

## **ANALYSIS OF THE EFFECTIVENESS OF FOLLOW-UP AUDIT RESULTS ON FINANCIAL MANAGEMENT OF THE SOUTH SULAWESI PROVINCE GOVERNMENT**

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### **Abstract**

This study aims to analyze the trend in the effectiveness of follow-up to audit results in the financial management of the South Sulawesi Provincial Government from 2020 to 2023. The method used is a qualitative documentation method utilizing secondary data from the Supreme Audit Agency (BPK) audit report, the South Sulawesi Provincial Government financial report, and the BPK audit opinion report. The analysis was conducted descriptively by comparing changes in audit opinion and the effectiveness of the implementation of recommendations each year. The findings of this study indicate that although the audit opinion has increased from qualified to unqualified, follow-up to the audit results has not reached an optimal level. The large number of recommendations that have not been implemented properly indicates weaknesses in the internal control system and regional asset management. Therefore, increased commitment, human resource capacity development, and improvements in the supervisory system are needed to make regional financial management more transparent and accountable.

**Keywords:** *Follow-up of Audit Results, Audit Opinions, Regional Government Financial Reports, Financial Management.*

### **INTRODUCTION**

Government Regulation Number 71 of 2010 stipulates that financial statements are documents prepared regularly to describe the financial position and all transactions carried out by the reporting entity. Based on Attachment II of the regulation, regional governments are required to present budget realization reports, balance sheets, cash flow statements, and notes to the financial statements. Furthermore, Indonesian government accounting standards adopt the principle of full disclosure, which requires the presentation of all significant information that could potentially influence the assessments and decisions of report users. This information must be presented both in the main body of the financial statements and through supplementary notes that serve to explain, detail, or analyze elements in the budget realization report, balance sheet, and cash flow statement. (Priharjanto & Wardani, 2017). Government Regulation Number 58 of 2005, supported by Minister of Home Affairs Regulation Number 13 of 2006 (as revised by Minister of Home Affairs Regulation Number 21 of 2011), serves as the main guideline for managing regional finances. Therefore, regional governments are required to prepare relevant instruments so that financial management can be carried out transparently, professionally, and accountably.

The goal is to improve regional financial performance (Anto et al., 2022). According to the Regional Financial Management Agency of South Sulawesi Province, the primary goal of regional financial management is to achieve orderly, compliant, efficient, economical, effective, transparent, and accountable management. Achieving these goals must be based on the principles of justice, fairness, and maximizing public benefit (BAPEDA, 2016). To support transparency and accountability in public sector financial management, the Supreme Audit Agency (BPK) plays a crucial role in ensuring that state funds are used appropriately and in accordance with existing regulations. Through its oversight, the BPK also helps identify and prevent irregularities in state finances, such as corruption, collusion, and nepotism (KKN), which frequently occur within government (Claudia & Murniati, 2018). Audits of state financial management and accountability are a manifestation of this role, carried out through independent,

objective, and professional identification, analysis, and evaluation steps in accordance with established criteria. The output of these assessments is in the form of opinions, findings, conclusions, and recommendations. These results serve as important guidelines for strengthening state financial management and accountability (Ditasari & Sudrajat, 2020). According to Pramana et al. (2023), follow-up planning must be carefully and purposefully prepared, encompassing clear strategies and systematic stages for implementing audit recommendations. This process requires detailed determination of the necessary resources, such as competent personnel, supporting equipment, and relevant policies, to ensure effective implementation. Furthermore, follow-up planning requires ongoing monitoring and evaluation mechanisms to ensure each recommendation is completed on time and on target. Through integrated planning, implementation, and evaluation, the follow-up process can be accelerated while enhancing accountability and transparency in regional financial management.

The results of research by Imtinan & Hasibuan (2021) indicate that the variable of follow-up to audit results has a significant impact on the transparency of the presented financial reports. This indicates that the improvement efforts made by the ministry in following up on the BPK recommendations can improve the quality and level of transparency in financial reports in the following period. Furthermore, the results of research by Kurnia (2020) show that Follow-up to Audit Results has a statistically negative impact on Regional Government Performance. In other words, if the value of the Follow-up to Audit Results variable decreases in a certain period, the impact on Regional Government Performance will be better, and conversely, if the value of the Follow-up to Audit Results variable increases in a certain period, the quality of Regional Government Performance will improve. Furthermore, the results of research by Pramana et al. (2023) show that follow-up to audit results significantly affects regional government performance, but in a negative way. This means that the higher the level of follow-up to audit results, the greater the likelihood of regional government performance improving, and conversely, the lower the likelihood of regional government performance improving. In line with Hasiolan's (2021) research, there was no further impact of audit recommendations on financial performance in terms of economics, efficiency, and effectiveness of financial management of district/city governments in South Sulawesi. Based on the results of these various studies, it can be concluded that follow-up to audit results has varying effects on financial report disclosure and local government performance. These differences in results indicate that the effectiveness of follow-up is highly dependent on the quality of implementation and the local government's commitment to following up on the BPK's recommendations. Follow-up to audit results is not only an indicator of administrative compliance but also reflects the extent to which local governments are able to improve their financial management systems and enhance overall performance accountability.

## **LITERATURE REVIEW**

### **A. Government Financial Report**

According to Yuliani & Agustini (2018), the regional government financial report (LKPD) is a report containing information on regional government finances used by various parties, such as the central government, the Regional People's Representative Council (DPRD), and the public, as a basis for decision-making. The LKPD is designed to be useful and meet user needs. Furthermore, the LKPD serves as a tool for planning, monitoring, and decision-making related to regional financial management.

