International Journal of Business, Law, and Education
E-ISSN : 2747-1349X
Publisher: IJBLE Scientific Publications Community Inc.
IJBLE
Volume 6, Number 1, 2025
https://ijble.com/index.php/journal/index

Synergy and Accountability of Financial Supervision in Governance

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ABSTRACT
This research aims to analyse the implications of supervision that is not based on synergy and accountability and how the regulatory criteria are in accordance with the legislation. This research uses normative juridical research method with statutory approach, conceptual approach, and comparative approach. The implications of supervision that is not synergistic and accountable can have consequences in the form of risks of corruption and budget abuse, inefficiency in the management of state finances, and lack of transparency to the public. The implications of non-synergistic and accountability-based oversight suggest that inefficient oversight increases the risk of corruption, budgetary misappropriation and inefficiency in the management of the state budget. Furthermore, distorted transparency in the presentation of audit results reduces public confidence in the government's financial oversight system. Follow-up on irregularities is also slow due to differences in audit results and the absence of synergy between oversight institutions.

Keywords:
BPKP, Inspectorate, Finance, Supervision.

INTRODUCTION

The concept of *a welfare* state is reflected in the Preamble of the 1945 Constitution of the Republic of Indonesia in the Fourth Paragraph, which states that the purpose of the establishment of the Indonesian government is to protect the entire nation, promote public welfare, and educate the nation's life (Preamble of the 1945 Constitution). This confirms that the state is not only tasked with maintaining order, but is also actively involved in efforts to improve the welfare and happiness of its citizens. In this context, every government action must be based on two main principles, namely utility and legality, and be able to make the right decision when there is a conflict of interest (Irawan, Muhammad Dicky Andika and Khodijah Siti, 2021).

The concept of a welfare state is the basis for the government function (bestuurfunction) in modern countries, including Indonesia. The state is responsible for solving social problems faced by the community and is obliged to provide adequate services, facilities and infrastructure to achieve welfare. The government, as the main actor, is required to manage state resources effectively to ensure sustainable development and optimal public services (Putra, Marsudi Dedi 2021). This goal can only be achieved through an effective monitoring mechanism of state programmes, policies, and financial management, especially in the context of development implementation (Sibuea, Hotma P, 2014).

In accordance with the constitutional mandate, Article 23 Paragraph (1) of the 1945 Constitution of the Republic of Indonesia emphasises the importance of accountable state financial management. The article explains that the law must regulate and monitor all state expenditures and revenues to ensure that state financial management runs in accordance with regulations and has a positive impact on society. Thus, supervision carried out by the government is very important. According to M. Manulang, supervision refers to the process or effort to determine what work has been carried out, assess it and correct it if necessary with the intention that the implementation of workers is in accordance with the original plan. A country can be likened to a large organisation, where it is important to need supervision to ensure that everything goes according to the objectives or targets (Felencia, Naomi Catherine, 2022). Supervisory institutions are divided into external and internal, internal and external have a crucial entity role in government (Sicily 2024).

Government internal control aims to ensure that financial management and the implementation of government programmes are effective, efficient and accountable. In Indonesia, there are two main institutions in charge of conducting internal supervision, namely the Inspectorate and the Financial and Development Supervisory Agency (BPKP). Both organisations belong to the Government Internal Audit Apparatus (APIP), which is responsible for monitoring budget execution and performance of government agencies. While inspectorates fall under local governments and ministries, BPKP reports directly to the president and is responsible for national strategic projects and the overall management of state finances.

Synergy and accountability are two key principles in building an integrated and effective oversight system. Synergy emphasises inter-agency collaboration and coordination to avoid duplication of work and improve efficiency, while accountability demands transparency and accountability for the results of supervision (Jefri 2024). However, overlapping authority between the Financial and Development Supervisory Agency (BPKP) and the Inspectorate often leads to conflict, undermining the effectiveness of internal oversight. This research examines several key issues, including the overlapping authority, the lack of synergy in the implementation of audit, review, evaluation, and supervision, and the need for better arrangements to realise synergy-based supervision and accountability.

The conflict arose due to differences in mandate, scope, and supervisory approach between the Inspectorate and BPKP. The Inspectorate, as an internal oversight tool at the ministry, agency and local government level, focuses on programme and budget oversight within its own agency. Meanwhile, the BPKP, although it also performs internal oversight functionshas a broader scope, spans across sectors, and works under the coordination of the President. Overlapping authority often occurs in the oversight of national programmes implemented at the local level. For example, the Regional Inspectorate considers the programme as its area of authority, while BPKP considers the programme as part of a national strategic policy.

