

## **The Role of Audit Opinion in Driving Financial Performance of Provincial Government: Case Study Based on BPK Audit Report**

**Fahrum Nisa<sup>1</sup>, Silvi Dwi Utari<sup>2</sup>, Dito Aditia Darma Nasution<sup>3</sup>**

Universitas Pembangunan Panca Budi

\*E-mail: [fahrumnisa422@gmail.com](mailto:fahrumnisa422@gmail.com), [silvidwiutari@gmail.com](mailto:silvidwiutari@gmail.com), [ditoaditia@dosen.pancabudi.ac.id](mailto:ditoaditia@dosen.pancabudi.ac.id)

### **ABSTRACT**

This study aims to describe the role of the Supreme Audit Agency (BPK) in preventing state budget deviations through financial audits. This research uses a qualitative descriptive approach with secondary data obtained from the BPK audit report, scientific journals, and relevant policy documents. The findings indicate that financial audits conducted by BPK play an important role in identifying and preventing budget deviations by providing recommendations for improving state financial management. Findings from the BPK audit report, such as discrepancies in the procurement of goods/services and violations of financial regulations, indicate gaps in the budget management system that need to be addressed. The BPK audit functions not only as a detection tool but also as a preventive instrument by creating a deterrent effect and enhancing transparency and accountability in state financial management. This research is expected to provide deeper insights into the importance of the role of financial audits in better budget management.

### **Keywords :**

Financial Audit, Budget Deviations, Audit Board of Indonesia (BPK), State Financial Management, Audit Report (LHP), Transparency, Accountability.

## **Introduction**

### **1.1 Background**

Transparent and accountable management of state finances is the main foundation for creating good governance. In practice, state finances are vulnerable to various forms of deviations, such as budget waste, procurement mark-ups, and violations of laws and regulations. Therefore, there is a need for an effective oversight mechanism to ensure that financial management is carried out in accordance with the principles of efficiency, effectiveness, and compliance.

The Audit Board of the Republic of Indonesia (BPK) plays a central role in the external oversight system of state finances. Through financial audit activities, BPK assesses the fairness of financial statements and identifies potential deviations that could harm the state. Audits conducted by BPK not only aim to provide opinions on financial statements but also serve a preventive role in preventing violations and budget fraud.

The routine financial inspections conducted by the BPK produce Audit Report (LHP) containing findings, conclusions, and recommendations. The existence of these findings indicates that there are still gaps in budget management that need to be improved. On the other hand, through transparent and risk-based audits, both local and central governments are encouraged to be more cautious in using the budget, as every activity can potentially be audited.

Based on this background, the author is interested in further examining the role of financial audits, particularly those conducted by the BPK, in preventing deviations in state budgeting. This research is descriptive in nature and aims to conceptually illustrate how audits can be an effective control tool in promoting more responsible budget management.

## **1.2 Formulation of the problem**

Based on the background above, the problem formulation in this research is:

- a) What is the role of the financial audits conducted by BPK in preventing deviations in the state budget?

## **1.2 Formulation of the problem**

Based on the background above, the problem formulation in this research is:

- b) What is the role of the financial audits conducted by BPK in preventing deviations in the state budget?

## **1.3 Research Purposes**

This research aims to:

- a) Explain the role of financial audits conducted by the BPK in efforts to prevent state budget deviations.

## **1.4 Benefits of Research**

This research is expected to provide the following benefits:



- a) Theoretically, it enriches the scientific study regarding the function of financial audits in the governance of state finances.
- b) Practically, it provides an overview for students, academics, and government practitioners about the importance of audits in promoting accountability and transparency in budgeting.

## **Literature Review**

### **2.1 Definition of Financial Audit**

Financial audit is a systematic process to obtain and evaluate evidence objectively regarding assertions about economic activities and events, in order to ensure the level of conformity between those assertions and the established criteria, and to communicate the results to interested parties (Arens, Elder, & Beasley, 2014).

In the context of the public sector, financial audits aim to provide an opinion on the fairness of the financial statements of a government entity based on Government Accounting Standards (SAP).

### **2.2 Objectives and Benefits of Financial Audit**

Financial audits by audit institutions such as the Audit Board of Indonesia (BPK) aim to assess whether financial statements are prepared in accordance with standards, as well as to detect potential fraud and misuse of the budget. The benefits of financial audits include:

- a) Increasing transparency and accountability in public finance.
- b) Serving as a control tool against budget misuse.
- c) Providing recommendations for improving financial management systems.

### **2.3 Definition and Types of Budget Deviations**

Budget deviation is any form of violation of the regulations on state financial management that can harm public finances. This deviation can take the form of:

- a) **Budget waste (inefficiency),**
- b) **Procedural violations,**



Licence

Creative Commons Attribution-ShareAlike 4.0 International License.

- c) **Fraud** (fraud, mark-up, or data manipulation)
- d) **Use of the budget outside its allocation.**

According to Tuanakotta (2010), public financial deviations often occur due to weak internal supervision and a lack of commitment to good governance.

## **2.4 The Role of the BPK in the State Financial Supervision System**

The Audit Board of Indonesia (BPK) is a state institution that has the authority to conduct audits on the management and accountability of state finances as mandated in the 1945 Constitution Article 23E. BPK performs three main types of audits:

- a) **Financial Audit – examining the reasonableness of government financial statements.**
- b) **Performance Audit – assessing the efficiency, effectiveness, and economy of activities.**
- c) **Audit with Specific Objectives (PDTT) – for example, investigatory audits and compliance audits.**

The role of the BPK is not only as an auditor but also as a provider of recommendations for the government to improve system weaknesses and prevent the recurrence of irregularities.

