

Research Article

The Role of the Audit Board of Indonesia (BPK) in Enhancing Transparency of Regional Financial Management: Evidence from Medan City Government in 2024

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Abstract: Research This aim For analyze role BPK 's strategic push transparency And accountability finance Medan City Government through method qualitative descriptive based studies Literature Review Report Number 131.B/S/XVIII.MDN/05/2024. The results of the study indicate that the Audit Board of Indonesia (BPK) acts as an instrument of radical transparency by uncovering information asymmetry in public funds. Despite achieving an unqualified opinion (WTP), an overpayment of Rp4.44 billion in official travel expenses and a shortfall in regional taxes of Rp5.01 billion were found, indicating weaknesses in internal control. The effectiveness of the BPK is strengthened by binding recommendations in accordance with Law Number 15 of 2004 with a 60-day follow-up deadline. The study concludes that the BPK's independent oversight is a key catalyst for improving regional financial structures for the public interest. The findings emphasize the importance of continuous monitoring and strict enforcement of recommendations to ensure sustained improvements in financial management and accountability within the local government.

Keywords: Accountability; Audit; BPK; Medan City; Transparency.

1. Introduction

Transparency in regional financial management is a fundamental principle in realizing good governance. This principle requires regional governments to present financial information openly, accurately, and accessible to the public as a form of accountability for the use of community-funded resources. Transparency not only increases public trust but also serves as an instrument for social oversight of regional government performance (Mardiasmo, 2018). Furthermore, accountability in regional financial management is a crucial indicator in assessing the government's success in effectively and efficiently carrying out public service functions (Halim & Kusufi, 2014).

To ensure transparency and accountability, the role of an independent external audit institution is necessary. In Indonesia, this function is carried out by the Supreme Audit Agency (BPK), which has the authority to audit the management and accountability of state finances. The BPK's position as a free and independent state institution is regulated in the 1945 Constitution of the Republic of Indonesia and is strengthened by Law Number 15 of 2006 concerning the Supreme Audit Agency and Law Number 15 of 2004 concerning the Audit of State Financial Management and Accountability. Through its audits, the BPK provides an opinion on the fairness of the presentation of financial reports, which serves as an indicator of the quality of government financial management (Bastian, 2010).

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Audit opinions issued by the Supreme Audit Agency (BPK), such as the Unqualified Opinion (WTP), are often used as a benchmark for a local government's success in managing finances transparently and accountably. However, an WTP opinion does not completely reflect the absence of problems in financial management. This is because in practice, audit findings still include weaknesses in internal control systems and non-compliance with laws and regulations (Nasution et al., 2023). Therefore, the BPK's role extends beyond providing an opinion to also provide recommendations for improvements that must be followed up by local governments to improve the quality of financial management (Mahmudi, 2019).

Based on the Audit Report of the Supreme Audit Agency (BPK) Representative Office of North Sumatra Province regarding the Medan City Government, the regional government's financial report received an Unqualified Opinion (WTP). However, several issues were still identified, such as weaknesses in regional revenue management, overpayments for official travel expenses, and delays in completing capital expenditures. These findings indicate that while the financial report is generally presented fairly, transparency and accountability in regional financial management still need to be improved.

Several previous studies have shown that the Supreme Audit Agency (BPK) audit findings significantly influence the quality of financial reports and audit opinions of local governments (Arisandy & Handayani, 2020; Agintha, 2024). Furthermore, weaknesses in internal control systems and non-compliance with regulations have also been shown to impact audit results and the level of accountability in regional financial management (Nasution et al., 2023). However, research specifically examining the BPK's role in promoting transparency in regional financial management in the Medan City Government based on recent audit results is still relatively limited.

Therefore, this study was conducted to analyze in more depth the role of the Supreme Audit Agency in realizing transparency in regional financial management, especially in the Medan City Government in 2024. This study is expected to provide theoretical contributions in the development of public sector accounting studies and become practical evaluation material for local governments in improving the quality of transparent and accountable financial governance.

2. Literature Review

Transparency in Regional Financial Management

Transparency is a key principle of good governance. Transparency in the public sector means the government provides the public with broad access to information regarding policies, decision-making processes, and the management of state or regional finances. Transparency allows the public to understand how the government uses public funds and to monitor its performance.

