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LKPD examination and audit mechanism (considering the opinion of the WWTP conducted to assess regional accountability and financial transparency by the BPK)

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ABSTRACT

BPK's audit and game theory audit analysis were carried out by conducting an interview approach with several experts in order to develop a modeling game. Game theory analysis is carried out to compile based on utility modeling. Then each utility model will be measured and obtained using the backward induction method. Based on the results of the game modeling, it was found that in the BPK examination, when the government was compliant or disobedient in the negotiation process, it became a very credible process. This is in accordance with the existing audit mechanism because BPK has advantages in terms of audit. The difference between government scrutiny and the bad nature of institutions compared to credible institutions, namely the corrupt nature of the government, will result in a negotiation process that can be carried out easily. The government's initiative to establish communication with BPK is used by extortion to increase BPK's utility. Initiatives for corrupt behavior can be initiated by both parties. This shows the existence of corrupt practices caused by the superiority of the institution and the existence of information gaps carried out by the BPK. These institutional advantages and gaps have given rise to the practice of manipulating findings.



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Introduction

Corruption is a dangerous disease that attacks the entire government structure and state, which includes cultural structures, political and economic society, and undermines these vital state functions (Adelina, 2019). In the literature, corruption is defined as the use of public or private facilities or resources for private purposes (private gain) (Aidt.S.Toke, 2013). Corruption can take the form of actions, such as: bribery, extortion, facilitation, collusion, fraud, obstruction of justice, embezzlement, misuse or transfer of wealth, exchange of influence, abuse of authority, self-enrichment, money laundering (UNCAC, 2004). Corruption also includes: attempts to bribe officials, embezzlement of consumer or corporate funds, making decisions for personal gain (USAID, 2005).

Increasing community demand for maintenance Clean, fair, transparent government and accountability must be taken seriously and systematic. All rank-and-file administrators, both at the executive, legislative and judiciary levels, must have a shared commitment to enforce good governance and clean government. There are

3 main aspects that support the creation of a good government, namely supervision, control, and inspection (audit) (Alfiati, 2017).

If traced specifically, the causes of corruption are classified into three basic aspects: (1) individual choice, that is, corruption is caused by the choice of individuals or companies to obtain efficiency benefits that are not obtained through fair competition (Hessami, 2014); (2) salary or incentives, meaning that corruption is caused by low salaries or incentives. These low incentives encourage bribery, extortion, and embezzlement (Leys, 1964); (3) low competition, namely corruption occurs due to low competition in management and distribution. Low competition is caused by fat bureaucracy and regulatory uncertainty (processes and costs) (Mauro, 1995).

Brown (2007) stated that the problem of audit effectiveness by the BPK is caused by the low integrity of auditors due to poor penalties or fines (disincentives). According to Ali in Vina, auditors are dishonest in disclosing facts that indicate low auditor integrity (Ayuningtyas & Pamudji, 2012). Integrity builds trust and provides a basis for trust in objective judgments (Zamzami & Faiz, 2018). An auditor with integrity is an auditor who is not influenced and is not influenced by various forces that come from outside the auditor in considering the facts he encounters in the audit. Integrity auditors are auditors who have the ability to realize what is believed to be true. Integrity is an attitude that says an auditor must follow the rules, be honest, know the truth to make disclosures, and do what needs to be done (Nurjaman, 2020). The integrity of auditors is influenced by the quality of human resources such as: training, career path, insights, performance appraisal, internal security system and ranking system (Masood & Lodhi, 2015). Auditor competence is a qualification required by auditors to perform audits properly. In carrying out an audit, an auditor must have personal qualities of good quality, adequate knowledge, and sufficient work experience (Ilmiyati & Suhardjo, 2012). Competence is the qualification required by the auditor to carry out tests properly. In carrying out an audit, an auditor must have quality personal, adequate knowledge, and special expertise in their field to produce good audit quality (Pratomo, 2015). In addition, the problem of audit effectiveness is also caused by the low implementation of fraud control systems in the BPK (OOIG USA, 2014). Based on what has been explained earlier, the research questions asked in this study are as follows: What is the mechanism for checking and effectiveness of the LKPD audit and providing WWTP opinions to assess accountability and regional finance transparency.

