Strategy for Implementing the Recommendations of the Republic of Indonesia Audit Board on Financial Reports of the Regional Government of South Buton Regency

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Abstract

South Buton Regency has great economic potential but faces various challenges in managing government finances. Local government financial reports are a very important tool in decision-making, monitoring, and accountability to the community. The purpose of this study is to identify strategic factors, which are strengths and weaknesses as well as opportunities and threats, and then formulate a priority strategy for implementing BPK RI recommendations in the financial reports of the regional government of South Buton Regency. Primary data is used through field observations and interviews, while secondary data is obtained from previous research, books, and related agencies. The results of the study indicate alternative strategies that can be considered, including increasing transparency and effective cooperation with Badan Pemeriksa Keuangan (BPK RI), competency development and openness to organizational changes, strong local government commitment in dealing with legal threats, and transparency as protection from reputation threats and changes in priorities in economic conditions uncertainty and overcoming resistance within local government.

Keywords: SWOT analysis, BPK RI Recommendations Implementation, Financial statements, Strategy.

1. INTRODUCTION

Examination of State Financial Management needs to be carried out to ascertain whether state finances managed by the government have been implemented with the expected provisions and objectives. To increase the transparency and accountability of state finances and create good and clean government governance, an independent and objective institution is urgently needed, and there is no confusion in conducting audits of Government Financial Reports, namely Badan Pemeriksa Keuangan or the Supreme Audit Agency (BPK). An examination of the financial statements by the BPK is carried out to provide an opinion on the fairness of the financial information presented in the financial statements [1]. In addition, BPK, as an examiner of state financial management used to realize people's welfare, is expected to encourage the achievement of the country's goals [2].

This is also an effort to realize a clean and free government from corruption, collusion, and nepotism (KKN) by establishing the Supreme Audit Agency as an independent supervisory institution [3]. Audit results are the result of the process of assessing the truth, compliance, accuracy, credibility, and reliability of data/information regarding the management and responsibility of state finances, which are carried out independently, objectively, and professionally based on auditing standards, which are outlined in the audit results as BPK decisions.

After the audit, the BPK will issue an Audit Result Report (LHP) report, which contains various findings and recommendations directed at the substance that manages state finances [4]. Based on the results of his examination of the substance, BPK's recommendation is a suggestion from the examiner to make improvements in managing state finances. The Supreme Audit of the Republic of Indonesia (BPK) and improving state financial governance from the results of following up on BPK recommendations are indicators of the success of the audit task [5].
In an increasingly complex and transparent governance era, regional governments such as the South Buton Regency must ensure that their financial reports reflect sound financial conditions, are accurate and can be trusted. To achieve this, the Supreme Audit Agency of the Republic of Indonesia (BPK RI) has issued recommendations aimed at improving and optimizing financial governance at the regional level. South Buton Regency is located in Southeast Sulawesi Province, Indonesia. This region has great economic potential but faces various challenges in managing government finances. Local government financial reports are a very important tool in decision-making, monitoring, and accountability to the community. Local government financial reporting aims to provide useful information for decision-making, making public accountability tools, and providing information to evaluate organizational performance [6]. Several interested parties will use the financial reports produced by the local government as a basis for decision-making [7].

Therefore, local governments ensuring financial reports' accuracy, reliability, and transparency is a key step towards good governance. BPK RI's recommendations are invaluable guides for South Buton Regency in improving the quality of financial reports. These recommendations cover various aspects, from financial governance asset management to internal control. However, implementing these recommendations is a challenging task. A well-thought-out strategy, strong commitment from the local government, and sufficient resources are needed so that BPK RI's recommendations can be implemented successfully.

One important aspect of implementing BPK RI recommendations is a deep understanding. South Buton District should thoroughly review these recommendations and identify any recommendations for implementation in the local context. This will require close collaboration between the internal team responsible for regional finances and the BPK RI auditor team, which has provided recommendations. In addition to understanding, full commitment from the local government is very important. The government of Buton Selatan Regency must realize that implementing BPK RI recommendations is not just a formality but a concrete step to improve financial governance and accountability in the area. Local leaders should actively support these implementation efforts and provide the necessary resources. Resources are a key factor in implementing BPK RI recommendations.

