JIPM

ISSN: 2599-1086 | e-ISSN: 2656-1778 | Vol. 7 | No. 2 | DOI: 10.35166/jipm.v7i2.52

The Alignment of Internal and External Audit Agencies in Administering Public Sector Audits in Indonesia

Maming Genda[1], Ahmad Yani[2], Rezky Amalia Syafiin[3]

[1] Universitas Muhammadiyah Bone, Sulawesi Selatan, Indonesia
[2] Universitas Gadjah Mada, Yogyakarta, Indonesia
[3] Universitas Hasanuddin, Makassar, Indonesia

Corresponding author:
Ahmad Yani | Ahmadyani1996@mail.ugm.ac.id

ABSTRACT

The management of public finance to achieve national prosperity requires the effective, efficient, and integrated work of the existing audit boards. Therefore, continuous evaluation of the alignment of internal and external audit agencies is essential to ensure reliable public financial management and prevent corruption. This study describes the performance and coordination patterns between internal and external audit agencies by detailing their synchronization patterns in administering financial audits in the Indonesian public sector. Using a normative legal research method, the study incorporates legislative and conceptual approaches. The findings reveal that the performance of both internal and external audit agencies in safeguarding public finance from fraud shows varied degrees of effectiveness. However, a comprehensive regulatory framework governing the alignment of these agencies remains absent. Furthermore, synchronization in public finance audits is pursued through a unified regulatory framework, horizontal alignment among agencies, and the establishment of clear boundaries of authority and coordination mechanisms between the internal and external audit agencies. Further research should consider the potential for consolidating various regulations of public sector audits through an omnibus law approach.

Keywords: External audit agency; Internal audit agency; Public sector audits

ABSTRAK

Pengelolaan keuangan negara untuk mewujudkan kemakmuran rakyat membutuhkan kehadiran lembaga pengawas yang efektif, efisien, dan terintegrasi. Oleh sebab itu, evaluasi terhadap kesinambungan lembaga pengawas internal dan eksternal sebagai kunci utama pengelolaan keuangan negara yang baik dan terhindar dari korupsi perlu terus dilakukan. Penelitian ini bertujuan untuk mendeskripsikan kinerja dan pola koordinasi lembaga pengawas internal dengan lembaga pengawas eksternal pengelolaan keuangan negara dengan memaparkan tahapan dan bentuk sinkronisasi keduanya dalam pengelolaan keuangan negara. Metode penelitian yang digunakan adalah penelitian hukum normatif dengan pendekatan perundang-undangan dan pendekatan konseptual. Hasil penelitian menunjukkan bahwa kinerja lembaga pengawas internal dan eksternal dalam menjaga dan melindungi keuangan negara dari *fraud* telah dilakukan dengan nilai realisasi perlindungan dan penyelematan keuangan negara yang bervariasi. Namun, belum terdapat pengaturan yang komprehensif mengenai pola koordinasi lembaga-lembaga tersebut. Kedua, tahapan dan bentuk sinkronisasi pengawasan internal dan eksternal pengelolaan keuangan negara dilakukan melalui pengaturan lembaga pengawasan pengelolaan keuangan negara dalam satu regulasi khusus, pembentukan sinkronisasi horizontal antara lembaga pengawasan secara sejajar, dan sinkronisasi melalui penentuan batas kewenangan dan pola koordinasi yang jelas antara lembaga pengawas internal dengan lembaga pengawas eksternal. Kajian lanjutan perlu dilakukan untuk melihat potensi penyatuan berbagai regulasi yang mengatur lembaga pengawas keuangan negara secara komprehensif melalui mekanisme omnibus law.

Kata Kunci: Lembaga pengawas eksternal; Lembaga pengawas internal; Pengelolaan keuangan negara

ARTICLE HISTORY

Received: May 15, 2024
Revised: September 30, 2024
Published: November 20, 2024

CITATION (APA 7TH)

Genda, M., Yani, A., & Syafiin, R. A. (2024). The alignment of internal and external audit agencies in administering public sector audits in Indonesia. *Journal of Infrastructure Policy and Management, 7*(2), 151–166. https://doi.org/10.35166/jipm.v7i2.52

INTRODUCTION

The role of audit agencies in supervising the management of public finance is closely tied to the implementation of good governance (Ardianto et al., 2023; Setiawan, 2019) as it promotes community welfare and prosperity. Effective and efficient audit agencies in public finance management will, in a *mutatis mutandis* condition, prevent public finance misuse that may lead to fraud or corruption. On the other hand, the presence of audit agencies supports economic stability and national continuity as economic activities and state administration are conducted through public budgeting and financing. A weak auditing or supervision over public finance can lead to the proliferation of corruption and budget misuse that undermine economic management and national stability, as observed in Indonesia's pre-reform era of 1998.

Baswir (1998) asserts that public financial audit is an integral part of the state financial management, which is conducted through both internal and external mechanisms. Internal audit refers to the supervision performed by the government organizational units, whereas external audit is carried out by supervisory boards outside the government's bureaucratic institutions (Baswir, 1998).

This study focuses on evaluating the performance and coordination patterns between internal and external audit agencies in supervising the management of Indonesian state finance. The internal audit agencies include the Finance and Development Supervisory Agency (*Badan Pengawasan Keuangan dan Pembangunan*/BPKP), the Internal Audit at a centralized level (*Inspektorat Jenderal*/Irjen), and the Internal Audit at a decentralized level (*Badan Pengawas Daerah*/Bawasda), as stipulated by Government Regulation No. 60 of 2008 concerning the Government Internal Control System. Meanwhile, the external audit agencies include Indonesia's Supreme Audit Board (*Badan Pengawas Keuangan*/BPK), the Corruption Eradication Commission (*Komisi Pemberantasan Korupsi*/KPK), and the Financial Transaction Reports and Analysis Center (*Pusat Pelaporan dan Analisis Transaksi Keuangan*/ PPATK); each governed by respective legal authorities.

