

# Audit-Based Risk Management Toward Anti-Corruption

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## ABSTRACT

Corruption is a form of fraud that can harm other parties. In Indonesia corruption means that it is a criminal offense related to state finance in the government sector and involves public officials. So to reduce the potential for corruption, prevention efforts are needed. The purpose of this study is to analyze how risk management prevents corruption. This research uses a qualitative case study method. The object of research was carried out at the Banyuwangi Regency Government. The reason for choosing this object is because the Banyuwangi Regency Government has implemented a risk-based audit. This study focuses on selecting three work units, namely the Inspectorate, the Financial Management Agency and the Asset Management, and the Public Works Agency. The results showed that the identification of corruption risks can be classified based on the red flag, namely (1) the accuracy of the goods and services received at the time of procurement, (2) identification of indications of corruption. The implication of this research is to know the risk of corruption, we can minimize corruption by controlling both operational and strategy control.

**Keywords:** corruption, risk management, Banyuwangi Government, risk-based audit

## 1. INTRODUCTION

One of the objectives of the decentralization policy is to improve the people's welfare more equitably. Wider authority to local governments in organizing government and managing finances will bring the government closer to its people. However, to achieve this goal is not easy, the existing political system, gave birth to local political dynasties that utilize post-conflict local elections as a procedural democracy to perpetuate power. In the end, corruption will also be decentralized so that the people's economic equality is not fully realized because it is only enjoyed by a handful of bureaucratic elites and local politicians.

Considering the current condition of Indonesia, it can be seen that it has a complete anti-corruption instrument, starting with anti-corruption legislation, the establishment of the Corruption Eradication Commission (KPK), and the existence of a corruption court, and there is a National Strategy for Corruption Prevention and Eradication or known as the Stranas PPK Term The length of 2012-2025 and the mid-term National Strategy for 2012-2014 PPK, as a follow-up to the formulation of the government's strategy to compile actions to prevent corruption that are implemented and evaluated every year, are issued based on Presidential Regulation No.55 of 2012 [1].

The Banyuwangi District Government, one of the regional governments that supports the mid-term and long-term National Strategy for PPK programs as a plan for preventing and eradicating corruption. This is evidenced by the award obtained by the Banyuwangi District Government who won the Regional Action Plan for the Prevention and Eradication of Integrated Corruption (RAD-PPKT) at the East Java level. The award was obtained thanks to a number of

innovations based on public transparency, and a strong commitment to preventing and eradicating corruption. A simple example that has been done is announcing the annual APBD managed by the Regency Government that is displayed in every strategic corner of the city. Even monitoring of infrastructure development programs can be done in real time based on geospatial coordinates.

Various efforts have been made by the government to minimize the risk of corruption in the management of state finances. One of them is by issuing regulations related to risk management namely Bureaucratic Reform Ministerial Regulations No.19 of 2017 concerning the application of risk management within the Ministry of Administrative Reform and bureaucratic reform so that it will be able to realize *government* better [2]. In addition, the importance of using risk management in the current 4.0 era in Government is also due to the manual work governance process in Government which has gradually switched to using technology and information so that the resulting information is more efficient and effective and accurate. Like the use of *cloud computing* in the application of infrastructure that is more adequate in the implementation of *e-government* in Government Agencies. The new paradigm promoted by *cloud computing* is cost reduction, high service flexibility and access methods that can be done at any time and using any device [3]. The risk that will occur from the use of information technology will be more and more so the control through risk management needs to be done.

This research is important, the demands of a clean and authoritative government become a separate issue that needs to be revealed. The risk of corruption in government organizations is a challenge to be prevented. Good risk management should be able to prevent corruption from happening. Or in other words, when there is still corruption

in government, it means that the risk management that is built is still poor. In the context of this risk management research, corruption remains a problem and a challenge to be prevented, especially in the implementation of programs and activities in government organizations.

The purpose of this study is to find out how risk management can help identify corruption critical points as same assure to preventive prevent corruption in the Banyuwangi Regency Government. So that later risk management will support an effective internal control system. Risk management is an inseparable part in the implementation of the government's overall internal control system in enhancing effective, efficient performance, transparency and accountability. The results of the study are expected to increase awareness and ability of all parties in the application of risk management, meaning that a joint commitment to implementing risk management in implementing activities in the local government environment is realized.