This research uses game theory analysis, so that it can explain a person's decision to behave corruptly or someone's decision to deal with corrupt traits more effectively. In the previous study, corruption can be classified into 3 main streams based on the variables used, namely micro, macro and mixed variables (macro and micro).

The study used micro data either by using economic variables such as gender, income, age, educational background etc. Or individual decision-making taking into account the expected future utility or looking at experimental methods. To see its effect on acts of corruption, such as: Macrae (1982) using the Game theory method, Abbink et al (2002) Using experimental methods, Mocan (2008) using the quadratic terms regression method using economic variables such as, gender, income, age, education background, or individual decision making by considering the expected future usefulness experimentally.

In addition, by using macro data using economic variables such as GDP, Government Expenditure, Inflation, FDI, Democracy Index, Budgeting Composition, etc. To see its effect on acts of corruption, such as: Arvas et al (2011) using the regression model, Mauro (1995) using the 2SLS calculation method over OLS, Glaeser and Saks (2005) using the OLS, (Bouzid, 2016) the GMM method to look simultaneously dynamically at the youth unemployment rate, and using the Fixed Fixed Estimate of the OLS Effect, (B, 2013) Using the dynamic multinomial regression method, Rodrik and Wacziarg (2004) Using econometric data panels to test the influence of democracy in the country on economic growth. Entering the time and state variables to see the effect remains, Levin and Satarov (2000) Conducted a literature search based on papers from the IDEM report on corruption in Russia from 1995 -1996.

And using mixed data, both macro and micro gradually by looking at the expected usefulness of the player's choice in carrying out corruption actions and strengthened by calculation methods using macro variables as reinforcement of findings or evidence to see their effect on corruption actions such as: (Hessami, 2014) using the regression estimation method (Bivariate Relationships). While micro by using the decisions of each player, Aidt (2003) looked at the phenomenon of corruption at the macro level with the approach of literature studies from various journals with various theories from 1832 to 2001 and aimed to create a comprehensive theory. At the micro level, try to create an empirical model using an arithmetic approach to dissect the phenomenon of corruption, mayne and Hakhverdian combine macro-political dependent variables, that is, institutional beliefs and make micro-behavioral variables an independent variable with the equation:

$$\text{Institution trust}_{ij} = \gamma + \gamma_0 j + \epsilon_{ij}$$

Method

In this study, we used qualitative research methods because the data collected and the analysis are more qualitative (Sugiyono, 2019). Researchers who use qualitative methods are concerned with the nature of research that relates to values, and qualitative methods seek answers to questions that highlight how social experiences arise as well as the acquisition of meaning (Nugrahani & Hum, 2014). Game Theory deals with the actions of decision makers who are aware that their actions will influence each other (Rasmusen 2007). For example, two publishers in the city choose the same price because they are aware that their sales are determined together, they are in the game with each other. This option can also be used to see the player's behavior in acts of corruption, bribery, embezzlement or other acts.

Game theory is a careful analysis of how one person makes decisions in the form of policies or other decisions (corruption and embezzlement). This is done by depicting through a game. The important elements of the game of this game are players, actions, rewards (payoffs), and information. The purpose of depicting a game is to describe the situation in terms of the rules of the game so as to explain what will happen in that situation.

There are two views on game theory in its development, namely the view that classical and instrumental views (Hardianto, 2017). The model in this study was formed from the interaction between audit actors and assumed rational agents. Rational actors try to implement the right strategies to produce the most optimal outcomes. The audit actors who make decisions in this game theory are the BPK and the government. The interaction between the BPK and the government as the audited party and then the nature of the government is corrupt or that is not an interesting thing to analyze using game theory.