Despite the existence of these internal and external audit agencies, challenges persist in the overlap of their authorities in calculating state finances, as exemplified by the conflict between BPKP and BPK (Yulia et al., 2016). Numerous legal challenges have questioned BPKP's authority to calculate public finance losses, with some experts arguing that BPKP lacks a legal basis for such calculations (Irawan & Khodijah, 2021). These authority conflicts stem from inconsistencies of the institutional framework design.

Another issue highlighted in this study is the lack of integration between internal and external auditors, which leads to an image that they operate in a fragmented area. For instance, in the government internal control system, inspectorates only report performance and financial audits to the highest authorities (Sistem Pengendalian Intern Pemerintah, 2008) and remain unintegrated with external audit agencies. This often weakens the independence of internal audit agencies and affects their ability to conduct professional and objective supervision (KPK Annual Report, 2023).

Based on the above rationale, this study seeks to answer two issues: (1) How do internal and external audit agencies work collaboratively to supervise public finance management; and (2) What is the design for the alignment of the internal and external audit agencies in supervising public finance management?

LITERATURE REVIEW

State/Public Financial Management

The management of public finance must align with the principles of good state financial management to ensure the achievement of the desired outputs. The principles include unity, universality, annuality, professionalism, specificity, accountability, proportionality, transparency, and independent and free auditing (Santoso et al., 2023). Among these, the principle of independent and free auditing is particularly relevant to this study as it necessitates an integrated supervisory approach in state financial management. Independent auditing means that public finance management must be conducted without intervention or pressure from any party to enable objective financial audits. Furthermore, free auditing implies that financial audits may be conducted on the initiative of internal agencies themselves without involving external parties.

Good financial management is carried out transparently, legally, and oriented towards public welfare. These elements may be fulfilled when supported by transparent public financial management, adherence to legal regulations, and effective supervision (Jaya et al., 2020). Financial supervision begins with planning, budgeting, treasury management, accounting and reporting, and auditing (Sukmadilaga et al., 2015).

The success of public financial management is greatly influenced by the consistency of implementing the principles of good financial management, particularly the principles of transparency and supervision. Transparency is essential for ensuring that the public has access to detailed information about every aspect of the state financial management. Meanwhile, supervision is crucial for evaluating whether the management aligns with the actual needs and serves as a control mechanism to prevent fraud in public finance.

State/Public Financial Audit

Audit is a supervisory activity aimed at ensuring that plans are realized effectively. Audit is as a process of comparing what is executed, implemented, or organized with what was intended (Setiawan, 2019). Audit may be associated to controlling that the performance conforms to plan. In other words, it is a supervisory process to ensure that the execution of a task aligns with the predesigned plan. Audit is conducted during the ongoing activity up to its final stage (Muchsan, 2008).

As a controlling activity, auditing has at least two types. The first type is internal control. It is carried out by agencies or officials assigned within the organization itself. These agencies or officials act on behalf of the organization's leadership and are in charge of collecting data required by the organization (Simbolon, 2004). The second type is external control, which refers to the supervision conducted by agencies outside of the organization. As a result, this supervision has no hierarchical or official relationship with the entity being supervised (Baswir, 1999).

In the context of state financial management, an audit can be understood as a complex mechanism, starting from planning and implementation to the final process. The ultimate goal of auditing is to prevent state losses from the government's failure in gaining profits or to prevent corrupt practices that may occur in the state financial management. The internal audit agencies include BPKP. It is an internal government board assigned by the President to supervise financial matters related to the administration of government activities that involve state finances (Sibuea, 2020; Mariyam et al., 2023). Meanwhile, external audit agencies include BPK, an independent institution tasked with auditing the management and accountability of state finances. In addition to the internal and external agencies, there is also a body responsible for overseeing state financial management, i.e., KPK. KPK is a state auxiliary agency that can take repressive action when strong evidence of anomalies in the state financial management is found (Setiawan, 2019).

Previous Studies

There have been several studies discussing the supervision conducted by audit agencies towards state financial management. One of which is the work of Illahi and Alia (2017) titled *"Accountability of State Financial Management through Cooperation between BPK and KPK."* This study concludes that the cooperation between BPK and KPKin handling corruption cases is implemented by using BPK reports as KPK's basis for conducting investigations. This study examined only the relationship between external audit agencies; meanwhile, the author's research focuses on exploring the relationship and coordination between internal and external audit agencies.

Another study is of Ristriawan and Sugiharti (2017), titled *"Strengthening State Financial Management through the Checks and Balances Mechanism."* The study concludes that the checks and balances mechanism was not supported by the independence of treasurers within ministries/agencies, as they are appointed by the Minister/Head of the respective Ministry/Agency as budget user. The study centres on financial management institutions within ministries/agencies internally, while the author's research will focus on one aspect of financial management supervision conducted by internal and external audit agencies.

Similarly, the study of Setiawan (2019), which titled *"The Existence of State Financial Management Supervisory Boards,"* concludes that the existence of BPKP, DPR/DPRD (House of Representatives and Regional House of Representatives), BPK, and KPK is intended to ensure that the principles of state financial management are implemented as they should be and align with the state's goals. The previous study focused on the roles and functions of these auditing agencies, while the author's research focuses on the relationships among these institutions in carrying out the supervision of state financial management.

METHODOLOGY

This study employed a normative legal research method to identify legal rules, principles, and doctrines that address the issues under examination (Marzuki, 2010), particularly in the area of state finance law. Normative research has the advantage of analyzing the object comprehensively although it has limitations in understanding concrete conditions in the field—as the research is conducted through literature review. It is an exploratory legal research, which aims to gain a deeper understanding of the performance and coordination patterns between internal and external audit agencies in the state/public financial management (Sumardjono, 2021). The study applied both statutory and conceptual approaches. The data were collected from secondary data, e.g., legislation documents, research findings, journals, and books, and reviewed during 2023 and 2024. All materials were collected for in-depth analysis to solve the problems.

RESULTS

State finance plays a fundamental role in safeguarding national sustainability. Its scope covers finances managed directly by the government and those managed separately (Halim, 2007). Directly-managed state finances involve the central government and its subordinate agencies, including high-state institutions, ministries/agencies, and budgetary and accounting divisions (Halim, 2007). Meanwhile, separately managed state finances refer to components governed and administered by public and private law (Halim, 2007).