The legal basis governing this supervision is also unclear. Article 379 Paragraphs (1) and (2) of the Local Government Law (UU Pemda) state that the head of the region is responsible for conducting guidance and supervision with the assistance of the Inspectorate. Specifically for regional financial supervision, the Provincial Inspectorate is authorised to conduct audits, reviews, evaluations, and monitoring of the management of the Regional Budget (APBD), in collaboration with the Inspectorate General of the relevant Ministry or institution. On the other hand, Article 4 Paragraph (1) of Government Regulation No. 60/2008 confirms that internal control is the responsibility of all government agencies, with the Government Internal Audit Apparatus (APIP) as the main implementer. Meanwhile, Article 3 of Presidential Regulation No. 192/2014 establishes BPKP as an institution that assists the President in overseeing strategic policies and national projects.

This lack of clarity creates room for conflicts of authority, potentially reducing the effectiveness of supervision. Therefore, this research emphasises the importance of regulatory harmonisation and increased collaboration between the Inspectorate and BPKP to create a synergistic and accountable supervisory system. With the problems described above, there are objectives in writing this article, namely to analyse how the implications of supervision that is not based on synergy and accountability and how the regulatory criteria are in accordance with the laws and regulations.

METHOD

The type of research used by the author in researching this problem is normative juridical research (legal normative research). Normative legal research or commonly known as doctrinal legal research, namely research conducted by examining library materials or secondary data, and tertiary legal materials (Marzuki, 2010). According to Peter Mahmud Marzuki, all research related to law (legal research) is always normative. Therefore, the data sources used in normative legal research are sourced from laws and regulations, court decisions, legal principles and principles using a statutory approach, conceptual approach, and comparative approach. The research conducted in this writing is a research focusing on Synergy and Financial Accountability in Government Administration.

RESULTS AND DISCUSSION

1. Implications of supervision that is not based on synergy and accountability

In the realm of financial and development regulation, implementation has shown impacts or consequences arising from an inadequate oversight framework. A national strategy that lacks elements of synergy and responsibility will inevitably lead to many problems in public financial management, development programmes, and public confidence in governance. In the context of state financial management, coordination between the Inspectorate as the internal supervisory agency of local government and the Financial and Development Supervisory Agency (BPKP) as the external regulator of the central government has an important function to increase the effectiveness of cooperation in detecting and mitigating budget gaps (BPK RI 2021). However, most of the current laws and regulations contain weaknesses that adversely affect the efficiency of financial and development supervision. Oversight mechanisms that lack a foundation of synergy and accountability will adversely affect various areas of governance.

The following are some of the significant implications that result from this weakness in the supervisory structure:

a. High Risk of Corruption and Budget Misuse. The absence of supervision, due to ineffective coordination between the Inspectorate and BPKP, often creates legal loopholes that can lead to corrupt practices. The main causes of the high risk of corruption due to the absence of supervision are:
   - The results of the inspection between the Inspectorate and BPKP have differences. The Inspectorate as an internal audit agency sometimes provides recommendations that are not in line with the results of the audit conducted by BPKP. This difference can lead to budget violations that are not detected or not handled properly.

- The absence of proactive oversight. In a situation of weak coordination between oversight agencies, oversight is mostly reactive and only follows up on violations, rather than preventive in nature that seeks to avoid inconsistencies in the first place.
- Ineffective handling of audit findings. According to Law No. 15/2004 on Audit of State Financial Management and Responsibility, the government must respond to audit findings within 60 days. However, a lack of co-operation between the Inspectorate and BPKP means that many findings are not properly addressed, increasing the risk of budget amendments.

In a number of cases of alleged Special Allocation Funds (DAK), the Inspectorate found indications of irregularities at the regional level, namely the absence of coordination with BPKP so that legal efforts to overcome these problems did not run effectively and efficiently (BPK RI 2022).