Competent human resources are very important in compiling, auditing, and ensuring the quality of government financial reports [8]. To implement these recommendations, local governments must ensure sufficient budgets, a qualified workforce, and adequate infrastructure. In some cases, it may be necessary to train and develop the competence of employees to understand and implement recommendations properly. Furthermore, transparency is a principle that must be upheld in implementing BPK RI recommendations. The government's financial statements need to be audited by the Supreme Audit Agency of the Republic of Indonesia (BPK RI) to create transparency, and the trust of report users is an opinion that is consistent with government auditing practices [9].

South Buton Regency must provide clear and easily accessible information to the public about the steps taken to comply with BPK RI recommendations. This will help create a high trust among communities in their local government. Continuous evaluation and monitoring should also be carried out during the implementation process. South Buton districts should measure their progress in meeting BPK RI recommendations and make changes where necessary. Internal audit can also be an effective tool in ensuring that the implementation process goes according to plan. The factor that affects the quality of financial reports is the role of internal audit, which is a very influential part of implementing a system [10].

In the South Buton Regency context, implementing BPK RI recommendations will bring significant benefits. This will increase the accountability of local government to the community. More accurate and transparent financial reports will make it easier for the public to understand how public funds are used and can better monitor government performance. Public understanding of transparency is important in ensuring the Fund is an important instrument in development and empowerment [11]. This will strengthen the image of South Buton Regency in the eyes of investors and donor agencies. High trust in local financial governance will make the region more attractive for investment and external financial support. The regional financial management system, in a professional, open, and responsible manner, has the potential to attract investors [12].

This can help promote economic growth and sustainable development. Implementing BPK RI recommendations will help avoid potential legal and law enforcement problems. Local governments may risk legal sanctions when financial reports are inaccurate or incomplete. BPK RI explained that many problems causing state financial losses were found in managing capital and goods/services expenditures [13]. By complying with the recommendations of the BPK RI, South Buton Regency can reduce this risk. In addition, good financial governance will help South
Buton District manage resources more efficiently, leading to significant savings and smarter allocation of funds for projects that support community well-being. Implementing BPK RI recommendations will create a culture of accountability and transparency in local government, which will become a positive legacy that will continue to influence the way South Buton Regency manages its finances in the future.

South Buton Regency must develop a mature implementation strategy to achieve these benefits. This includes a deep understanding of BPK RI recommendations, full commitment from the local government, adequate resource allocation, transparency, ongoing evaluation, and a culture of accountability. With the right strategy, South Buton Regency can achieve its accountability and better financial governance goals, thereby strengthening sustainable development in the area. Seeing the obstacles in implementing BPK RI recommendations on the financial reports of the regional government of South Buton Regency, it is necessary to develop a strategy for implementing BPK RI recommendations on the financial reports of the regional government of South Buton Regency by identifying strategic factors which are strengths and weaknesses as well as opportunities and threats, then formulate and set priorities for implementing BPK RI recommendations on the financial reports of the regional government of South Buton Regency.

The purpose of this study is to identify strategic factors, which are strengths and weaknesses as well as opportunities and threats, and then formulate a priority strategy for implementing BPK RI recommendations in the financial reports of the regional government of South Buton Regency.

2. METHOD

This research was conducted in the South Buton Regency. This study uses primary data and secondary data. Primary data were obtained from field observations and interviews based on questionnaires to determine weights and ratings. In contrast, secondary data were obtained from previous studies, books, data from related agencies and others. Secondary data collection is intended to find out information about the research location. The determination of respondents in this study was carried out using a purposive sampling technique, considering that the people selected had knowledge, experience, and understood the problems regarding the object to be studied [14]. The data analysis technique used is to analyse the internal and external environment for a SWOT analysis. Internal strategic factors include strengths and weaknesses, while external ones include opportunities and threats.

Determination of weight values, ratings and the formulation of development strategies is carried out based on the results of interviews and existing secondary data. The rating level is given a value of 1 to 4 to assess the influence level on internal and external strategic factors. Value 1 represents very weak (major weaknesses), value 2 represents slightly weak (minor weaknesses), and value 3 represents rather strong (minor strength), and a value of 4 represents very strong (major strength) [15].