To ensure the quality of public finance management for both directly-managed and separately-managed finances, audit agencies should be established. The following discussions will focus on describing the performance, coordination patterns, and synchronization design for the internal and external audit agencies in supervising the public financial management and how the two agencies align in administering public sector audits in the Indonesian context.

Performance and Coordination Patterns of Internal and External Audit Agencies

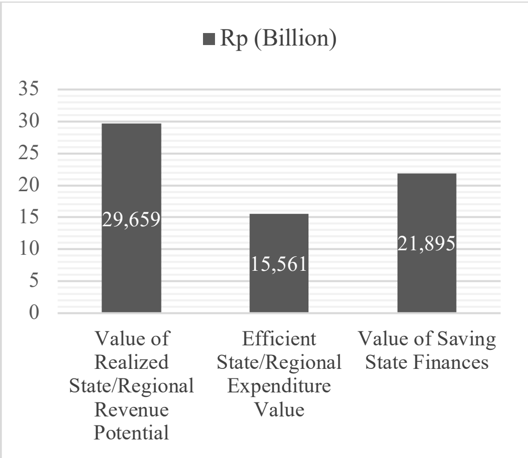
1. BPKP

Along with Inspectorates, BPKP functions as an internal audit agency in Indonesia. The section below will provide an analysis of the regulations, the task implementation, and the institutional relationship between internal and external audit agencies.

First, the myriad of internal audit agencies can be found in the Government Regulation No. 60 of 2008 on the Government Internal Control System, specifically in Article 49, paragraph (1), which states: *"The government internal audit agencies as referred to in Article 48, paragraph (1), consists of: (a) BPKP; (b) Inspectorate General or other functionally equivalent entities conducting internal audit; (c) Provincial Inspectorates; and (d) Regency/City Inspectorates."* The origin of BPKP can be traced back to the Presidential Decree No. 239 of 1966, which established the Directorate General of State Financial Supervision (DDPKN) under the Ministry of Finance, commonly known as DJPKN (Irawan & Khodijah, 2021). BPKP's duties are outlined in the Government Regulation No. 60 of 2008 on the Government Internal Control System. Article 49, paragraph (2), states that *"BPKP conducts internal audit on the accountability of state finances concerning specific domains, which include: (a) cross-sectoral activities; (b) state treasury activities as determined by the Minister of Finance as the State's General Treasurer; and (c) other activities assigned by the President"* (Sistem Pengendalian Intern Pemerintah, 2008).

Second, throughout 2023, BPKP has made significant progress in enhancing audits over the accountability of national/regional finances and achieving results that exceed 100 percent of the target (Badan Pengawas Keuangan dan Pembangunan RI, 2023). The details of the development are illustrated in the following figure.

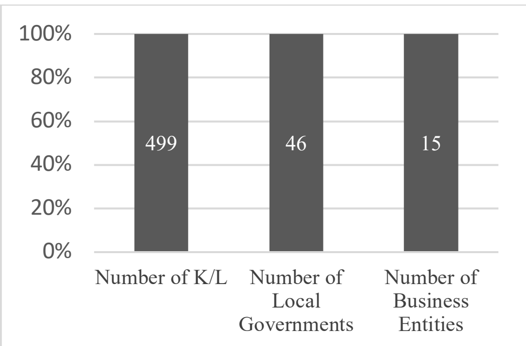
Figure 1. The performance of BPKP in the audits over the national and regional financial accountability in 2023



Source: Laporan Tahunan BPKP (2023)

Throughout 2023, BPKP has conducted development audits on the effectiveness of corruption control, with a total of 560 supervision activities realized (BPKP, 2023). The details of this realization are illustrated in the following figure.

Figure 2. The performance realization of BPKP's audits over the development of the effectiveness of the corruption control in 2023



Source: Laporan Tahunan BPKP (2023)

The implementation of BPKP's duties in the audit over the development is not without challenges. In executing its strategic goals, BPKP faces at least two obstacles, i.e., the collection of data that remains incomplete from ministries/agencies being in charge of priority programs/projects/national strategic plans, and challenges encountered in the field, ranging from land acquisition issues, the availability of human resources during the pandemic, to other practical difficulties in the field (BPKP, 2023).

Third, the results of BPKP's audits, according to Article 54, paragraph (2) of Government Regulation No. 60 of 2008 on the Government Internal Control System, are submitted to the Minister of Finance as the State's General Treasurer and to the supervised government institutions. The Inspectorate General and the Inspectorates, as stated in Article 49, paragraph (4) of the Government Regulation No. 60 of 2008, are responsible for supervising all activities related to the administration of ministries/agencies funded by the state budget (APBN) (Sistem Pengendalian Intern Pemerintah, 2008). Provincial Inspectorates, in accordance with Article 49, paragraph (5) of the aforementioned regulation, conduct audits over all activities related to the duties and functions of regional working units funded by the provincial budget (APBD) (Sistem Pengendalian Intern Pemerintah, 2008). Meanwhile, Regency/City Inspectorates, as stipulated in Article 49, paragraph (6) of the same regulation, audits all activities related to the duties and functions of regional working units funded by the regency/city budget (APBD) (Sistem Pengendalian Intern Pemerintah, 2008).

The results of the audits conducted by the three Inspectorates, based on Article 54, paragraph (4) of the regulation, are submitted to the minister/institution leaders, governor, or regent/mayor, based on their authorities and responsibilities, with copies sent to the Minister of State for Administrative and Bureaucratic Reform (Sistem Pengendalian Intern Pemerintah, 2008).

The above provisions show that the relationship and coordination among internal audit agencies in the state financial management are limited to the Ministry of Finance (for BPKP) and to the leadership of ministries/agencies or governors, regents/mayors (for the Inspectorates). The audit report is only delivered to the Ministry of Administrative and Bureaucratic Reform, which is also an internal entity within the executive branch. This indicates that the cooperation between internal and external audit agencies in supervising the state financial management is not well integrated. The paradigm of this relational pattern appears to be outdated, as there is no clear coordination line between internal and external audit agencies. This practice continues to rigidly separate internal from external auditors, whereas cooperation between these agents is essential for achieving effectiveness and efficiency in the auditing process.