The important elements of the game of this game are: players, actions, rewards (payoffs), and information. The goal is to describe the situation in terms of the rules of the game so as to explain what will happen in that situation. The combination of strategies chosen by each player is known as equilibrium. By looking at the balance of the model, we can see what actions are chosen from all possible plans made by the player and this will show the result (pay off) of the match. In this game, information is so valuable that it becomes an important instrument for determining policy whether to make a decision with a certain payoff or not to make that decision.

The researchers used the in deep interview method by interviewing 3 experts (in the form of 1 academic, 1 practitioner, and 1 BPK structural official), and saw 50 hours of corruption trials conducted by the BPK in Jakarta and in Timohon. This is done in the framework of game modeling and determining the nature of the mechanisms played. According to Miles and Huberman (1984), in (Sugiyono, 2019), activities in qualitative data analysis are carried out interactively and take place continuously until completed, so that the data is saturated. Activities in data analysis are data reduction, data presentation, and drawing conclusions or verification.

Results and Discussions

Considering the optimal solution when the government is compliant (P) and non-compliant (TP) with the option of examining BPK PE (professional experts), PNE (non-professional experts) and T. Professional (T. Professional), the optimal solutions obtained by the BPK are:

[Eq.122] Optimal P: Optimal TP

B13: B40

$Udx + Ucv + Ujc + Upv + Usd + Ubx > Udx + Ucv + Ujc + Ucs + Usd + Upv + Ubx$

Considering $Udx + Ucv + Ujc + Ucs + Usd + Upv + Ubx > Udx + Ucv + Ujc + Upv + Usd + Ubx$, the optimal result obtained is based on the amount of results obtained, $B40 > B13$. Therefore, the optimal solution as a strategy will be chosen by the BPK in the Game at this stage is when the government does not comply (TP), the BPK chooses to conduct an examination by Finding Manipulation (MT) with a choice of bribery remove (SH) strategy with a choice of strategy Bribery Remove (SH) with extortion (P). Considering the optimal solution when the government is compliant (F) and non-compliant (TP) with the choice of examination by BPK PE (Professional Expert), PNE (Professional non-Expert) and T. Professional (T. Professional), the optimal solution obtained by the government is:

