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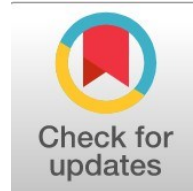
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State Financial Audit Accountability Through Indonesia Audit Board Mechanisms

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Abstract

General Background State financial management requires accountability, transparency, and independent oversight to support good governance. **Specific Background** In Indonesia, the Audit Board of Indonesia or BPK has constitutional authority to audit the management and accountability of state finances through financial audits, performance audits, and audits with specific objectives. **Knowledge Gap** Although the legal framework for state financial audits is comprehensively regulated, the implementation of audit recommendations still raises concerns regarding accountability and transparency in public financial governance. **Aims** This study analyzes the legal framework governing BPK's state financial audit mechanism and examines its role in supporting accountable and transparent state financial management. **Results** The findings show that BPK's authority is firmly regulated in the 1945 Constitution, Law Number 15 of 2004, and Law Number 15 of 2006. These regulations establish BPK as an independent and objective external audit institution. However, implementation remains limited by insufficient follow-up on audit results, weak inter-agency coordination, and inadequate public access to audit information. **Novelty** This study clarifies the relationship between constitutional audit authority, legal audit procedures, and practical barriers in state financial accountability. **Implications** Stronger external oversight, firmer follow-up mechanisms, better institutional coordination, and wider public transparency are needed to ensure that BPK audits support clean, transparent, and accountable financial governance.

Highlights:

- The legal framework is constitutionally strong and comprehensive.
- Recurrent findings indicate weak recommendation enforcement.
- Coordination and public access remain critical implementation issues.

Keywords: Audit Board of Indonesia (BPK), State Financial Audit, Accountability, Transparency, Legal Effectiveness.

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Introduction

The management of state finances is a fundamental aspect of government administration aimed at establishing good governance. There are two main principles that must be upheld by every state institution in managing public finances, namely accountability and transparency.[1] In Indonesia, the authority to audit the management of state finances is the Audit Board of Indonesia (BPK), which is granted authority by the constitution as regulated in Article 23E of the 1945 Constitution of the Republic of Indonesia, which states: (1) that to audit the management and accountability of state finances, an independent and autonomous Audit Board shall be established, (2) that the results of the state financial audit shall be submitted to the House of Representatives, the Regional Representative Council, and the Regional House of Representatives according to their respective authorities, (3) the audit results shall be followed up by the representative bodies and/or institutions pursuant to the law.[2] The Audit Board (BPK) has a central role in ensuring that all management of state finances is carried out efficiently, transparently, accountably, and in accordance with the law. Law Number 15 of 2006 concerning the Audit Board regulates that BPK has the authority to examine all state financial management used by budget users, including State-Owned Enterprises (BUMN) and Regional-Owned Enterprises (BUMD). In conducting audits of state financial management, there are three types of audits, namely: 1) financial audits, 2) performance audits, and 3) audits with specific objectives. These three types of audits are expected to detect irregularities in state financial management.[3]

However, in its implementation, the effectiveness of the audit mechanisms conducted by the Audit Board of Indonesia (BPK) raises various questions. Audit Reports (LHP) containing BPK's audit results are often not followed up adequately by the audited parties. Based on data from the BPK's Semester Audit Summary (IHPS), many findings recur every year, indicating weak implementation of BPK's recommendations by the relevant agencies (IHPS BPK RI, 2023).[4] This condition raises questions about the extent to which the existing audit methods have been effective in improving accountability and transparency in state financial management. From the perspective of state administrative law, the effectiveness of financial audit mechanisms by the Audit Board of Indonesia (BPK) is also closely related to legal compliance with the laws and regulations governing the oversight and accountability system of public finances. Public accountability is not solely measured by the completeness of financial reports prepared, but also by the extent to which these reports can be justified legally, morally, and socially.