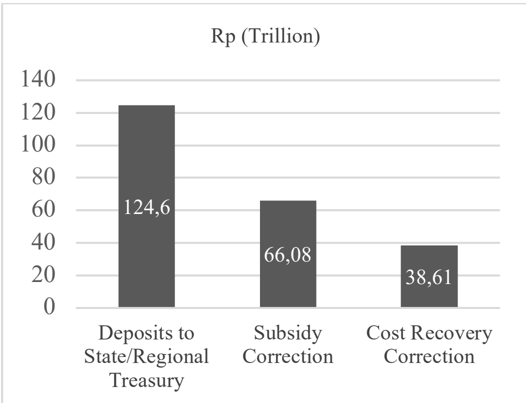
2. BPK

BPK is one of Indonesia's external audit agencies. There are three aspects of BPK that are to be discussed in this section.

First, the regulation regarding BPK's position at the legislative level is outlined in Law No. 15 of 2006 on the Supreme Audit Agency. Article 6 paragraph (1) of this regulation states, *"BPK is tasked with auditing the management and accountability of state finances conducted by the Central Government, Local Governments, other State Institutions, Bank Indonesia, State-Owned Enterprises, Public Service Agencies, Regional-Owned Enterprises, and other institutions or entities that manage state finances"* (Supreme Audit Agency, 2006). This provision implies that BPK's audit on state financial management extends beyond the scope of finances managed directly by the government; instead, it includes those for which the management is delegated.

Second, regarding BPK's performance and task execution in 2023, the Annual Report of BPK for 2022 indicates that BPK has successfully salvaged and returned state finances amounting to IDR229,29 trillion from the period of 2005 through the first half of 2022 (Badan Pemeriksa Keuangan, 2022). The following figure provides details of the financial salvaging/saving efforts undertaken by BPK.

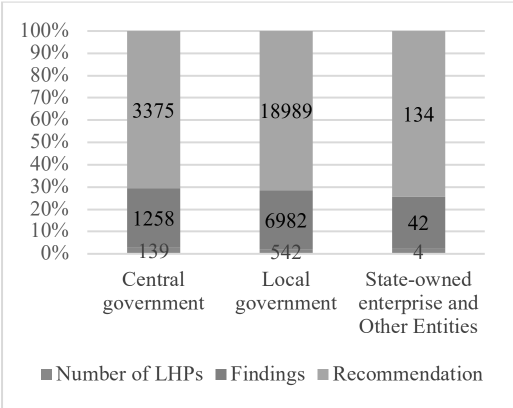
Figure 3. BPK's performance in the recovery of state finances in 2022



Source: Laporan Tahunan BPK (2022)

Throughout the second semester of 2021 and the first semester of 2022, BPK conducted 1.306 audits, resulting in 13.713 findings and 38.075 recommendations, which encompass three aspects: (1) financial audits; (2) performance audits; and (3) compliance audits (Badan Pemeriksa Keuangan, 2022). The following figure provides specific details regarding the financial audits conducted by BPK.

Figure 4. Number of financial audits conducted by BPK (2021-2022)



Source: Laporan Tahunan BPK (2022)

Meanwhile, various issues have been identified in the overall audit findings: (1) a total of 3.711 issues amounting to IDR2,68 trillion, which encompass inefficiencies and ineffectiveness; (2) a total of 9.836 issues valued at IDR47,03 trillion, relating to non-compliance with statutory regulations; and (3) a total of 8.138 issues concerning weaknesses in the internal control system (Badan Pemeriksa Keuangan, 2022).

The execution of BPK's duties is not without various challenges. Some of them are (1) the challenge of preparing auditors upholding the values of integrity, independence, and professionalism; (2) the challenge of simplifying statutory regulations; (3) the challenge of audit standardization; (4) the challenge of integration, such as the need for fewer auditors in certain audits; and (5) the challenge of automation through the use of big data (Badan Pemeriksa Keuangan, 2022; Yustiani & Ichsan, 2019).

The above description illustrates BPK's performance in recovering state finances and the volume of audits conducted. It also reveals the various challenges faced by BPK in overseeing state finances, particularly regarding integration. Additionally, the audit findings indicate issues such as the weakness of internal supervision within each agency. These situations highlight the necessity for aligning cross-institutional audits in state financial management.

Third, regarding the coordination patterns, BPK has the following authority, as stipulated in Article 9, paragraph (1), letter a, of the aforementioned regulation. *"BPK is authorized to [...] request information and/or documents that must be presented by any person, units of the Central Government, Local Governments, other State Institutions, Bank Indonesia, State-Owned Enterprises, Public Service Agencies, Regional-Owned Enterprises, and other institutions or entities managing state finances"* (Badan Pemeriksa Keuangan, 2006). The regulation stipulates that BPK is authorized to request information from various parties regarding state financial management that it audits. However, as an external audit agency, BPK does not have a normative coordination pattern with internal audit agencies such as BPKP and the Inspectorates in examining state finances. Furthermore, this provision remains partial and has not yet been fully integrated with both external and internal audit agencies in a comprehensive regulatory framework.

3. KPK

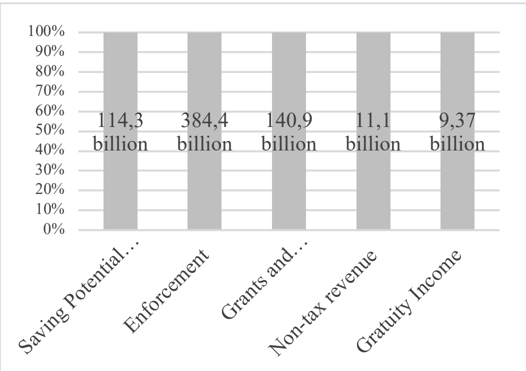
Another external audit agency in Indonesia is KPK. The Commission plays a crucial role in supervising state financial management to prevent corrupt practices. There are three aspects of KPK to be explored in this section.