According to Mardiasmo, transparency in regional financial management is related to the government's openness in providing financial information to the public as a form of accountability for the management of public funds. Similarly, Mahmudi (2019) emphasized that open financial reports serve as a means of communication regarding performance to prevent misunderstandings between the government and the public. With transparency, citizens can directly monitor government performance. This information is usually presented in the form of regional government financial reports prepared according to government accounting standards. This transparency is crucial for increasing public trust in the government and encouraging the creation of an accountable government free from irregularities.

Furthermore, transparency is also a crucial indicator in assessing the quality of regional financial management. A transparent regional government's financial management will be more easily monitored by the public and regulatory bodies, thereby preventing misuse of funds. Therefore, transparency is an integral part of the state financial management system.

Audit in the Public Sector

An audit is a systematic and independent examination of financial reports or specific activities to assess their compliance with established standards. In the public sector, audits aim to ensure that state financial management is carried out effectively, efficiently, and in accordance with laws and regulations.

According to Indra Bastian, public sector audits play a crucial role in enhancing government accountability. Bahrullah (2014) emphasized the significance of compliance audits in ensuring that every rupiah of the public budget complies with applicable regulations. This statement is reinforced by Nordiawan & Hertianti (2010), who stated that audits in the public sector serve as a crucial tool to ensure that public expenditures meet the requirements

of compliance with relevant laws. Audits not only assess the fairness of financial reports but also assess whether government activities have been conducted economically, efficiently, and effectively. Through audits, various weaknesses in financial management can be identified so that the government can make improvements to its internal control system.

Public sector audits typically produce a report containing the auditor's opinion on the fairness of the financial statements. This opinion is a key indicator in assessing the quality of a government agency's financial reporting. Furthermore, the audit report also contains various findings and recommendations that must be followed up by the audited agency.

The Role of Audits in Financial Transparency

Audits are closely linked to transparency in state financial management. The audit process helps ensure that government financial reports comply with accounting standards and reflect the true financial condition. Thus, audits can improve the quality of financial information presented to the public.

According to Abdul Halim, independent audits can increase public trust in government financial reports. This is because audits provide assurance that the financial statements have been reviewed by a competent and independent party. Furthermore, audits can help the government improve its internal control system and increase the effectiveness of budget management.

Through audits, various weaknesses in financial management can be identified and corrected. Therefore, audits are a crucial instrument in promoting transparency and accountability in national and regional financial management.

The Role of the Audit Board in Oversight of State Finances

In Indonesia, the institution authorized to audit state financial management and accountability is the Supreme Audit Agency (BPK). The BPK is an independent state institution tasked with auditing state financial management at both the central and regional governments.

According to Imam Mukhlis Ritonga, the BPK plays a crucial role in maintaining accountability in state financial management. Through its audit process, the BPK assesses the fairness of government financial reports and provides various findings and recommendations that must be followed up by the audited agencies.

The results of the Supreme Audit Agency (BPK) audits are usually presented in the form of an audit report containing the audit opinion, audit findings, and recommendations for improvement. According to research by Arisandy & Handayani (2020), the effectiveness of the BPK's role depends heavily on the regional government's commitment to addressing audit findings and improving future assessments. This audit opinion serves as one indicator used to assess the quality of regional government financial reports. Therefore, the BPK plays a strategic role in increasing transparency and accountability in state financial management.

3. Research Methods

This study uses a qualitative descriptive approach with a literature study method (documentation study). The data used are secondary data sourced from the official document of the Audit Result Report (LHP) of the Republic of Indonesia Audit Board (BPK) Representative Office of North Sumatra Province Number 131.B/S/XVIII.MDN/05/2024. Data collection techniques were carried out by reviewing financial report documents, internal control system audit results, and compliance with laws and regulations. Data analysis was carried out qualitatively by reducing data, presenting findings systematically, and drawing conclusions regarding the effectiveness of the BPK's role in promoting transparency through audit recommendations provided to the Medan City Government.