[Eq.123] Optimal P: Optimal TP

A13: A40

$Urx + Ubp > Urx + Ucs + Usd$

Stage 3 Gaming Solutions

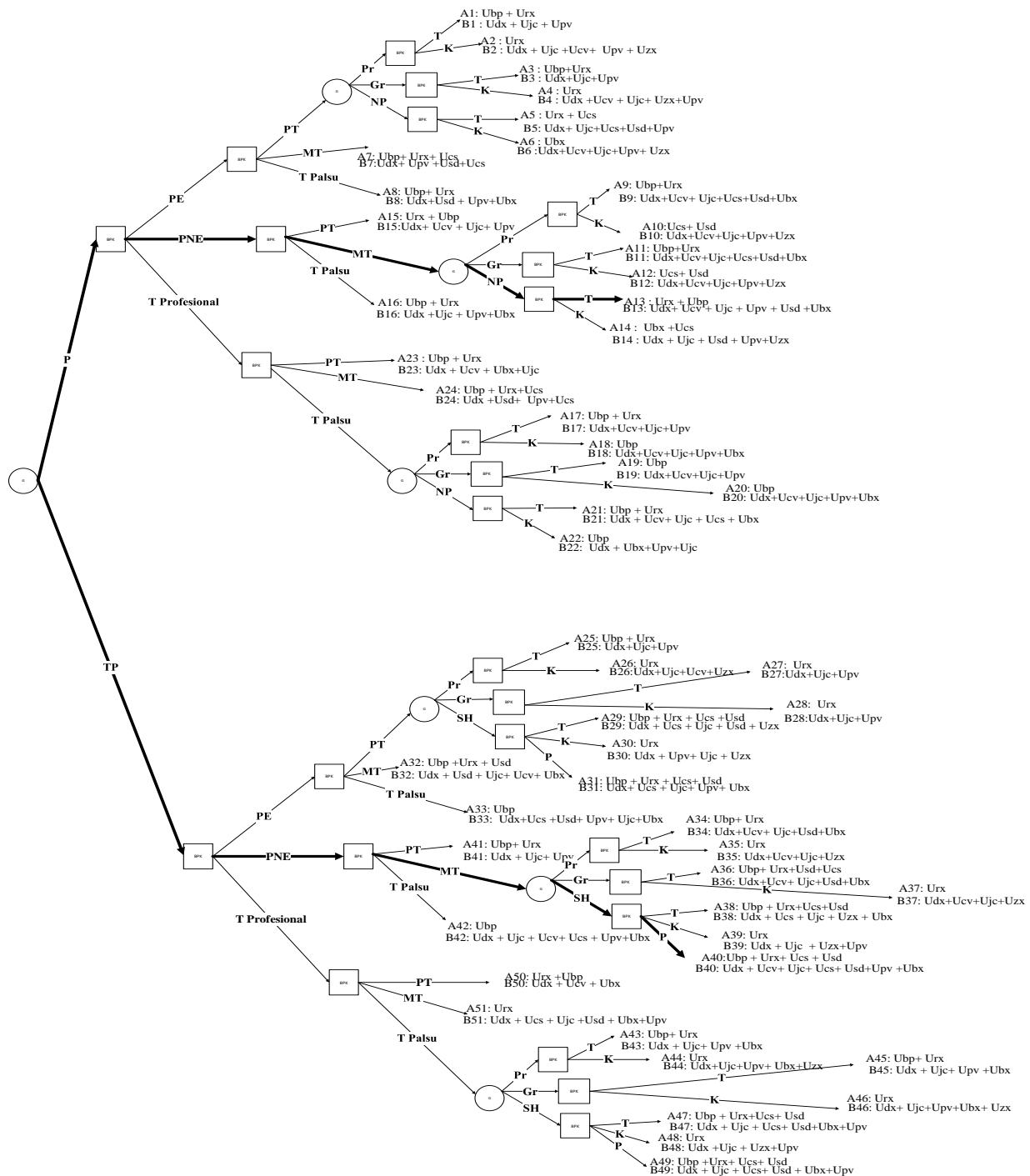


Figure 1. Game Extensive Form Solutions

Given the amount of results obtained, then the result is $Ubp + Urx + Ucs + Usd > Urx + Ubp$, the optimal result obtained by the government is $A40 > A13$. Therefore, the optimal solution as the strategy to be chosen by the BPK in the game at this stage is that when the nature of the government is not appropriate (TP), the BPK chooses to conduct an examination by manipulating the findings (MT) with the option of a bribery elimination strategy (SH) with extortion (P).

Conclusions

Based on the results and discussion in this study, it was concluded that, in principle, the financial audit process always benefits both parties, i.e., the government and the BPK. The players are trying to make the process of implementing the financial audit run well. The communication process that led to changes in findings between BPK and the government gave the highest results compared to limited improvements or compensation. This is consistently shown by the modeling of all stages. Although corruption initiatives are initiated by the government, the BPK can encourage acts of corruption through inspection mechanisms carried out such as manipulation of findings (MT) and false findings (T.Palsu). It is known that the difference between audits of the government and the bad nature of credible institutions and institutions, namely the corrupt nature of the government, will result in a negotiation process that can be carried out easily. Even though BPK conducts examinations as professional experts (PE), the government's initiative to build communication with BPK is used to squeeze (P), thereby increasing the utility of CPC. Initiatives for corrupt behavior can be initiated by both parties. This shows that corrupt practices are caused by institutional excellence and information gaps in the audits conducted by the BPK. The manipulation of the findings is carried out if the BPK examines it professionally but not an expert (PNE), so that because the scope of the examination is not in the field, the findings are manipulated by the government so that both parties get optimal results. Similarly, TP (false findings) is carried out if the BPK is not professional (TP) in the examination process so that the findings are fabricated or faked for the same reason.

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