First, as a law enforcement body, KPK engages in preventive measures, coordination, monitoring, supervision, and enforcement actions against corruption through prevention, enforcement, and evaluation approaches (Solihah & Triono, 2020). Law No. 19 of 2019 on the Second

Amendment to Law No. 30 of 2002 concerning the Corruption Eradication Commission states in Article 6, letters a and b, that *"KPK is tasked with: (a) taking precautionary actions to prevent acts of corruption; (b) coordinating with agencies authorized to carry out corruption eradication and agencies responsible for public service provision"* (Perubahan Kedua atas Undang-Undang Nomor 30 Tahun 2002 tentang Komisi Pemberantasan Tindak Pidana Korupsi, 2019). Therefore, KPK is authorized to cooperate with other agencies responsible for public service delivery. This position allows internal auditors to foster relationships and coordination with KPK in supervising state financial management.

Second, regarding KPK's performance in the recovery of state finances, the Annual Report of KPK for 2023 indicates that the Commission has salvaged/saved state finances amounting to IDR114,8 trillion (Tim Laporan Tahunan KPK, 2023). The following figure provides information on the state financial recoveries by KPK.

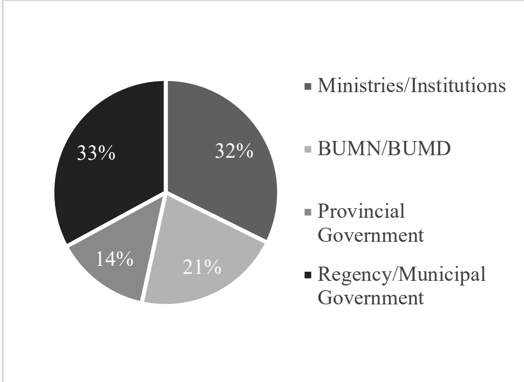
Figure 5. KPK's performance in the recovery of state finances in 2023



Source: Laporan Tahunan KPK (2023)

Throughout 2023, KPK has taken several actions against corruption offenses in a total of 161 cases. The breakdown of these cases (by sector) is illustrated in the following Figure 6.

Figure 6. KPK's actions against corruption offenses (cases by sector)



Source: kpk.go.id (2024)

The challenges faced by KPK in carrying out supervision and enforcement against corruption offenses over the past three years (up to 2024) include cases that involve individuals in the audit sector, with a total of nine suspects. These cases have torn the reputation of the audit agency apart (Tim Laporan Tahunan KPK, 2023). Additionally, KPK's attention is focused on the supervision and audit of procurement processes, which require the support of the Internal Supervisory Apparatus (APIP). Thus, KPK –through its Deputy for Education and Community Participation, the Deputy for Coordination and Supervision, and the Deputy for Prevention and Monitoring– has taken the initiative since 2022 to develop training programs to produce competent APIP personnel in conducting supervisory activities (Tim Laporan Tahunan KPK, 2023).

Third, according to Law No. 19 of 2019 on the Second Amendment to Law No. 30 of 2002 concerning the Corruption Eradication Commission, Article 8 states that KPK is authorized to coordinate investigations, inquiries, and prosecutions in the eradication of corruption offenses. Furthermore, KPK has the authority to request information regarding anti-corruption activities and to seek reports from relevant agencies concerning anti-corruption programs. The law has granted KPK access and space to establish strong coordination with both internal and external audit agencies. However, this provision remains partial and has not yet been fully integrated with internal and external financial supervisory institutions in a comprehensive regulatory framework.

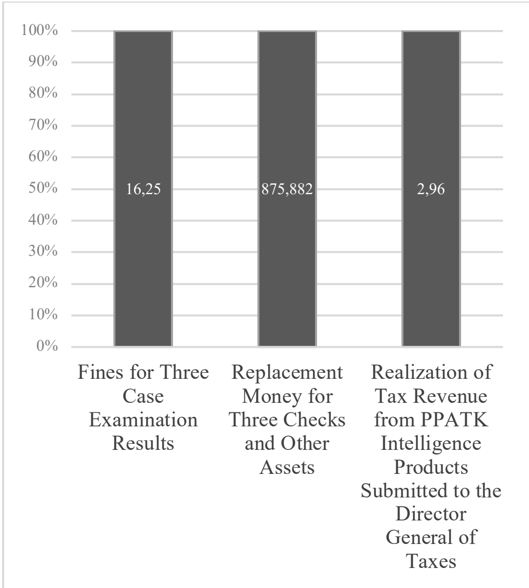
4. PPTAK

First, as an external audit agency, PPATK indirectly contributes to the supervision of state financial management, particularly in detecting suspicious funding flows (Illahi & Alia, 2017). PPATK's indirect involvement in the audit of state finances is reflected in Law No. 8 of 2010 concerning the Prevention of Money Laundering, which outlines several of PPATK's responsibilities, such as temporarily freezing suspicious financial transactions believed to be linked to criminal activities, as well as the authority to seize assets acquired through criminal acts based on court decisions (Illahi & Alia, 2017).

In executing its duties, PPATK is empowered under Article 41, paragraph (1), letter a of the aforementioned law, which states that PPATK can *"request and obtain data and information from government agencies and/or private institutions with the authority to manage data and information, including from government agencies and/or private institutions that receive reports from certain professions"* (Tindak Pidana Pencucian Uang, 2010).

Second, regarding its performance in the recovery of state finances, the Annual Report of PPATK for 2023 indicates that the agency has contributed to state revenues through its examinations of money laundering offenses. The following figure provides details of PPATK's contributions to state revenues.

