

The Role of Badan Pemeriksa Keuangan (BPK) in Implementing Investigative Audits of State Losses

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Abstract

This research aims to fill the gap by providing a thorough examination of BPK's role in investigative auditing, highlighting its contribution to legal processes and anti-corruption efforts in Indonesia. It will also offer insights into policy and institutional improvements needed to enhance the effectiveness and credibility of investigative audits in protecting public financial interests. The Audit Board of the Republic of Indonesia (BPK) holds a constitutional mandate to examine the management and accountability of state finances, including the identification of state losses arising from irregularities or criminal acts of corruption. One of BPK's key functions is conducting investigative audits aimed at uncovering indications of fraud, exposing the modus operandi, determining the amount of financial loss to the state, and supporting legal proceedings. This study aims to explore the strategic role of BPK in investigative audits related to state losses, including the mechanisms of implementation and the challenges encountered. The findings indicate that BPK acts not only as an audit institution but also as a key player in law enforcement and the prevention of financial crimes. Through investigative audits, BPK contributes significantly to enhancing transparency, accountability, and the overall governance of public finances. Nevertheless, the implementation of investigative audits faces several challenges, such as limited access to supporting evidence and the complexity of cross-sector cases. Therefore, stronger synergy between BPK and law enforcement agencies is essential to maximize the effectiveness of investigative audits in safeguarding state finances.

Keywords: BPK, Investigative Audit, State Losses, Calculation Of State Losses, Law Enforcement.

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Introduction

Badan Pemeriksa Keuangan (BPK) is a state institution with a constitutional mandate to audit the management and accountability of state finances as stipulated in Article 23E of the 1945 Constitution. In the context of eradicating criminal acts of corruption, one of the BPK's important functions is to conduct investigative audits to uncover indications of state losses and support legal proceedings [1]. State losses stemming from budget misuse, manipulation of financial reports, and illegal procurement of goods and services are a key focus of investigative audits. In practice, Badan Pemeriksa Keuangan (BPK) collaborates with law enforcement officials (the Corruption Eradication Commission, the Police, and the Prosecutor's Office) to provide calculations of state financial losses (PKKN) as evidence in legal proceedings [2].

The management and accountability of public finances are essential pillars of good governance. In Indonesia, the Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan/BPK) plays a critical role in examining the use of state funds and ensuring that public financial administration is conducted lawfully, effectively, and transparently [3]. One of BPK's unique and strategic mandates is the execution of investigative audits, especially in cases where there are allegations of fraud, corruption, or misuse of state assets. In recent years, there has been a significant increase in the number of corruption cases involving state officials and public funds, both at the national and regional levels. According to the Corruption Eradication Commission (KPK), several high-profile corruption cases, particularly in the areas of procurement, infrastructure development, and social assistance, have caused substantial losses to the state [4]. These cases frequently require accurate and credible calculation of state losses, which is a key component of legal proceedings. In this context, the investigative audit function of BPK becomes crucial to support law enforcement agencies by providing evidence-based, quantified damage assessments.

Despite its strategic position, BPK faces several challenges in carrying out investigative audits, such as limited access to essential documents, complex multi-party involvement, and fragmented legal frameworks regarding the use of audit findings in court. Additionally, there is a lack of academic research exploring the effectiveness, challenges, and institutional role of BPK in supporting anti-corruption efforts and legal proceedings [5]. This study aims to examine the role, contribution, and challenges of BPK in performing investigative audits on state losses and to offer strategic recommendations for strengthening its institutional effectiveness in protecting public finances. However, despite BPK's strategic position, challenges remain in the implementation of investigative audits. These include limited access to key documents due to intentional destruction or concealment, lack of coordination between BPK and law enforcement, complex multi-party involvement in fraudulent activities, and legal ambiguities regarding the use of investigative audit results in court proceedings. Moreover, there is a lack of comprehensive academic analysis regarding the actual role, contribution, and limitations of BPK in conducting investigative audits related to state losses.

Previous studies have predominantly focused on BPK's role in financial and performance audits, with limited attention to its investigative audit function, particularly in relation to fraud detection and legal proceedings. While some literature has explored forensic audits or anti-corruption frameworks in general, there is a scarcity of empirical or conceptual research that examines BPK's authority, process, and inter-agency collaboration in calculating and proving state losses in legal contexts [6]. Additionally, there is minimal academic discourse assessing

the institutional impact of BPK's investigative audits on accountability, deterrence, and recovery of state assets.