## 2. RESEARCH METHODOLOGY

This research uses a qualitative case study method. In the context of local government, the risks that arise in the implementation of a program or activity will very likely occur. The case study method is suitable for use in the context of problems that are occurring, complex, and essential to be investigated [4].

Research locations in the Banyuwangi Regency Government with a sample of speakers from Local Government Organizations (OPD), namely the Public Works Agency (Bina Marga and Cipta Karya). The reason for choosing this object is because the Banyuwangi District Government has implemented a risk-based audit. In addition, the Banyuwangi Regency Government Inspectorate, as an internal control unit, is developing risk management applications for all work units.

This study uses three stages in data acquisition, first observation by directly observing how OPD in Banyuwangi

Regency applies the strategy and risk management techniques that are being formulated. Second, in-depth interviews with resource persons that have been determined to have strategic power and special influence, including the head of the OPD, the secretary of the OPD, the Head of Planning and Budgeting, the Head of Finance and Staffing, the Head of the Internal Supervisory Unit at the OPD level, the official implementing technical activities, and the development consultant information Technology. In-depth interviews with 19 participants consisting of top, middle level managers and technical staff from the three work units above.

The last stage is the documentation process, collecting data related to risk management such as laws and regulations, guidelines or working papers that have been used, findings, BPK recommendations, inspectorate recommendations, community reports, and data that may arise when the research team is already in field.

## 3. RESULTS AND DISCUSSION

### 3.1. Corruption Prevention with Risk Management

Corruption is a form of fraud that can harm other parties. In Indonesia corruption means that it is a criminal offense related to state finance in the government sector and involves public officials. So, to reduce the potential for corruption, prevention efforts are needed. Corruption prevention can be done by identifying the *Red Flag* that has the potential for corruption. By detecting these potentials at an early stage, the government will spend less money. Based on the results of interviews and theory confirmations, identification of obtained *Red Flag* corruption in the Public Works department was.

**Table 1** Critical Point Identification of Government Good/Services Procurement Office of Public Works

No	Red Flag PBJ	Conditions in DPU	Remarks
1	compliance with procurement procedures	v	has been carried out in accordance with SOP
2	price reasonableness	v	there are HPS for each procurement
3	accuracy of goods and services received	v	there are several procurements it is not in accordance with.
4	domestic component level ignition	-	not identified
5	use of domestic products	v	no foreign partners
6	package backup for small businesses	-	not identified
7	sustainable procurement	-	not identified
8	utilization of results of activities (value for money)	-	not identified
9	identification indications corruption	v	there are indications of corruption.

Identification of the red flag found in the public works service from compliance with procurement procedures has been carried out properly. All procurement procedures from planning to reporting have been carried out well, but

in terms of implementation of procurement that must be more considered, because there is a point red flag that must be controlled to minimize corruption. Interview results from interviewee P.09

*"If in Banyuwangi the planning side is good sir, the planning division is good, the reporting is good but the gap is being implemented" (P09)*

In the procurement process, the government must make its own estimated prices (HPS) is a mandatory requirement that must be in the procurement document, using a minimum of 3 comparative vendors, so it is expected that the compiled HPS can be accounted for and in accordance with market conditions.

The accuracy of the goods and services received is important in the procurement process because it will be detrimental to the country's finances if the goods received are not in accordance with the order. The accuracy of the goods received is point *red* an important that is important to be identified. This is consistent with the results of the interview

*"yes maybe it can be physical like for example it is not in accordance with the plan or maybe the procurement of capital expenditure is not in accordance with the spec maybe the gap is there ..." (P 08)*

The role of the inspectorate as an internal auditor of the local government is one of them is coaching and consulting. So that the possibility of corruption opportunities is very small. The results of interviews with informants in

accordance with research, which states that internal audit has a role to help management in preventing, detecting and investigating fraud in organizations [5]. And which states that fraud prevention can be done by activating internal controls [6]. So that with an inspectorate, corruption can be minimized at all levels of the organization.

### 3.2. Risk of Corruption

Corruption can be interpreted as a violation of the authority of the management of state finances for the benefit of individuals by way of violating the law. There are so many modes that are done to do corruption. Actors will usually exploit the weaknesses of the system and look for loopholes to do no corruption. So, we must be able to identify the risk of corruption, especially in government for managing the country's finance. Based on the research results of the identification of corruption risks in the Banyuwangi District Government, especially the Public Works Office. From the results of identification of the Red flag, risk identification can be carried out for points that have a high potential for corruption.