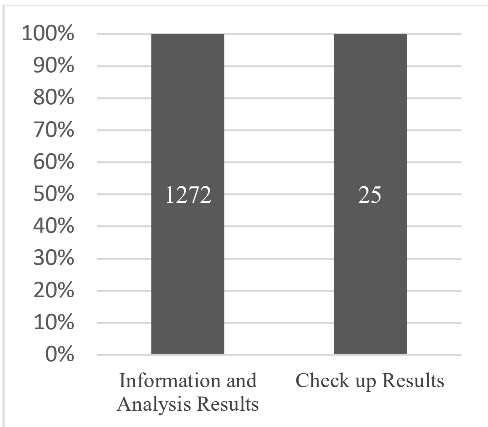
Figure 7. PPATK's performance in the recovery of state finances in 2023



Source: Laporan Tahunan PPATK (2023)

Throughout 2023, PPATK has conducted various analyses and examinations, resulting in 1.297 intelligence reports that aimed at salvaging/saving state finances, both proactively and reactively, to law enforcement agencies and relevant institutions. The following figure provides information on the analyses and examinations conducted by PPATK during the year 2023.

Figure 8. PPATK's analysis and examinations during the year 2023



Source: Laporan Tahunan PPATK (2023)

The execution of PPATK's role in auditing state finances is not free from obstacles and challenges, such as the ongoing limitations in access to information and resources for investigating allegations of money laundering (Wiraguna, 2024). Other challenges include the lack of authority to impose sanctions independently and the limited resources available to audit numerous financial service providers (Kurniawan, 2006).

Third, according to Article 41, paragraph (1) of Law No. 8 of 2010 concerning the Prevention of Money Laundering, PPATK is authorized to request and obtain data from relevant agencies or private institutions for the purposes of preventing money laundering offenses. However, this provision remains partial and has not yet been fully integrated with both external and internal audit agencies in a comprehensive regulatory framework.

DISCUSSION

Synchronization of Internal and External Audit Agencies in the Context of State Financial Management

The results above reveal the absence of comprehensive regulation that encompasses the alignment between internal and external audit agencies responsible for state financial management. The current coordination pattern is primarily horizontal, particularly within the external auditory bodies, such as BPK's audits serving as a basis for KPK's investigations and PPATK's reports providing the reference framework for KPK to initiate further inquiries (Illahi & Alia, 2017). This horizontal cooperation among the three institutions has long been established through various memoranda of understanding (MoU).

This situation reflects that external audit agencies in state financial management do not fully rely on the findings of the internal audits conducted by BPKP or the Inspectorates. Instead, it operates with a certain degree of autonomy and independence in investigating alleged misuse of state finances based on various reports. Nonetheless, the mutual relation between internal and external auditors must be maintained, such as the coordination between BPK and BPKP, between KPK and BPKP or the Inspectorates, and so forth. This coordination aims to integrate internal and external audit mechanisms in managing state finances.

Urgency of the Synchronization

The synchronization of internal and external audit agencies is intended to ensure that the audit results can be shared with any relevant parties for feedback and evaluation. The importance of communicating the outcomes of internal supervision (including financial audits) is highlighted by The Institute of Internal Auditors, which establishes effective communication as a principle within the internal audit system (Auditors, 2023). According to this framework, the chief audit executive should develop an appropriate approach for the internal audit function to build relationships and trust with key stakeholders, including the board, senior management, operational management, regulators, and both internal and external service providers (Auditors, 2023). Synchronization of audit agencies is essential to achieve transparency and improve governance in the state financial sector.

Synchronization between internal and external audit agencies offers several advantages. *First,* it may accelerate follow-ups on internal audit findings. The follow-up by the audited entity or object requires the involvement of external supervisory parties to assess and ensure that any recommended improvement is implemented wisely (Inspektorat Provinsi Sumatera Barat, 2021). The improvement following an audit process, as an initial and critical step in detecting audit findings, can enhance the effectiveness of the audit process and help anticipate similar yet unexpected cases. In budget audits, follow-up on recommendations negatively impacts corruption levels, indicating that a higher number of auditor recommendations acted upon correlates with lower corruption rates (Aminah, 2020). Conversely, follow-up on audit findings in state financial management becomes effective only if the recommended actions are implemented by the audited organization. Decision-makers can prevent recurring errors, deviations, misuse, and wastage based on the auditors' input. This advantage, however, may not give optimum results when the internal audit is not integrated with the external one because follow-up actions that rely solely on the audited institution leaders' initiatives tend to create conflicts of interest.

Second, the synchronization can multiply the impacts of the internal audit. The integration of internal and external audit agencies will create a comprehensive supervisory system that supports the establishment of reliable and accurate state financial management audits. The alignment of both agencies, such as through improved communication and coordination between BPKP and the Inspectorates with BPK, KPK, and PPATK, will enhance the effectiveness of state financial audits (Sutaryo et al., 2022; Santosa et al., 2016; Widanarto, 2012).

Third, the synchronization is likely to reduce conflicts caused by overlapping authorities. Conflicts regarding the authority of state financial audit agencies can be eliminated by harmonizing the coordination patterns among various supervisory bodies. The problem of overlapping authority between BPKP and BPK in calculating state losses, for example, can essentially be resolved by strengthening the cooperation between the two institutions. This includes establishing clear coordination patterns and distinctly allocating state financial audit responsibilities of these agencies. Synchronization between internal and external auditors can also prevent institutional arrogance in supervising state financial management, thereby creating synergy among financial audit agencies.

Stages and Forms of the Synchronization

Synchronization of internal and external audit agencies in state financial management is carried out by following the stages.

First, it is essential to establish specific regulations concerning the integrated audit agencies for state financial management. One of the causes of overlapping authority in state financial management audits is the presence of partial regulations that govern various financial audit agencies separately. For example, BPKP, Inspectorates, BPK, KPK, and PPATK are each regulated under different laws, without harmonization and synchronization of their authorities. This situation has impacted the audit outcomes, which are predominantly partial and non-integrated. By formulating a dedicated regulation that governs all financial audit agencies within a single framework, mapping out each institution's authoritative boundaries, and outlining their coordination patterns, the existing agencies –the internal and external ones– can establish an effective and efficient audit framework for state financial management.

Second, it is necessary to strengthen horizontal synchronization. This form of synchronization involves harmonizing the authoritative boundaries among parallel internai and external audit agencies.

