieve its objectives; alternatively, it may be characterized as measures done by organizations to increase the likelihood of their goal actualization (Wardani, 2017).

To avoid repeating findings, Sayekti, (2017) suggests the following solutions: (1) completion of long-term follow-up; (2) application of stringent penalties; (3) bolstering parties engaged; and (4) development of a follow-up SOP to track findings and suggestions.

Problem Analysis

An understanding of problem analysis provides the abilities necessary to explain any scenario in which a desired level of performance is not achieved and the reason for the unsatisfactory performance remains ambiguous. Problem resolution necessitates the use of causal reasoning. A issue is the apparent result of a cause that occurred in the past. We must relate the observed consequences to their precise sources. Only then can we be certain of taking proper corrective action, that is, action that will solve the issue and prevent it from repeating (Kepner, Charles Higgins, 1981).

Fishbone Analysis

The Fishbone diagram is a technique for determining the underlying causes of quality issues. The fishbone diagram is primarily used to illustrate the connections between an event (effect) and its numerous occurring causes. The diagram's structure enables team members to think in a highly methodical manner (Romana, 2010).

Value Focused Thinking (VFT)

Traditional decision-making methods, according to Keeney (1996), focus on alternatives. A choice is only significant if it creates new values. As a consequence, starting with values should be the first step in evaluating choice conditions. An important resource for making better decisions is hard thinking. VFT helps to harness this resource. In contrast to alternative-focused thinking, VFT has a distinct set of objectives and mental processes. The goal of VFT is to assist decision-makers. VFT is to identify and create desired choice options (Keeney, 1997).

RESEARCH METHOD

The data collecting approach will be via interviews and data observation. Data observations are made on the BPK audit report on the PQR institution's financial statements in order to fully comprehend the issues that emerge as recurring findings in conjunction with BPK's suggestions. Internal parties who have received repeated findings from BPK audit results were interviewed, as were internal auditors who accompanied BPK audits or handle follow-up on BPK audit results. Auditors from BPK who have audited the financial statements of PQR institution. Then, using fishbone and issue tree analysis, we will determine which variables contribute to recurrent results. The next stage is to determine methods for preventing repeated findings via the use of VFT.

RESULTS AND DISCUSSION

The results of the observation of the data findings based on the BPK audit report on the financial statements of the PQR institution, there are several problems that become recurring findings. The data are as follows:

Table 1. Repeated findings in PQR institution based on BPK audit report 2016-2020

Repeated Findings	Year				
	2016	2017	2018	2019	2020
Non-tax revenue management	√	√	√	√	√
Assets and inventory management	√	√	√	√	√
Procurement process lacks volume	√	√	√	√	√
Penalties in procurement	√	√	√	√	√
Planning of procurement process	√	-	√	√	√
Procurement mismatches	-	√	√	-	√
Budgeting	√	√	√	√	√

The data used to evaluate business issues is derived not only from the BPK audit report, but also from interviews with internal stakeholders such as those responsible for activities, decision makers in the procurement process, internal auditors responsible for monitoring the follow-up to BPK audit results, and external stakeholders such as BPK auditors who have audited at PQR institution. Interviews were undertaken to get information on the variables that contributed to and influenced the repeated findings. From the results of the interview, it is known that there are 12 factors causing repeated findings which are categorized into 6 main categories, namely: (1) man; (2) budgets; (3) organization; (4) technology; (5) regulatory factors; (6) internal control factors as listed in table 2. The explanation for each causal factor can be seen in table 3.