**Table 2** Corruption Risk Identification Public Work Agency

No	Red Flag	Corruption Risk
1	The accuracy of the goods and services received	goods received are not in accordance with the contract specifications.
		the volume of work is not in accordance with the contract the
		quality of the goods received is not the same
2	Identification of indications of criminal acts of corruption	Cooperate with partners in the purchase.

The research results obtained related to the identification of corruption risks can be classified based on the *red flag*, namely (1) the accuracy of the goods and services received at the time of procurement, (2) identification of indications of corruption. The risk of corruption in the Banyuwangi Regency Government in the procurement process is that goods are received not in accordance with the contract specifications. This can cause state losses. The results of the interview show that

*"yes maybe it can be physical like for example not in accordance with the plan or maybe the procurement of capital expenditure is not in accordance with the spec maybe the gap is there ..." (P 08)*

Not only that, the risk of corruption that occurs in procurement is the volume work does not comply with the contract. So, the procurement of goods is obtained by having less volume than what is stated in the contract, causing national losses. This is supported by the statement of the resource person.

*"... after we checked it only happened to lack of volume. the lack of volume is diverted in another work unit and the village has not yet made a document what is the name of the written document that the intended budget difference is in another work unit ..."*

In the government if the implementation of the work is not in accordance with the planning and contract will be detrimental to the country. If there is a change in planning, changes must be made in accordance with the regulations and if there is a change in the contract, an addendum to the

contract must be made, so that everything goes according to applicable regulations.

The next risk of corruption is that the quality of goods received is not in accordance with the contract. Quality provided under specifications will cause state losses. There is also procurement of goods in Banyuwangi Regency Government that the quality of goods received is not in accordance with the contract.

*"In this sense, for example before 40, but in terms of modules usually, in terms of quality in question. From the volume, God willing, nothing. Usually the specifications are A, he is the specifications B. For example, there are reports relating to the quality of paving. What is the name. 300 paving violence actually, while the reporter was allegedly up to 900. Yes, I went down. It turns out cool .... Really, not according to quality, maybe only 10%. 100% later paved. Well ... I call the village head, the executive. This is 10% that is not according to specifications, meaning it must be replaced. It means the volume is yes, but the quality is lacking" (P01)*

The results of this interview are in accordance with statement that the reduction in quantity and quality during procurement is often done by falsifying the document of the handover of goods, where the delivery of goods is followed by an official statement stating that delivery of goods has been carried out in accordance with the contract [7].

### 3.3. Corruption Risk Management

Potential corruption risks that occur can be minimized by controlling corruption risk. In the Regency of Banyuwangi, efforts have been made to prevent corruption as an effort to control the risk of corruption. Some controls that have been carried out by Banyuwangi Regency Government are:

- Payment of purchases of goods using the LS mechanism.
- Application of SOP in all activities.
- Implementation of activities in accordance with systems and procedures (SISDUR)
- The existence of reward and punishment.

- Reporting assets regularly.
- Zone of integrity and corruption free.
- Increased transparency to the public.

Based on the results of risk identification, control is needed to control the risk. The following is a control table of corruption risks that occur in the Banyuwangi Regency Government. This is consistent with, which states that control activities help ensure that the necessary actions regarding risks have been taken to achieve the entity's objectives. So that risk control will be able to achieve the objectives of the entity [8].

**Table 3** Map of Corruption Risk Identification Public Works Agency

No	Red Flag	Corruption Risk	Type of control
1	The accuracy of the goods and services received	goods received is not in accordance with the contract specifications.	operational control, during contract implementation. By using physical control activities, with the aim of program effectiveness and efficiency.
		the volume of work is not in accordance with the contract.	
		quality of the goods received is not the same	
2	identification of indications of corruption	in cooperation with partners in the purchase.	controlling strategy with the aim of effective and efficient programs.

## 4. CONCLUSION

The conclusion of this research is Identification of corruption risks can be classified based on *red flags*, namely, the first is accuracy of goods and services received at the time of procurement, the second is identification of indications of corruption. From the results of the identification of corruption risks can be controlled by operational control and strategic control. And suggestions for further research, more in-depth interviews are conducted to identify the risks that exist in the work unit, so that existing risks can be mitigated in an appropriate manner.

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