Encouraging the creation of public financial integrity. According to Dwiyanto (2018), public sector accountability in Indonesia still faces serious challenges, especially regarding the follow-up on audit results and coordination between oversight agencies. In addition, Sutaryo and Bowo (2019) emphasize the importance of strengthening the functions of the state's external audit as an instrument to increase public trust in the management of state finances. Based on this background, it is necessary to further examine the effectiveness of state financial audit mechanisms by the Audit Board, both from the legal regulation aspect and from the implementation aspect in improving accountability and transparency in state financial management.[5]

Method

In writing this scientific article, the author chose to use document study by focusing the study on the principles of law, also known as normative legal research. The document study referred to here involves using legal materials such as legislation, court decisions, contracts, agreements, legal theories, and expert opinions.[6]

Results and Discussion

A. Legal Basis and Limitations of BPK's Authority in Conducting Audits of State Financial Management

The government acts representing the State as the manager of state finances, allocating state finances for the welfare of all Indonesian people. This is regulated in Article 23 paragraph (1) of the 1945 Constitution of the Republic of Indonesia which reads, "to examine the management and responsibility concerning state finances, an independent and autonomous Audit Board of Finance is established," where the state revenue and expenditure budget as a form of state financial management is determined every year by law, in the form of the State Budget (APBN), and is implemented openly and responsibly for the greatest prosperity of the people. [7]. Inspection is the process of identifying problems, analyzing, and evaluating carried out independently, professionally, and objectively based on inspection standards, to assess the accuracy, credibility, precision, and reliability of information regarding the management and accountability of State finances.[8]

Regarding the audit of State finances, it is regulated in Law Number 15 of 2004 concerning the Audit of the Management and Accountability of State Finances. This law explains that an audit is a process of identifying problems, analyzing, and evaluating conducted independently, objectively, and professionally based on auditing standards to assess the accuracy, precision, credibility, and reliability of information regarding the management and accountability of State/Regional finances. Essentially, it explains four things: the audit process, audit characteristics, audit objectives, and audit objects.[9] The Audit Board of Indonesia (BPK) as a high state institution has a very important role in auditing the management of state finances. As mandated by the 1945 Constitution, particularly Article 23E Paragraph 1, BPK is granted the authority to conduct audits on the management and accountability of state finances by upholding the principles of independence and autonomy.[10]. The basic objective is to ensure that the use of the state budget is in accordance with the applicable regulations and can be accounted for to the public.

The Audit Board of Indonesia, as a state institution within the constitutional system of the Republic of Indonesia, is an independent institution. In carrying out its duties, the Audit Board is free from the intervention of any party, including government authorities. Before the amendment of the 1945 Constitution, the institutional arrangement of the Audit Board was regulated in Article 23 paragraph (5) under Chapter VIII concerning Financial Matters, which reads: 'To examine the responsibility for state finances, an Audit Board shall be established, the regulations of which are stipulated by law. The results of the examination shall be reported to the House of Representatives.'^[9] After the amendment of the 1945 Constitution, the institutional framework of the Audit Board of Indonesia is regulated separately in Chapter VIIIA concerning the Audit Board of Indonesia. Article 23E stipulates that :^[9]

- 1.To examine the management and responsibility regarding state finances, an independent and autonomous Audit Board is established;
- 2.The results of the financial audit are submitted to the House of Representatives, the Regional Representative 3.Council, and the Regional House of Representatives, according to their respective authorities;
- 3.The results of the inspection are followed up by representative institutions and/or bodies in accordance with the law.

The legal basis of the Audit Board of Indonesia (BPK) in carrying out its duties includes:^[10]

1. Law No. 17 of 2003 on State Finance
2. Law No. 1 of 2004 concerning State Treasury;
3. Law No. 15 of 2004 concerning the Examination of the Management and Accountability of State Finances;
4. Law No. 15 of 2006 concerning the Audit Board of Indonesia;

The Audit Board of Indonesia (BPK) is tasked with examining the management and accountability of state finances managed by the Central Government, other State Institutions, Bank Indonesia, State-Owned Enterprises, Public Service Agencies, Regional-Owned Enterprises, and other institutions or bodies that manage state finances.^[11] The examination includes all elements of state finances as regulated in Article 2 of Law No. 17 of 2003 concerning State Finance. The Audit Board of Indonesia (BPK) has several strategic tasks and functions that are very important in improving the accountability of state finances, namely:^[2]

1. Conducting an examination of accountability and management of state finances in accordance with applicable regulations.
2. Reporting findings of criminal violations to the authorities if there is an indication of misuse in the management of state finances.
3. Monitoring the results of examinations and reporting developments to the House of Representatives and the government.

In addition, BPK carries out three main functions as explained by Jimly Asshiddiqie, namely:^[2]

1. Operative Function: focuses on examination, supervision, and investigation related to the management of state finances and assets.
2. Judicial Function: has the right to hold accountable for the management of the state treasury and to file claims for compensation if there are state losses due to violations or negligence by state officials.
3. Advisory Function: provides recommendations to the government to further improve accountability, efficiency, and transparency in the management of state finances.