Synchronization between BPKP and the Inspectorates is crucial to develop a synergy of internal state financial management audit mechanisms. Similarly, external audit agencies need horizontal synchronization, such as between BPK, KPK, and PPATK, to achieve effective and impactful supervisions. For example, BPK conducts audits on state financial losses that serve as the basis for KPK's investigations, while PPATK provides analytical data for KPK to initiate inquiries. Through this horizontal synchronization pattern, a synergistic relationship between internal and external audit agencies will be strongly built.

Third, the duties and responsibilities of internal and external audit agencies should be aligned. This form of synchronization may be achieved by clearly defining the authority of each audit agency in supervising state financial management. It is also necessary to establish cross-coordination patterns between the internal and external agencies. For instance, BPKP and the Inspectorates are limited to supervising and auditing state finances managed directly by the government, while BPK has the authority to assess financial losses across all scopes of state finances. Additionally, BPKP and the Inspectorates are expected to work and communicate with BPK, KPK, and PPATK regarding the results of internal audits of state financial management.

These three stages and forms of synchronization are crucial to further develop and explore the opportunity for creating a unified regulation or consolidating various regulations governing the internal and external audit agencies through an omnibus law approach. The aim is to ensure that both agencies maintain an effective coordination pattern in supervising state finances.

CONCLUSION

The research findings reveal that the performance of both internal and external audit agencies in supervising, recovering, and supervising state finances from fraud has been carried out with varying degrees of effectiveness. However, currently, there is no comprehensive regulation that governs the coordination patterns between the agencies in the supervising the state financial management. To enhance the effectiveness of their audit process and outcomes, the government should align the tasks of the agencies by taking the following synchronization stages and forms, particularly in the context of state financial audits: (1) establishing a dedicated regulation that directs the work of the state financial audit agencies; (2) strengthening horizontal synchronization among parallel audit agencies; and (3) developing synchronization between internal and external audit agencies by clearly defining the boundaries of authority and coordination patterns of the agencies. Above all, further studies should be carried out to explore comprehensively the potential for unifying various regulations governing state financial audit agencies through an omnibus law mechanism.

ABOUT THE AUTHORS

Maming Genda earned a Master's degree in Law from the University of 45 Makassar in 2013. He is currently a tenured lecturer in the Pancasila and Citizenship Education program at Muhammadiyah Bone University and serves as Head of the Extraordinary School (SLB) Hati Mulia in Bone Regency. He has been a member of the Election Supervisory Board *(Bawaslu)* in Bone Regency (2018–2023) term and frequently contributes in electoral supervision activities in South Sulawesi Province.

Ahmad Yani holds a Master's degree in Law from Gadjah Mada University, specializing in election law and state governance. One of his works was awarded the 'Best Paper' by the House of Representatives. His books include *State Institutional Law* and *Clemency as Besschiking*. For inquiries, please contact him at Ahmadyani1996@mail.ugm.ac.id.

Rezky Amalia Syafiin earned her Master's degree in law from Hasanuddin University. Her background includes substantial research experience, particularly by serving as a research assistant at BPKP RI and as an enumerator at LIPI. For correspondence, she might be contacted via email at rezky.amalia@komisiyudisial.go.id.

REFERENCES

Aminah, W. (2020). Pengaruh akuntabilitas, temuan audit dan tindak lanjut hasil audit terhadap tingkat korupsi. *Journal Accounting and Finance*, *4*(2), 94-104. https://doi.org/10.25124/jaf.v4i2.3295

Ardianto, A., Anridho, N., Ngelo, A. A., Ekasari, W. F., & Haider, I. (2023). Internal audit function and investment efficiency: Evidence from public companies in Indonesia. *Cogent Business & Management*, *10*(2), 1-17. https://doi.org/10.1080/23311975.2023.2242174

Auditors, T. I. of I. (2023). *Global international audit standards*. https://www.theiia.org/globalassets/site/standards/ippf/public-comment-draft/iia-global-internal-audit-standards-public-comment-draft-indonesian.pdf

Badan Pemeriksa Keuangan RI. (2022). *Bangkit dan tumbuh untuk BPK yang makin kuat dan makin hebat: Laporan tahunan 2022*. https://www.bpk.go.id/assets/files/annual_report/2023/annual__2023_1678862729.pdf

Badan Pengawasan Keuangan dan Pembangunan (BPKP). (2023). *Laporan kinerja BPKP tahun 2023: Mengawal akuntabilitas menuju kinerja paripurna*.

Baswir, R. (1998). Kendala pengawasan keuangan negara. *Unisia, 36,* 44–50. https://doi.org/10.20885/unisia.v0i36.5755

Baswir, R. (1999). *Akuntansi pemerintahan indonesia*. BPFE.

Halim, A. (2007). *Akutansi keuangan daerah* (3rd ed.). Penerbit Salemba Empat.

Illahi, B. K., & Alia, M. I. (2017). Pertanggungjawaban pengelolaan keuangan negara melalui kerja sama BPK dan KPK. *Integritas*, *3*(2), 37–78. https://doi.org/https://doi.org/10.32697/integritas.v3i2.102

Inspektorat Provinsi Sumatera Barat. (2021). *Tindak lanjut hasil pemeriksaan (TLHP) online*. Inspektorat Provinsi Sumatera Barat. https://inspektorat.sumbarprov.go.id/images/2021/05/file/BUKU_PETUNJUK_TLHP_ONLINEE.pdf

Irawan, M. D. A., & Khodijah, S. (2021). Kewenangan badan pengawas keuangan dan pembangunan (BPKP) dalam menentukan kerugian keuangan negara pada kasus tipikor. *Rechtenstudent Journal*, *2*(3), 278–292. https://doi.org/https://rechtenstudent.uinkhas.ac.id/index.php/rch/article/view/87

Jaya, N. A., Ispriyarso, B., & Natalis, A. (2020). Konstruksi kebijakan desentralisasi fiskal berbasis paradigma good financial governance di Indonesia. *Hukum dan Masyarakat Madani*, *10*(1), 24–43. https://doi.org/10.26623/humani.v10i1.2096

Kurniawan, A. (2006). *Peranan pusat peloporan dan analisis transaksi keuangan (PPATK) dalam upaya menanggulangi tindak pidana pencucian uang*. https://lontar.ui.ac.id/detail?id=88458

Mariyam, Islam, M. A., & Tunku Ahmad, T. S. (2023). The effect of internal audit function characteristics on market value among Indonesian public-listed companies. *International Journal of Business and Technopreneurship (IJBT)*, *13*(3), 231–242. https://doi.org/10.58915/ijbt.v13i3.286

Marzuki, P. M. (2010). *Penelitian hukum*. Kencana Penada Media Group.