Table 2. The reasons for the repeated findings after conducting interviews

No.	Causative factor	Frequencies	Percentage
Budget factor			
1.	Big managed budget	1	1,3%

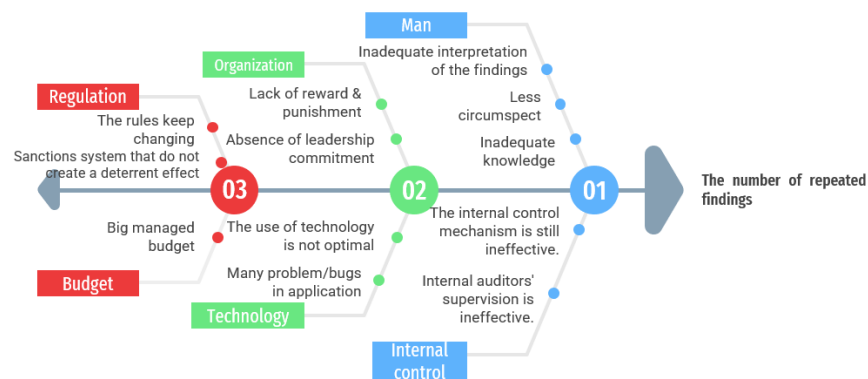
No.	Causative factor	Frequencies	Percentage
Organization factor			
2.	Lack of reward & punishment	2	2,6%
3.	Absence of commitment from the leadership	1	1,3%
Man factor			
4.	Less circumspect	1	1,3%
5.	Inadequate knowledge	8	10,4%
6.	Inadequate interpretation of the findings	3	3,9%
Internal control factor			
7.	The internal control mechanism is still ineffective.	7	9,1%
8.	Internal auditors' supervision is ineffective.	1	1,3%
Regulation factor			
9.	The rules keep changing	3	3,9%
10.	Sanctions system that do not create a deterrent effect	3	3,9%
Technology factor			
11.	The technology is not being used optimally.	1	1,3%
12.	Many problem/bugs in application	2	2,6%

According to respondents, repeated findings are mostly the result of non-compliance with rules and failure to improve upon prior findings.

Problem analysis

From the results of the interview then designed a fishbone diagram as follows:

Figure 1. Fishbone Analysis



While some of the impacts of repeated findings based on the results of interviews include it influence of the determination of BPK's opinion, programs and activities become ineffective, no improvement in the system, deterioration of the image of agencies, reduce quality of financial reports, stakeholder trust level is decreasing.

Table 3. Description of Root Cause

No.	Possible Root Cause	Explanation of Root Cause
Budget factor		
1.	Big managed budget	In a fiscal year, the total budget handled by institution. The larger the budget, the more challenging it is to manage.
Technology factor		
2.	The technology is not being used optimally.	While the availability of different forms of technical assistance may help minimize human error, this objective cannot be accomplished if the existing information technology is not used correctly and efficiently.

No.	Possible Root Cause	Explanation of Root Cause
3.	Many problem/bugs in application	Weaknesses or mistakes in government organizations' application systems, particularly those linked to financial, asset, or procurement management, may result in recurrent discoveries.
Man factor		
4.	Less circumspect	Ignorance on the part of the head and workers in a work unit may result in the suggestions made by BPK not being implemented, resulting in them becoming findings in the following audit.
5.	Inadequate knowledge	Employees who lack adequate expertise at work will face many difficulties, resulting in waste of resources, time, and energy, which will result in numerous inaccuracies in their job.
6.	Inadequate interpretation of the findings	Due to the auditee's misinterpretation of the audit recommendations, the issue may remain unresolved.
Internal Control factor		
7.	The internal control mechanism is still ineffective.	If an organization's internal controls are lax, there is a high probability of a problem or fraud occurring.
8.	Internal auditors' supervision is ineffective.	Internal auditors' lack of supervisory and consulting responsibilities may result in recurrent findings from BPK's audit reports.
Regulation factor		
9.	The rules keep changing	Rapid regulatory changes, if not supported by an auditee's clear knowledge, may result in a significant likelihood of deviations, with the same findings/deviations occurring again in subsequent years.
10.	Sanctions system that do not create a deterrent effect	Sanctions against external parties have no deterrent impact and may encourage service providers to be careless or to breach contracts that have been signed and fully agreed upon.
Organization factor		
11.	Lack of reward & punishment	Absence of severe penalties against the subject of the assessment if repeated results result in apathy and do not promote development.
12.	Absence of commitment from the leadership	Commitment from leaders who act positively and are capable of anticipating the development of irregularities that are harmful to state finances in order to prevent the same issue from occurring again in the future.