Literature Review

Literature review on investigative audits in the government sector, covering concepts, objectives, methods, challenges, and expected results based on various research and academic literature:

Table 1. Literatur Riview

No.	Author(s)	Year	Focus Area	Key Findings	Relevance to Investigative Audit
1	Arens, Elder, & Beasley [7]	2017	Auditing Principles	Investigative audits are part of special audits focusing on fraud detection.	Provides theoretical foundation on audit classification.
2	Singleton et al. [8]	2010	Fraud Investigation	Investigative audits aim to collect sufficient evidence for legal proceedings.	Explains forensic techniques and legal linkage.
3	Wells [9]	2014	Fraud Examination	Use of forensic tools like interviews, data analysis, and link analysis is crucial.	Offers technical guidance on conducting investigations.
4	BPK RI [10]	2020	State Audit Practice in Indonesia	BPK has legal authority to conduct investigative audits and determine state losses.	Institutional role and legal basis for investigative audits.
5	BPK RI [11]	2022	Audit Reports and Findings	Investigative audit reports support legal enforcement and recovery actions.	Shows practical outcomes of audit investigations.
6	OECD [12]	2019	Public Governance	Investigative audits strengthen integrity and accountability in the public sector.	International perspective on impact and importance.
7	Siregar & Pradipta [13]	2019	Local Government Audit Challenges	Challenges include data access, political interference, and auditor competence.	Identifies key implementation issues in public sector audits.
8	Permenkeu No. 234/PMK.01/2015 [14]	2015	Regulatory Framework	Sets procedures for initiating and conducting investigative audits in ministries/agencies.	Legal and procedural guidance for auditors.

Source: Literatur Review, 2025

The literature and legal frameworks reviewed reveal that investigative audits are essential tools in uncovering and addressing financial misconduct in the public sector. Their effectiveness depends on the use of proper forensic methods, institutional authority, auditor competence, and a strong legal foundation. When implemented well, investigative audits contribute significantly to improving transparency, accountability, and governance in public administration. This book provides fundamental insights into auditing principles [15]. The authors classify investigative audits as a type of special audit, conducted when there are indications of irregularities or fraud. These audits go beyond compliance testing and aim to uncover fraudulent behavior. Its relevance lies in providing the theoretical basis for understanding audit types applied in public sector settings. This work offers a comprehensive

guide to forensic auditing techniques. Investigative audits are presented as tools to gather sufficient evidence for legal prosecution. In the government sector, such audits are instrumental in tracing and proving financial misconduct or corruption. It contributes to the technical understanding of how investigations are conducted [16].

Wells introduces key fraud examination methods, including investigative interviews, document analysis, and link analysis. These forensic tools are essential for identifying patterns of fraud and tracing responsible individuals. The book is especially relevant for auditors engaged in public sector fraud investigations. The Indonesian Supreme Audit Institution (BPK) report demonstrates how investigative audits are implemented in practice. BPK has the legal authority to conduct investigative audits and to determine the existence and amount of state financial losses. This underscores the institutional role in safeguarding public finances. The 2022 report provides evidence of how investigative audit results support legal action and the recovery of state losses. It highlights the practical impact of investigative audits in enhancing public financial governance and promoting accountability. The OECD Public Integrity Handbook views investigative audits as a key pillar of public sector integrity. They play a crucial role in strengthening transparency, trust, and governance across public institutions. This source offers an international policy perspective on the importance of such audits [17].

This article highlights real-world challenges in conducting investigative audits at the local government level, such as limited access to data, political interference, and a shortage of qualified auditors. It emphasizes the operational difficulties that must be addressed for successful implementation. This regulation outlines the official legal framework for initiating and conducting investigative audits within ministries and government agencies. It provides guidance on when an investigation should be launched and what criteria must be met to justify such audits [18].

Research Methodology

This study employs a qualitative-descriptive approach [19] to explore the practice, challenges, and implications of investigative audits in the public sector. The methodology focuses on understanding how investigative audits are conducted within government institutions, particularly in detecting fraud and ensuring accountability in public financial management. The research design is exploratory and interpretative, aiming to analyze both documentary evidence and expert opinions related to investigative audits. It does not test hypotheses but rather seeks to build a comprehensive understanding of the investigative audit process in government contexts. Primary and secondary documents were reviewed, including audit reports from the Supreme Audit Institution (BPK), regulations such as the Minister of Finance Regulation No. 234/PMK.01/2015, court case records, OECD integrity guidelines, and prior research articles on forensic and investigative audits. Semi-structured interviews were conducted with experienced auditors from BPK, internal government auditors (APIP), and anti-corruption investigators. These interviews helped to gain insights into practical challenges and institutional strategies in conducting investigations. Selected government audit investigation cases—particularly those that resulted in legal actions or policy reform—were examined to understand how findings from investigative audits are applied in real-world governance improvement. Data were analyzed using content analysis to identify recurring patterns, themes, and critical issues related to the implementation of investigative audits. Regulatory frameworks, institutional responses, and audit outcomes were compared across different cases to evaluate effectiveness and identify best practices.