Muchsan. (2008). *Sistem pengawasan terhadap aparat pemerintah di Indonesia*. Studi FH UII.

Pemerintah Republik Indonesia. (2006). *Undang-Undang Republik Indonesia Nomor 15 Tahun 2006 tentang Badan Pemeriksa Keuangan*. Lembaran Negara Republik Indonesia Tahun 2006 Nomor 85.

Pemerintah Republik Indonesia. (2008). *Peraturan Pemerintah Nomor 60 Tahun 2008 tentang Sistem Pengendalian Intern Pemerintah*. Lembaran Negara Republik Indonesia Tahun 2006 Nomor 127.

Pemerintah Republik Indonesia. (2010). *Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang*. Lembaran Negara Republik Indonesia Tahun 2010 Nomor 122.

Pemerintah Republik Indonesia. (2019). *Undang-Undang Republik Indonesia Nomor 19 Tahun 2019 tentang Perubahan Kedua atas Undang-Undang Nomor 30 Tahun 2002 tentang Komisi Pemberantasan Tindak Pidana Korupsi*. Lembaran Negara Republik Indonesia Tahun 2019 Nomor 197.

Ristriawan, H., & Sugiharti, D. K. (2017). Penguatan pengelolaan keuangan negara melalui mekanisme check and balances system. *Jurnal Konstitusi*, *14*(3), 601–619. https://doi.org/https://doi.org/10.31078/jk1437

Santoso, J., Hutapea, S. A., Fitri, L., & Kahir, S. (2023). Pengawasan terhadap pengelolaan dan pengeluaran anggaran pendapatan dan belanja negara dan daerah. *Pagaruyuang Law Journal*, *7*(1), 155–166. https://jurnal.umsb.ac.id/index.php/pagaruyuang/article/viewFile/4562/3247

Santosa, M. H., Maarif, M. S., & Andati, T. (2016). System analysis in developing an effective government internal audit system. *International Journal on Advanced Science, Engineering, and Information Technology*, *6*(2), 153–160. https://doi.org/10.18517/ijaseit.6.2.709

Setiawan, A. (2019). Eksistensi lembaga pengawasan pengelolaan keuangan negara. *Jurnal Hukum & Pembangunan*, *49*(2), 265–278. https://doi.org/10.21143/jhp.vol49.no2.2002

Sibuea, H. P. (2020). *Sendi-sendi hukum konstitusional. problematika dan wewenang organ negara dalam penetapan keuangan negara dalam tindak pidana korupsi*. PT RajaGrafindo Persada.

Simbolon, M. M. (2004). *Dasar-dasar administrasi dan manajemen*. Ghalia Indonesia.

Solihah, R., & Triono. (2020). Peran KPK dalam mengawal pengalokasian dana bantuan sosial di masa pandemi covid-19. *Jurnal Tapis: Teropong Aspirasi Politik Islam*, *16*(2), 69–80. https://doi.org/https://doi.org/10.24042/tps.v16i2.7764

Sukmadilaga, C., Pratama, A., & Mulyani, S. (2015). Good governance implementation in public sector: exploratory analysis of government financial statements disclosures across ASEAN countries. *Social and Behavioral Sciences*, *211*, 513–518. https://core.ac.uk/download/pdf/82560265.pdf

Sumardjono, M. S. (2021). *Metodelogi penelitian ilmu hukum*. Fakultas Hukum Gadjah Mada.

Sutaryo, S., Sahari, S., Jakpar, S., & Balia, S. S. (2022). Internal audit function and public service quality: Evidence from Indonesian local governments. *Public Administration Issues, 5*(1), 110–133. https://doi.org/10.17323/1999-5431-2022-0-5-110-133

Tim Laporan Tahunan KPK. (2023). *Laporan tahunan KPK 2023*. https://www.kpk.go.id/images/Laporan_Tahunan_KPK_2023.pdf

Widanarto, A. (2012). Pengawasan internal, pengawasan eksternal, dan kinerja pemerintah. *Jurnal Ilmu Admninstasi Negara*, *12*(1), 15–25. http://doi.org/10.46730/jiana.v12i1.899

Wiraguna, S. A. (2024). Dinamika korupsi dan pencucian uang di PT Timah: Pengawasan dan tantangan. *Public Sphare*, *3*(1), 35–43. https://doi.org/10.59818/jps.v3i1.711

Yulia, R. P., A, K., & Agoes, S. (2016). Peranan BPK dan BPKP menghitung kerugian keuangan negara dalam rangka penanganan perkara tindak pidana korupsi. *Jurnal Bina Adhyaksa*, *6*(2), 135–152.

Yustiani, S., & Ichsan, M. (2019). Business process automation: Internal audit function adaptation lesson learned from Indonesian public sector. In *3rd Asia-Pacific Research in Social Sciences and Humanities Universitas Indonesia Conference (APRISH 2018)* (pp. 275–282). Atlantis Press. https://doi.org/10.2991/aprish-18.2019.36

Editorial Note: The original version of this article was written in Indonesian, titled *"Koordinasi dan Sinkronisasi Lembaga Pengawas Internal dan Eksternal dalam Pengawasan Pengelolaan Keuangan Negara."* After careful consideration—including the balance of Indonesian/English contents in the journal publication and the potential to reach a broader audience—the article was translated into English with the authors' full consent. The authors have reviewed and approved this translated version for publication.

This page is intentionally left blank.