Value-Focused Thinking

Identifying Objectives

Interviews with the head of internal audit, internal auditors, and commitment makers who had repeated findings were used to determine goals in this study. On the basis of the interview, the fundamental and means goals were established. A number of methods are used to investigate objectives, including wishlists, alternatives, and issues. The interview-generated list of goals comprises 10 means objectives and 5 fundamental objectives. Duplicate objectives have been removed, and similar topics have been grouped.

Table 4. Fundamental and Means Objectives in Prevent Repeated Findings

No.	Objectives	Example of evidence from interviews
Fundamental objectives		
1.	Enhance organization image	Repeated results have a significant impact on institution's public image.
2.	Enhanced accountability	Repeated findings may cast doubt on an organization's responsibility.
3.	Reduce corruption case	Repeated discoveries in the form of money returned to the state are believed to be indicative of a corruption case.
4.	Increase efficiency	As stated in the institution strategic plan, the primary goal is budget execution efficiency.
5.	Increase effectiveness	Effective budget performance is also a goal in the strategic plan.

No.	Objectives	Example of evidence from interviews
Means objectives		
1.	Enhance the financial statement's quality	Repeated discoveries have a significant impact on the balance sheet; for example, repeated findings in the form of asset recording mistakes cause the balance sheet data to be inconsistent with real circumstances.
2.	Enhance the function of internal auditors	Internal auditors are required to reduce recurring findings.
3.	Maximize the usage of technological information	Others were not utilized to their full potential because of many problems that remain in the program.
4.	Get WTP opinion from BPK	Repeated results must be limited since they have the potential to influence BPK's opinion determination.
5.	Optimize asset management	There are many recurrent problems with asset recording that must be addressed.
6.	Enhance the procurement process	Procurement of products and services is another issue that often manifests itself.
7.	Better the administration of non-tax revenue	One of the recurrent results is the state's handling of non-tax income.
8.	Enhance the follow-up on BPK audit recommendations.	Effective communication with BPK is required to ensure appropriate follow-up on results.
9.	Improve human resources' understanding of state financial management	At the moment, the majority of individuals responsible for asset management are new hires, and as a result, their competency is low.
10.	Optimize the performance budget's value	Budget performance is a goal that must be met in accordance with the institution Strategic Plan.

Strategic to Prevent The Repeated Findings

After applying the VFT methodology, a series of alternatives were generated including:

1. Improve employee competence
2. Improve communication and coordination with BPK
3. Increase the quantity and quality of coaching to all work units
4. Improve the implementation of the internal control system
5. Make a priority scale for the completion of findings
6. Increased commitment and integrity for all employees, including leaders
7. Provide strict sanctions for violators

CONCLUSION

From the results of the study, it is known that repeated findings are caused by 6 main factors : (1) man; (2) budget; (3) organization; (4) technology; (5) regulation factors; (6) internal control factors. Repeated findings have a major impact on government agencies, among others, can affect the determination of BPK's opinion, programs and activities become ineffective, no improvement in the system, deterioration of the image of agencies, reduce quality of financial reports, stakeholder trust level is decreasing. Based on VFT approach, there are several strategies to prevent repeated findings, including: (1) improve employee competence; (2) improve communication and coordination with BPK; (3) increase the quantity and quality of coaching to all work units; (4) improve the implementation of the internal control system; (5) make a priority scale for the completion of findings; (6) increased commitment an integrity for all employees, including leaders; (7) provide strict sanctions for violators.

LIMITATION

The focus of this study is BPK's audit findings on the financial statements of PQR institutions for the audit years 2016-2020.

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DECLARATION OF CONFLICTING INTERESTS

The authors declare no conflicts of interest in preparing this article.

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