BPK is one of the external oversight institutions and as a state institution holds a very high position according to the 1945 Constitution. The duty of BPK is to eradicate corruption, collusion, and nepotism to its roots, maintain transparency and accountability of all aspects of state finances, and to examine all origins and amounts of state revenue from wherever the source may be. BPK has the duty to audit how state money is used at the three levels of government in Indonesia: central, provincial, and regency/city. Indonesia's state finances are reflected in the State Budget (APBN), Regional Budgets (APBD), state-owned enterprises (BUMN), regionally owned enterprises (BUMD), foundations, pension funds, companies related to official duties, as well as aid or subsidies to private social institutions.^[12] The purpose of the Audit Board of Indonesia (BPK) conducting an examination of financial statements is to provide an opinion on the fairness of the financial information presented in the financial statements based on conformity with accounting standards, adequacy of disclosures, compliance with laws and regulations, as well as the effectiveness of the internal control system. Essentially, BPK conducts audits on all aspects of state financial management with the aim of creating a government that is clean and free from legal violations such as mismanagement of finances that harms the state.^[13]

B. The Audit Mechanism Carried Out by the Audit Board of Indonesia on State Financial Management

Mochtar Kusumaatmadja emphasized that the role of law in development is to ensure that change occurs in an orderly manner based on legislation or court decisions or a combination of both[14]. Changes that are orderly through legal procedures, whether in the form of legislation or court decisions. Change as well as order or regularity (in order) are dual goals of a developing society, so regulation related to the Audit Board becomes a means that cannot be ignored.

In the general explanation of Law Number 15 of 2006 concerning the Audit Board of Indonesia, it is explained that: "Examination is the process of identifying issues, analyzing, and evaluating carried out independently, objectively, and professionally based on audit standards, to assess the truth, accuracy, credibility, and reliability of information regarding the management and responsibility of state finances." [15]. State Financial Examination or State Financial Audit includes the process of identifying issues, analyzing, and evaluating conducted independently, objectively, and professionally based on the audit standards of the Audit Board of Indonesia (BPK) to assess the accuracy, precision, credibility, and reliability of information regarding the management and accountability of State Finances.[16]. The process of state financial auditing includes the entire series of activities related to state financial objects, from policy formulation, decision-making, to accountability for audit report results.

C. Legal Regulations Regarding the Mechanism of State Financial Audit by the Audit Board of Indonesia (BPK)

Based on the results of a normative study of legislation, the mechanism for state financial audits by the Audit Board of Indonesia (BPK) has a strong and comprehensive legal basis. This regulation is directly sourced from the constitution, namely Article 23E of the 1945 Constitution of the Republic of Indonesia, which affirms that the BPK is a state institution that is independent and free in auditing the management and responsibility of state finances. Further arrangements regarding the mechanism of state financial audits are systematically regulated in Law Number 15 of 2004 and Law Number 15 of 2006. These two laws regulate the scope of audits, audit standards, audit objects, as well as the procedures for reporting and follow-up on audit results. Normatively, the BPK is granted the authority to conduct three types of audits, namely financial audits, performance audits, and audits with specific objectives, each of which is designed to ensure compliance, efficiency, and effectiveness in the management of state finances. The audit mechanism by the BPK is carried out through stages of planning, audit implementation, reporting of audit results in the form of Audit Reports (LHP), and monitoring of follow-up recommendations. The audit results are submitted to the representative body of the people according to its authority as a form of public accountability. Thus, juridically, the mechanism for state financial audits by the BPK has fulfilled the principles of legality, independence, and accountability within the state financial oversight system.

D. Effectiveness of the State Financial Audit Mechanism by the Audit Board of Indonesia in Improving Accountability and Transparency

Research results indicate that although the financial audit mechanism by the Audit Board of Indonesia (BPK) has been clearly and comprehensively regulated, its effectiveness in improving accountability and transparency in state financial management still faces various challenges at the implementation level. One of the main indicators is the still high number of repeated findings recorded in the BPK's Semester Audit Summary (IHPS) from year to year. These repeated findings show that BPK's recommendations have not been fully followed up optimally by the audited entities. This indicates a weakness in the mechanism for enforcing follow-ups on audit results, both in terms of legal compliance, inter-agency coordination, and sanctions for non-compliance. As a result, BPK's audit function has not been fully able to encourage a change in bureaucratic behavior in managing state finances.