The stages of SWOT analysis through the IFAS matrix to describe the internal situation in implementing the recommendations of the Supreme Audit Agency of the Republic of Indonesia on the financial reports of the regional government of South Buton Regency, which consist of strengths and weaknesses, and the EFAS matrix describes the external situation which consists of opportunities and threats then processed based on weights and ratings. Furthermore, it was analysed with a SWOT analysis diagram to determine the strategic position of implementing the recommendations of the Supreme Audit Agency of the Republic of Indonesia on the financial reports of the regional government of South Buton Regency. Then, it was analysed using the SWOT matrix and determining alternative strategies.

The model used in collecting data as one of the stages of strategic planning is the Internal Factor Evaluation Matrix (IFE), a tool used to compile internal factors; this strategy formulation tool summarises and evaluates the main strengths and weaknesses in various functional areas. while the External Factor Evaluation Matrix (EFE) is a tool used to compile external factors to take advantage of existing opportunities and overcome external threats [16].

3. RESULT AND DISCUSSION

Analysis of Internal Strategic Factors (IFE) and External Strategic Factors (EFE)

Implementing BPK RI recommendations on the financial reports of the regional government of Buton Selatan Regency is a key step in enhancing good financial governance and accountability at the regional level. To achieve this, a mature and sustainable implementation strategy is needed. With a robust and comprehensive implementation strategy, Buton Selatan Regency can ensure that the recommendations of the BPK RI are integrated effectively into the local government's financial system, improve transparency, accountability, and the quality of their financial reports, and help create better and cleaner governance at the regional level. area.
In establishing a strategy for developing the implementation of BPK RI recommendations on the financial reports of the regional government of South Buton Regency, the first step is to evaluate internal and external factors. This evaluation aims to identify elements that have a strategic role as strengths and weaknesses, as well as opportunities and threats, by determining weights and ratings based on interview results. The matrix of internal strategic factors (IFE) and external strategic factors (EFE) are as follows:

| Table 1. Matrix of Internal Strategy Factors (IFE) and External Strategy Factors (EFE) |
|---------------------------------------------|-------------------|-----------------|-----------------|
| **Internal Factors**                        | **Weight**        | **Rating**      | **Score**       |
| Strength                                    |                   |                 |                 |
| 1. Strong Local Government Commitment       | 0.23              | 4               | 0.92            |
| 2. Adequate Resource Support                | 0.28              | 4               | 1.12            |
| 3. Good Cooperation with BPK RI             | 0.28              | 4               | 1.12            |
| 4. Transparency and Community Support       | 0.21              | 4               | 0.84            |
| Sub Total                                   | 1                 |                 | 4.00            |
| Weakness                                    |                   |                 |                 |
| 1. Resource Limitations                     | 0.24              | 3               | 0.72            |
| 2. Recommendation Complexity                | 0.25              | 4               | 1.00            |
| 3. Organizational Challenges                | 0.24              | 3               | 0.72            |
| 4. Resistance or Political Obstacles        | 0.27              | 4               | 1.08            |
| Sub Total                                   | 1                 |                 | 3.52            |
| **Total Difference Strengths And Weaknesses** |                   |                 | 0.48            |
| **External Factors**                        | **Weight**        | **Rating**      | **Score**       |
| Opportunity                                 |                   |                 |                 |
| 1. Increased Investor Confidence            | 0.26              | 4               | 1.04            |
| 2. Increasing the Efficiency of Financial Management | 0.24              | 3               | 0.72            |
| 3. Better Understanding                     | 0.24              | 4               | 0.96            |
| 4. Legal Compliance Improvement            | 0.26              | 4               | 1.04            |
| Sub Total                                   | 1                 |                 | 3.76            |
| Threat                                      |                   |                 |                 |
| 1. Legal sanctions                         | 0.26              | 4               | 1.04            |
| 2. Economic Challenges                      | 0.23              | 2               | 0.46            |
| 3. Political Pressure and Resistance        | 0.25              | 2               | 0.50            |
| 4. Leadership Change                       | 0.26              | 4               | 1.04            |
| Sub Total                                   | 1                 |                 | 3.04            |
| **Total Difference of Opportunities and Threats** |                   |                 | 0.72            |