4. Research Result

Based on the audit conducted by the Audit Board of Indonesia (BPK) on the Financial Report of the Medan City Government (Pemko) for the 2023 Fiscal Year (TA), which includes the Budget Realization Report (LRA), Balance Sheet, to Notes to the Financial Statements (CaLK), it was found that the Medan City Government managed to maintain an Unqualified Opinion (WTP). Although this opinion reflects the conformity of the presentation of material with Government Accounting Standards (SAP), the BPK still found significant weaknesses in the Internal Control System (SPI) and compliance with regulations. LHP data shows three main problem clusters that hinder the optimization of regional finances: Revenue Sector: There is a shortfall in regional tax revenue of Rp5,010,487,193.21 and a loss of potential BPH/TB of Rp45,000,028.10 due to inadequate governance. Employee Expenditure Sector: There was an overpayment of official travel expenses in five SKPDs,

including the Education and Culture Office and the DPRD Secretariat, with a total value reaching Rp4,447,676,528.00. Capital Expenditure Sector: Ten work packages were found in two SKPDs, namely the SDABMBK Service and the PKPCKTR Service, which experienced delays in completion but had not been fined, resulting in the region losing potential revenue of Rp1,071,931,141.47.

Discussion

The role of the Supreme Audit Agency (BPK) in Medan City through Audit Report Number 131.B/S/XVIII.MDN/05/2024 is not merely a routine audit function, but a vital instrument for achieving radical transparency in the use of public funds. By disclosing in detail the Rp4.44 billion overpayment for official travel, the BPK successfully eliminated the information asymmetry between the Medan City Government and the public, which directly forced Regional Apparatus Organizations (OPD) to be more transparent about the cost standards used. This transparency driven by the BPK provides crucial access for the public and legislative institutions in evaluating the effectiveness of regional leadership in managing state assets accountably.

On the other hand, the finding of a Rp 5.01 billion shortfall in regional tax revenue reflects that the digital tax system in Medan City still requires significant strengthening in its audit and collection functions. In this context, the Audit Board (BPK) positioned itself as an internal consultant, providing technical direction for improvements through recommendations that the Head of the Regional Revenue Agency (Bapenda) determine the acquisition value of taxable objects more accurately. This effort demonstrates the BPK's strategy to improve the regional revenue structure from the upstream, as without such an audit, budget leakage in the BPHTB (Regional Property Acquisition) and hotel and restaurant taxes sectors is at risk of continuing without corrective action from the local government.

The strength of the Audit Board of Indonesia (BPK)'s role in enhancing transparency ultimately lies in the binding nature of its recommendations, as mandated by Law No. 15 of 2004. The Mayor of Medan is legally required to follow up on findings, such as remitting excess travel expenses and project delay fines to the regional treasury. The 60-day deadline provided by the BPK serves as a control instrument to ensure transparency does not stop at mere reporting documents but continues with concrete actions to restore regional finances. The BPK's presence ensures that any findings of non-compliance have logical consequences for which the relevant officials must be accountable to the entire Medan community.

5. Conclusion

The research concludes that the Supreme Audit Agency (BPK) plays a crucial role in transforming the financial governance of the Medan City Government. The BPK transformed compliance patterns from purely administrative to instruments for achieving radical transparency. Although the Medan City Government successfully maintained an Unqualified Opinion (WTP) for the 2023 Fiscal Year, the audit results still revealed information asymmetries previously masked by routine procedures. The Supreme Audit Agency (BPK) findings indicate an overpayment of Rp4.44 billion for official travel expenses. Furthermore, there was a shortfall in regional tax revenue of Rp5.01 billion. This fact demonstrates that the BPK's audit function serves as an early detection tool for budget leaks. The findings also highlight weaknesses in the digital tax system, which require immediate strengthening of the audit and collection functions. The BPK's effectiveness extends beyond merely disclosing figures. It ensures accountability through legally binding recommendations, as stipulated in Law No. 15 of 2004. The Mayor of Medan is obligated to follow up on findings within a 60-day deadline. This process includes restoring regional finances by returning overpayments to the regional treasury. This mechanism serves as a catalyst for local governments to fundamentally and sustainably improve their internal control systems for the public good.

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