From the perspective of state administrative law, accountability is not only measured by the preparation of financial statements that meet standards, but also by the seriousness of state institutions in concretely and continuously following up on audit results. Without an effective follow-up strengthening mechanism, BPK audits have the potential to become mere administrative formalities. Nevertheless, BPK's role remains strategic as the state's external audit institution. BPK's opinion on government financial statements has become an important instrument in promoting transparency and raising awareness of the importance of good financial governance. Therefore, to improve the effectiveness of the audit mechanism, it is necessary to strengthen the synergy between BPK, the people's representative institutions, law enforcement agencies, as well as increasing the government's political commitment to follow up on audit recommendations.

Regulations regarding the Audit Board of Indonesia (BPK) as an institution that examines the management and accountability of state finances show that Indonesia has placed the state audit function as an integral part of the constitutional system. The affirmation of BPK as an independent and autonomous institution as stipulated in Article 23E of the 1945 Constitution of the Republic of Indonesia reflects a constitutional commitment to creating transparent and accountable state financial management. This independence is a primary prerequisite for BPK to carry out its supervisory functions objectively without interference from the executive power or certain political interests. Normatively, the limitations and scope of BPK's authority have been clearly regulated in various sectoral laws, particularly Law Number 15 of 2004 and Law Number 15 of 2006. These two regulations not only regulate the objects and types of audits, but also affirm the standards of professionalism, audit procedures, as well as the obligation to follow up on audit results. With the authority to audit all entities managing state finances, including state-owned enterprises, regional-owned enterprises, and non-governmental institutions receiving state funds, the Audit Board of Indonesia has a strategic position as an external supervisor that reaches the entire chain of public financial management.

However, the breadth of this authority also poses challenges in practice. The complexity of the objects of examination and

limited resources have the potential to affect the depth and effectiveness of the audits. In this context, the limitations of BPK's authority need to be understood not only as legal constraints but also as a mechanism to maintain the focus of the audit so that it remains risk-based and has a real impact on improving state financial governance. The audit mechanism carried out by BPK, which includes the stages of planning, implementation, reporting, and follow-up monitoring, is essentially in accordance with the principles of good governance and the theory of development law as proposed by Mochtar Kusumaatmadja. State financial audits do not merely function as a control tool but also as an instrument of social and administrative change aimed at creating order, legal certainty, and improving the quality of state financial management.

Nevertheless, the study results indicate that the effectiveness of the BPK audit mechanism still faces serious obstacles at the stage of following up on recommendations. Recurrent findings in BPK's IHPS suggest that audit results have not fully succeeded in driving systemic changes in bureaucratic behavior. This indicates that state financial accountability is not sufficiently guaranteed merely by the existence of regulations and audit mechanisms, but heavily depends on institutional commitment and consistent law enforcement. From the perspective of state administrative law, this condition indicates a gap between legal norms (*das sollen*) and government administration practices (*das sein*). Accountability and transparency will only be optimally achieved if BPK audit results are followed by strict sanction mechanisms, effective coordination among oversight agencies, and strong political oversight from representative institutions. Thus, this discussion affirms that although, juridically, the mechanism for state financial audits by the Audit Board (BPK) has been designed comprehensively and constitutionally, its effectiveness still requires strengthening in the implementation aspect, particularly in enforcing the follow-up of recommendations. Such strengthening is key so that the role of BPK does not stop at an administrative function, but truly becomes a strategic instrument in realizing a clean, transparent, and accountable government.

Conclusion

Based on the results of the research and discussion, it can be concluded that the Audit Board of Indonesia (BPK) has a strong constitutional and legal basis in conducting audits of the management and accountability of state finances. This authority is derived from the 1945 Constitution of the Republic of Indonesia and is reinforced by legislation in the field of state finance, which clearly regulates the scope, objects, and objectives of BPK audits. In addition, the audit mechanism carried out by BPK has been systematically organized and oriented toward the principles of independence, objectivity, and professionalism. The audits cover all stages of state financial management and aim to provide an assessment of the fairness of financial statements, compliance with laws and regulations, as well as the effectiveness of the internal control system. With this mechanism, the Audit Board of Indonesia (BPK) plays an important role in promoting the realization of accountability and transparency in the management of state finances.

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