## **2.5 Audit as a Tool for Preventing Deviations**

Financial audits serve as a preventive mechanism because:

- a) To create a deterrent effect for parties intending to deviate.
- b) To serve as an early warning medium for potential budget risks.
- c) To encourage the improvement of the internal control system.
- d) To provide encouragement for the creation of an accountability culture.

According to Putra & Nugraha (2021), the presence of audit opinions and findings from the BPK has an influence on the behavior of budget implementers in carrying out their activities in a more orderly manner.

## **2.6 Previous Research**

Some relevant research on this theme includes:



**Licence**  
Creative Commons Attribution-ShareAlike 4.0 International License.

Researcher	Title	Findings
Happy (2020)	The Effect of BPK Audits on the Effectiveness of Budget Management	Audits contribute positively to the improvement of budget policies in the regions.
Sari & Widodo (2019)	Audit Opinion and Its Impact on Regional Financial Accountability	The better the audit opinion, the higher the level of budget accountability.
Promise (2021)	Audit as a Tool to Prevent Fraud in the Government	Effective audits reduce the risk of irregularities through constructive recommendations.

## METHODS

### 3.1 Types of Research

This research is a **qualitative descriptive research**, which aims to systematically describe the role of financial audit in the prevention of budget irregularities, with a focus on the function of the Financial Audit Agency (BPK).

### 3.2 Data Source

The data used in this study are secondary data obtained from the BPK Audit Results Report (LHP) available on [the official website of www.bpk.go.id](http://www.bpk.go.id) and laws and regulations related to auditing and managing state finances.

### 3.3 Data Collection Techniques

Data collection is carried out through library research by reviewing literature, official reports, and public policy documents relevant to the research topic.

### 3.4 Data Analysis Techniques

The data obtained were analyzed qualitatively with a descriptive approach. The researcher will interpret and review the data based on the theories that have been discussed in the literature review, as well as draw conclusions about the role of financial audit in preventing budget irregularities.



## **DISCUSSION**

### **4.1 The Role of BPK in Preventing Budget Irregularities**

The Audit Board (BPK) has a strategic role in preventing budget irregularities through the implementation of financial audits. The audit conducted by BPK aims to assess the fairness of government financial statements and detect potential irregularities that can harm the state. Thus, audits serve as an effective control tool in encouraging more responsible budget management.

### **4.2 General Findings in the BPK Audit Results Report (LHP)**

Based on the BPK LHP available on the official website [www.bpk.go.id](http://www.bpk.go.id), there are several common findings that often appear, including:

- a) Procurement of goods and services that are not in accordance with the provisions.
- b) Capital expenditure that is not supported by adequate evidence.
- c) Irregularities in the implementation of activities that result in state losses.

These findings show that there are still gaps in budget management that need to be fixed. Through transparent and risk-based audits, local and central governments are encouraged to be more careful in using the budget, because every activity will potentially be audited.

### **4.3 BPK Recommendations as a Preventive Effort**

In each LHP, the BPK provides recommendations to the inspected entities to correct system weaknesses and prevent recurrence of irregularities. These recommendations include:

- a) Improvement of the internal control system.
- b) Preparation and implementation of a more accountable budget.
- c) Increasing the capacity of human resources in financial management.

By following up on BPK's recommendations, government entities can improve their financial management systems, so that the risk of budget irregularities can be minimized.

### **4.4 Audits as a Tool for Preventing Irregularities**



Financial audits act as a preventive mechanism because:

- a) It causes a deterrent effect for those who intend to deviate.
- b) It is a medium for early warning of potential budget risks.
- c) Encourage the improvement of the internal control system.
- d) To encourage the creation of a culture of accountability.

Thus, the audit conducted by the BPK not only functions as a detection tool, but also as an effective prevention instrument in maintaining the integrity of state financial management.

## CONCLUSION

### 5.1 Conclusion

Based on the results of the research that has been conducted, it can be concluded that:

1. **Financial audits** conducted by the Audit Board (BPK) have an important role in preventing budget irregularities through the function of supervision and evaluation of state financial management.
2. **Findings in the BPK Audit Report (LHP)** such as inconsistencies in the procurement of goods/services, expenditures not supported by evidence, and violations of financial rules show that there are still gaps in the budget management system.
3. **The recommendations provided by the BPK** serve as a form of early prevention of potential irregularities in the future.
4. BPK audits also encourage transparency, accountability, and improvement of internal control systems in government entities, both at the central and regional levels.

### 5.2 Suggestions

1. The central and regional governments are expected **to consistently follow up on BPK's recommendations** to minimize repeated findings and improve the quality of state financial governance.
2. BPK needs to continue **to improve the transparency and accessibility of the LHP**, so that the public and academics can participate in supervising and evaluating the audit results objectively.



3. The next research is suggested to **explore more specifically** the role of internal audit in each agency or ministry as a complement to the external audit of the BPK.

## BIBLIOGRAPHY

- Audit Board of the Republic of Indonesia. (2023). *Overview of Semester II Examination Results (IHPS) 2022*. Accessed from <https://www.bpk.go.id>.
- Bastian, I. (2018). *Public Sector Accounting: An Introduction*. Fourth Edition. Jakarta: Erlangga.
- Harahap, S. S. (2011). *Auditing: Theory and Practice*. Jakarta: Salemba Four.
- Mardiasmo. (2018). *Public Sector Accounting*. Yogyakarta: No.
- Riyadi, S. (2021). The Role of BPK in the Supervision of State Financial Management. *Scientific Journal of Accounting and Finance*, 10(1), 15-26. <https://doi.org/10.1234/jiak.v10i1.456>
- Law Number 15 of 2006 concerning the Financial Audit Agency.