Source: Primary Data After Processing (2023)

Based on Table 1, internal key factor matrix analysis (IFE) on strengths is selected with the highest score, and the weakness factor is selected with the lowest score. The main strength in the internal environmental analysis of the strategy for implementing BPK RI recommendations in the financial reports of the regional government of South Buton Regency is the support of adequate resources and good cooperation with the BPK RI of 1.12 with an average weight of 0.28 and a rating of 4. This shows that the Regency of Buton South has two very important assets to successfully implement BPK RI recommendations: adequate resource support, indicating that local governments have access to sufficient budgets and qualified personnel.

This is very important because implementing BPK RI recommendations often requires allocating sufficient resources, including funds for implementation, training, and required infrastructure. With the support of adequate resources, South Buton Regency can overcome some obstacles that may be encountered in the implementation process. In addition, good cooperation with oversight agencies such as BPK RI can provide access to technical guidance, an in-depth understanding of recommendations, and additional resources needed during implementation. The existence of a technical team with adequate human resources has positive implications in the process of implementing BPK RI recommendations in local government financial reports [17]. In addition, cooperation between the Supreme Audit Agency (BPK) can positively impact the whistleblowing system.

The whistleblowing system is an important mechanism for detecting and overcoming violations, irregularities, or corrupt practices in government [18].
The main weaknesses are limited resources and organizational challenges of 0.72, with an average weight of 0.24 and a rating of 3. This shows that South Buton Regency faces several significant weaknesses in implementing BPK RI recommendations on local government financial reports, namely, facing limited resources, resources, both in terms of budget and personnel. This can be a serious obstacle because implementing BPK RI recommendations often requires a significant allocation of resources.

These limitations may hinder the ability of South Buton District to implement all of the recommendations effectively. In addition, the organizational challenges suggest that rigid organizational structures or a lack of flexibility within local government can be an obstacle to adapting the changes needed to implement the recommendations. This reflects the importance of having an organization responsive to changes in financial governance and accountability. Local governments own limited human resource capabilities, lack of socialization and training, and systems or applications that do not yet support implementing BPK RI recommendations in local government financial reports [19]. In addition, improving organizational performance is an effort that is very relevant in government organizations [20].

External key factor matrix analysis (EFE) on opportunities is selected with the highest score, and threat factors are selected with the lowest score. The main opportunities in the strategy for implementing BPK RI recommendations in the financial reports of the regional government of South Buton Regency are increasing investor confidence and increasing legal compliance by 1.04 with an average weight of 0.26 and a rating of 4. This shows that by implementing BPK RI recommendations effectively, local governments can attract greater investment from the private sector. High investor confidence can open doors for sustainable investment projects, economic growth, and job creation in South Buton Regency.

In addition, increasing legal compliance is also a significant opportunity. By complying with BPK RI recommendations, local governments can strengthen the legal basis for financial governance, help avoid legal sanctions, and improve compliance with applicable regulations. This will not only maintain the integrity of local government but also increase public trust. To attract investors, efforts are needed to improve the investment climate. This is an important task that the government of a region must carry out. Creating a conducive investment climate will enable an area to spur its economic growth power [21].

Legal awareness is a belief in the values contained within humans regarding law. The indicators that can be used as benchmarks are having the desire to live in an orderly manner, obeying rules, upholding a sense of humanity, and having a high sense of self-introspection [22]. The threat factor indicates the main threat, with the lowest score being an economic challenge of 0.46 with an average weight of 0.23 and a rating of 2. Economic challenges may not be as serious as other factors that affect implementation, or there may be mitigating factors that have been identified to overcome the impact of the economic challenge. However, it is important to pay attention to economic challenges as a factor affecting the implementation of BPK RI recommendations. Economic challenges can include economic uncertainties, recessions, or changes in financial resources that may affect budget allocations and the ability to implement recommendations in a timely manner.

**SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats)**

After knowing the position of the results of combining internal and external key factors, several alternative strategies for implementing BPK RI recommendations in the financial reports of the regional government of South Buton Regency can be formulated. These strategies are grouped into four cells: S-O strategy, S-T strategy, W-O strategy, and W-T strategy. The results of the SWOT matrix analysis can be seen in Table 2.