b. Inefficiency in State Financial Management. Non-synergistic supervision leads to inefficiencies in state financial management because BPKP and Inspectorate overlap in carrying out their duties, which results in:
   - Poor management of financial resources. The absence of oversight often results in development projects costing more or less than budgeted.
   - Delays in the implementation of development programmes. Variations in the findings of Inspectorate and BPKP examinations result in variations in recommendations, confusing local governments in making policies and causing delays in development projects.
   - A mismatch of priorities in supervision. The Inspectorate focuses on administrative compliance, while BPKP focuses on budget effectiveness and efficiency. As a result, some areas of supervision are not addressed by both institutions (Idah Rosidah, Gunardi, Priatna, et al 2023).
c. Lack of Transparency and Public Accountability. The absence of synergised supervision results in a lack of transparency in the management of state finances and thus a lack of government accountability to the public.
   - Limited disclosure of audit result information to the public. As stated in Article 9 of Law Number 15 Year 2004, the results of state financial audits should be published as a benchmark for improving state financial management. However, inadequate supervision often results in the examination results not being submitted to the public openly (Neoya Derenov, Ratih Yanuar 2023
   - The erosion of public trust in government. Inadequate oversight creates a negative impression that the government is not committed to controlling the misuse of state finances.
   - Limited channels for public complaints about audit results. In a well-functioning oversight framework, the public should be involved in monitoring budget expenditure. However, weak synergies between oversight institutions have resulted in limited public involvement in the oversight of state finances.
d. Delay in Handling Financial Irregularities.

   Based on Article 20 of Law No. 15/2004, all audit findings that indicate a violation of the law must be immediately followed up by law enforcement officials. However, in many cases, the findings of the Inspectorate and BPKP

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are not followed up by law enforcement officials due to inconsistencies in recommendations and violations of cooperation. Consequently:

- Poor financial management. Most cases of budget embezzlement are preventable, but inefficient coordination prevents effective prevention.
- Increased number of court cases related to local finances. The absence of integrated supervision has resulted in many regional heads getting into legal trouble due to unclear guidelines from supervisory bodies on how to utilise the budget effectively.
- The amount of funds spent on village budgets and regional development. From information provided in a number of audit reports, one of the most significant impacts of the lack of supervision is the rampant misallocation of village budgets, which could have been minimised through effective cooperation between the Inspectorate and BPKP (BPK RI 2021).

The above description shows that supervision without the principles of synergy and accountability has a negative impact on the state financial system. Inefficient coordination and rapid detection between the Inspectorate and BPKP increase the risk of corruption and budget manipulation that will ultimately jeopardise state finances. Overlapping functions between the two agencies result in inefficiencies in budget management, making supervision ineffective and unfocussed. The lack of transparency in reporting audit results undermines public accountability and leads to a loss of government credibility in the eyes of the public. In addition, follow-up on financial irregularities is usually delayed, increasing the risk of state losses. Therefore, reform of the financial supervision system is urgently needed to facilitate synergistic and accountable collaboration between the Inspectorate and BPKP, and thus more efficient, effective and transparent supervision in order to support good governance.

2. Criteria for financial supervision arrangements that conform to the principles of synergy and accountability

Effective and efficient financial oversight is the cornerstone of good governance. To build an optimal oversight system, accountability and synergism must be the cornerstones of regulatory requirements. Synergism in oversight implies coordination of functions between institutions, while accountability demands transparency and accountability in the management of public funds. Simple and transparent rules allow for more effective monitoring of financial activities, reduce budget dilution, and improve the efficient use of public funds. The following are important criteria for financial oversight arrangements to align with the principles of synergy and accountability:

a. Regulatory Adjustment between Inspectorate and BPKP

A key requirement for effective financial supervision is regulatory consistency between the Financial and Development Supervisory Agency (BPKP) and the Inspectorate. Until now, there is no legislation that clearly regulates the coordination relationship between the two institutions so that there is often an overlap of authority and continuous supervision. Therefore, it is necessary to create regulations and laws that clearly regulate the functions of each institution in the context of supervision. Some steps that can be taken to realise the synchronisation of these regulations are:

- Improvement and harmonisation of legislation in the field of local financial supervision, namely Law No. 23/2014 on Local Government and Presidential Regulation No. 192/2014 on BPKP to avoid duplication of tasks between the Inspectorate and BPKP.
- Drafting a Government Regulation (PP) or Presidential Decree (Keppres) that regulates the mechanism of cooperation between the Inspectorate and BPKP in carrying out regional financial audits.
- Preparation of joint audit technical guidelines to harmonise the inspection methodology carried out by the Inspectorate and BPKP so as to produce the same recommendations.

b. Integration of Data and Information Systems in Financial Supervision

A synergistic financial oversight system should be based on an integrated data structure, so that all stakeholders can access and analyse information on financial management. The Inspectorate and BPKP still do not have an integrated data sharing mechanism, so the audit results produced by these two institutions continue to differ, so they cannot be used simultaneously. To improve the performance of the supervisory system, it is necessary to establish an integrated platform for monitoring data using the following parameters:

- BPKP and Inspectorate have shared access to local financial information systems, facilitating joint evaluation and improvement of audit results.
- All audit reports and follow-ups are documented electronically to prevent duplication of monitoring recommendations.
- Real-time monitoring and evaluation is carried out with the help of big data and artificial intelligence (AI) technology to closely examine trends in regional financial management.
- Through direct detection of each audit process, this data integration technology enhances the responsibility of financial monitoring by eliminating the possibility of manipulation of audit results.

c. Improved Transparency and Public Access to audit results

Accountability of financial supervision not only means that an institution is responsible for the results of its supervision, but also that the results of the supervision must be known to the public. So far, the results of inspections carried out by the Inspectorate have not been disseminated as they should, even though the provisions of Article 9 of Law Number 15 of 2004 stipulate that the results of inspections must be made public for the benefit of transparency in regional financial management. To increase transparency in financial supervision, legislation obliges:

- The results of Inspectorate and BPKP inspections must be announced to the public through the official websites of the Local Government and the Ministry of Finance.
- Audit results that have a significant impact on the budget must be made public to facilitate social control over the use of local funds.
- Establishment of a public complaint mechanism related to the implementation of the regional budget, which can be used by the public to submit complaints on irregularities or suspected financial irregularities found in the field.
- Giving more people access to audit reports will force local governments to operate honestly and openly under more demand.

Based on these standards, the financial monitoring system can run better, more efficiently, and more accountably. Local governments can run development programmes more openly, each budget use can be more careful and based on the same standards. In addition, the public can also be more involved in the supervision process through the mechanism of transparency of inspection results, so that the space for irregularities can be further minimised. If this synergistic and accountable financial supervision system can run optimally, then Indonesia's state financial management will be stronger and free from various irregularities in the form of budget waste, budget waste, and corruption.

3. Comparison of Financial Supervision System between Indonesia and Malaysia

The financial oversight systems in Indonesia and Malaysia have significant differences in terms of structure, synergy and accountability. In Indonesia, internal oversight is conducted by the Financial and Development Supervisory Agency (BPKP) and the Inspectorate General/Regional in each ministry, agency and local government. However, overlapping authority between BPKP and the Inspectorate often reduces the effectiveness of oversight. The legal basis governing this system includes Presidential Regulation No. 192/2014 on BPKP, Government Regulation No. 60/2008 on Government Internal Control System, and Law No. 30/2014 on Government Administration. Although the legal framework is strong, implementation still faces challenges such as lack of coordination and slow follow-up on audit findings.

Meanwhile, Malaysia has a more integrated and effective internal control system. The main agencies responsible are the National Audit Department (NAD), the Internal Audit Units (IAU) in each ministry/agency, and the Malaysian Anti-Corruption Commission (MACC). The legal basis governing this system includes the Federal Constitution of Malaysia (Article 105), the Audit Act 1957 (Act 62), and the Malaysian Anti-Corruption Commission Act 2009 (Act 694). NAD, IAU, and MACC work synergistically to ensure integrated oversight, with a clear division of duties. For example, NAD and IAU audit findings can form the basis of investigations by the MACC. In addition, Malaysia excels in transparency and accountability, with widely publicised audit reports and prompt follow-up.

This comparison shows that Malaysia is more advanced in terms of internal control synergy, transparency, and accountability than Indonesia. Indonesia's main challenges are overlapping authorities, lack of inter-agency coordination, and slow follow-up on audit findings. To improve the effectiveness of the internal control system, Indonesia needs to harmonise regulations, improve inter-agency synergy, and ensure transparency and accountability in audit reporting and follow-up. With these steps, Indonesia can move towards a more effective and integrated internal control system, creating better governance.

CONCLUSION

Based on the results of the discussion carried out, there are several conclusions in this study, namely as follows:

1. The implications of non-synergistic and accountability-based oversight suggest that inefficient oversight increases the risk of corruption, budgetary errors, and inefficiency in the management of the state budget. Furthermore, distorted transparency in the presentation of audit results reduces public confidence in the government's financial

oversight system. Follow-up on irregularities is also slow due to differences in audit results and the absence of synergy between oversight institutions.
2. Regulatory criteria for financial supervision that conform to the principles of synergy and accountability should include clarity of roles between BPKP and the Inspectorate, improved coordination mechanisms, and data integration that facilitates effective information dissemination. Ideal regulations should prevent duplication of oversight functions and facilitate timely and transparent follow-up of audit findings. With supervisory reform based on synergy and accountability, the performance of state financial management can be improved optimally to realise good governance.
3. Malaysia is more advanced in terms of synergy, transparency, and accountability of internal oversight than Indonesia. Indonesia's main challenges are overlapping authorities, lack of inter-agency coordination, and slow follow-up on audit findings.

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