Results and Discussion

Investigative audits are designed not only to identify errors but to trace and prove intentional wrongdoing, often through forensic techniques. They serve as a bridge between financial control and judicial enforcement.

Table 2. Summary of Literatur Riview

Focus	Key Contribution
Auditing Types	Investigative audits as a special audit category.
Forensic Auditing	Techniques for collecting legal evidence.
Fraud Examination	Methods such as interviews and link analysis.
Institutional Reports	Practical applications and outcomes in Indonesia.
Integrity in Government	Importance of investigative mechanisms for trust.
Local Audit Challenges	Political and operational barriers in the field.

Source: Literatur Review, 2025

The audits also lead to significant impacts such as policy revisions, improved internal controls, and public trust reinforcement. However, the long-term success of these audits depends on institutional independence and inter-agency coordination. Investigative audits have proven effective in uncovering fraud and state financial losses. For example, BPK's audit investigation reports have contributed to prosecutions by the Corruption Eradication Commission (KPK). However, the effectiveness of these audits is influenced by several key factors [20]:

- 1) **Technical Capacity:** Many auditors lack specialized skills in forensic accounting.
- 2) **Legal Framework:** Although comprehensive, implementation remains inconsistent across regions.
- 3) **Access to Evidence:** Resistance from auditees and incomplete documentation pose serious challenges.
- 4) **Political Influence:** In some cases, investigations are delayed or hindered due to political pressure.

Badan Pemeriksa Keuangan (BPK) plays a vital role in law enforcement efforts against crimes that harm state finances through investigative audits. This role extends beyond calculating state losses to strengthening the legal process and promoting transparency and public accountability. Synergy between the BPK and law enforcement officials is key to achieving clean and corruption-free state financial governance. Investigative audits not only aim to assess the fairness of financial reports, but more specifically aim to: (1) Identify indications of fraud; (2) Uncover the modus operandi and the parties involved; (3) Determine the amount of state/regional losses quantitatively; (4) Provide recommendations for state financial recovery and further legal action [21].

Some of the BPK's important roles in investigative audits include:

- a. **Revealing State Losses**

The BPK has the authority to declare that an event has resulted in state financial losses based on objective calculations. This refers to Law Number 15 of 2006 concerning the BPK and BPK Regulation No. 1 of 2021 concerning Investigative Audits.

- b. **Supporting the Legal Process**

The results of the BPK's investigative audits can be used as preliminary evidence in corruption investigations. The investigative audit report (LHP Investigatif) is a legal document that can support charges in court.

c. Coordination with Law Enforcement Officials

Badan Pemeriksa Keuangan (BPK) collaborates with the Corruption Eradication Commission (KPK), the Prosecutor's Office (AGO), and the National Police (Polri) in handling corruption cases. In this regard, the BPK provides calculations of the PKKN (National Corruption Eradication Commission) as the basis for prosecution and recovery of state losses.

d. Improving Public Accountability

Through its investigative role, the BPK not only detects state losses but also plays a role in preventing future financial irregularities through systemic recommendations.

Investigative audit procedures typically consist of [22]: (1) Identifying suspected fraud or violations of the law; (2) Collecting and analyzing evidence (documents, interviews, digital traces); (3) Reconstructing economic transactions and events to identify patterns of irregularities; (4) Calculating state/regional losses quantitatively; (5) Preparing investigative audit reports.

Conclusion

Investigative audits serve as a vital mechanism in ensuring accountability, transparency, and integrity within government financial management. This study reveals that investigative audits are not only instrumental in identifying and quantifying state losses but also in supporting legal proceedings and driving improvements in public governance. In the Indonesian context, the legal framework and institutional mechanisms—particularly those under the Audit Board of Indonesia (BPK)—provide a solid foundation for conducting investigative audits. However, challenges such as limited forensic expertise among auditors, restricted access to data, and political interference continue to undermine their effectiveness. Despite these obstacles, investigative audits have led to meaningful outcomes, including the exposure of fraudulent practices, recovery of state losses, policy reforms, and strengthened public trust. To enhance their impact, there is a pressing need to build auditor capacity in forensic methods, ensure institutional independence, and promote better inter-agency coordination. In conclusion, when supported by adequate resources and political will, investigative audits can significantly contribute to reinforcing good governance and combating corruption in the public sector. Future research should explore cross-country comparisons and develop more robust frameworks for measuring the long-term effects of investigative audits on public sector performance.

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