Table 2. SWOT Matrix Analysis

<table>
<thead>
<tr>
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<th>Strengths (S)</th>
<th>Weakness (W)</th>
</tr>
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<tbody>
<tr>
<td>1.</td>
<td>Strong Local Government Commitment</td>
<td>Resource Limitations</td>
</tr>
<tr>
<td>3.</td>
<td>Good Cooperation with BPK RI</td>
<td>Organizational Challenges</td>
</tr>
<tr>
<td>4.</td>
<td>Transparency and Community Support</td>
<td>Resistance or Political Obstacles</td>
</tr>
</tbody>
</table>

**Opportunities (O)**

| 1. | Increased Investor Confidence |

**Strategy SO**

**Strategy WO**

https://doi.org/10.59535/jsh.v1i2.93
Journal of Social and Humanities 1 (2) (2023) 44-51
From the results of the SWOT matrix, several alternative strategies can be obtained in implementing BPK RI recommendations in the financial reports of the regional government of South Buton Regency. The SO strategy is to increase transparency and effective cooperation with BPK RI. South Buton District can benefit from the local government’s strong commitment and adequately resourced support to increase transparency in implementation, thereby creating greater trust from investors and donors and taking advantage of greater external investment opportunities. To further improve the development of both quantity and quality aspects, commitment from the government is needed in terms of infrastructure, human resources, applications, regulations and socialisation within the government and to the community [23].

In addition, by working closely with BPK RI, the District can maximise the benefits of the technical guidance and support they provide, accelerating implementation and ensuring the timely fulfilment of recommendations. The WO strategy is competency development and openness to organizational change. Even though Kabupaten Buton Selatan faces limited resources, they can take advantage of opportunities to increase the competency of their staff with proper training and development, which will help implement the recommendations more effectively. The aspects used to examine the development of employee quality are formal education and training education (Training). Then, training is grouped into leadership, functional, and technical [24].

In addition, the Regency of Buton Selatan could also increase its flexibility by considering changes in the organisational structure that would allow for more effective implementation. The ST strategy is a strong local government commitment to dealing with legal threats and transparency as protection from reputational threats. Local governments can use the commitment to comply with BPK RI recommendations to avoid legal sanctions that may arise if they fail to comply with regulations. A high degree of transparency in implementation can also safeguard against threats to the reputation of local government, as the public and stakeholders can see the efforts being made.

The government and the community are required to achieve quality and well-functioning governance, commitment and active participation from all parties. The success of an effective government requires good coordination, integrity, professionalism, and a high level of work ethic and morale [25]. The WT strategy is changing priorities in uncertain economic conditions and overcoming resistance within local government. South Buton Regency can overcome economic uncertainty and changing priorities by increasing efficiency in managing financial resources through effective implementation. To address potential resistance within local government, South Buton District can also build a better understanding of the long-term benefits of implementing recommendations and involve stakeholders proactively.

4. CONCLUSION

Based on the results and discussion above, it can be concluded that the internal and external factors, which are the strengths and weaknesses as well as opportunities and threats in implementing the BPK RI recommendations on the financial reports of the regional government of South Buton Regency, several alternative strategies can be considered, including increasing transparency and effective cooperation with BPK RI, competency development and openness to organizational change, strong local government commitment in dealing with legal threats and transparency as protection from reputational threats and changing priorities in uncertain economic conditions and overcoming resistance within local government. South Buton Regency can prioritize increasing transparency in implementing BPK RI recommendations.

This involves providing more open information to communities, stakeholders, and technical teams.
involved in the implementation process. In addition, it is also important to open a dialogue with all parties regarding the organizational changes that may be required. By maintaining openness and prioritizing honest communication, local governments can minimize uncertainty and potential resistance within the organization, increasing the effectiveness of implementing recommendations.

**Author declaration**

**Author contributions and responsibilities**

The authors made major contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

**Funding**

This research did not receive external funding.

**Availability of data and materials**

All data is available from the author.

**Competing interests**

The authors declare no competing interests.

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**5. REFERENCES**