According to Mulia (2019), government financial reports are submitted to the public and the House of Representatives (DPR/DPRD) after undergoing an audit process by the Supreme Audit Agency (BPK). The Budget Realization Report, Balance Sheet, Cash Flow Statement, and Financial Statement Notes are part of the report. According to Concept Statement Number 1 of the Government Accounting Standards Committee (1999) concerning the Objectives of Financial Reporting, accountability is the basis of government financial reporting. Therefore, regional financial management must follow the principles of good management, namely clear and accountable management, so that people who read the financial report can see how the performance of regional government administration is running.

### **B. Audit Findings**

The 2020 Qualified Opinion (WDP) for the South Sulawesi Provincial Government indicates weaknesses in internal oversight and the presentation of financial reports that are not fully in accordance with the SAP, necessitating improvements in financial management. However, the consecutive increase in the opinion to Unqualified Opinion (WTP) from 2021 to 2023 indicates an improvement in accounting compliance and the quality of information disclosure in the Regional Government Financial Reports (LKPD). This finding aligns with the research findings of Pramana et al. (2023) that the implementation of recommendations from

the Supreme Audit Agency (BPK) has a positive impact on the transparency and quality of regional government financial reports.

However, achieving an unqualified opinion (WTP) does not automatically indicate effective and efficient budget management, as there is still the possibility of inefficiencies and waste that are not identified solely based on audit results. Furthermore, other studies have shown that following up on BPK recommendations does not always result in improved regional performance, necessitating a sustained commitment to promoting regional government financial responsibility (Sabrini & Sari, 2024).

### **C. Audit Recommendations**

Audit recommendations are a crucial part of the audit results, providing guidance for improvements to internal control system weaknesses and regulatory non-compliance identified by the auditor during the audit process. According to the Supreme Audit Agency (BPK RI) (2021), recommendations are provided to ensure that local governments take concrete, systematic, and measurable corrective actions, thereby improving the quality and accountability of financial management.

The effectiveness of follow-up on audit recommendations is greatly influenced by the organization's readiness to address the findings. Research by Tresnawati & Apandi (2016) shows that the higher the level of follow-up on BPK recommendations, the better the quality of regional financial reports, as corrective actions contribute to improved asset recording, increased compliance with government accounting standards, and prevented recurrence of findings in subsequent years.

Furthermore, Wijaya et al. (2022) emphasized that factors such as human resource capacity, leadership commitment, coordination between work units, and the effectiveness of internal oversight play a significant role in determining the successful completion of audit recommendations. Issues such as a weak understanding of the findings, employee rotation, and suboptimal internal control systems are common obstacles to follow-up actions. Therefore, strengthening the competency of government officials, optimizing the role of the Audit Board of Indonesia (APIP), and establishing regular monitoring mechanisms are necessary to ensure optimal implementation of BPK recommendations and significantly impact regional financial governance.

### **D. Financial Management**

Financial management is an administrative activity that encompasses the planning, use, recording, and monitoring of agency funds. Its implementation is based on the principles of transparency, accountability, and value for money, emphasizing openness to the public, responsibility for budget use, and efficient and effective management in accordance with organizational goals (Rivan & Maksum, 2019).

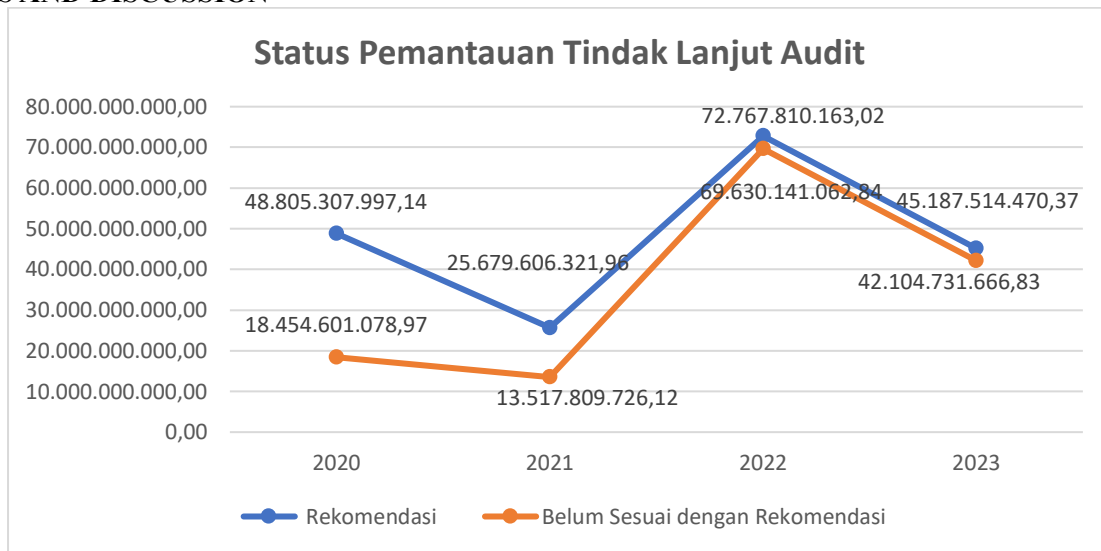
All the rights and obligations of regional governments in administering government, including the assets related to those rights and obligations, are referred to as regional financial management. Regional financial management must be carried out properly and in accordance with regulations to ensure the proper operation of regional government. According to Minister of Home Affairs Regulation No. 13 of 2006, Guidelines for Regional Financial Management, regional financial management encompasses all stages of operations, including planning, implementation, administration, reporting, accountability, and oversight of regional finances (Defitri, 2018).

## **METHOD**

This qualitative study employs a documentary approach, utilizing secondary data obtained from the Supreme Audit Agency (BPK)'s Audit Result Report (LHP) on the South Sulawesi Provincial Government's 2020-2023 Regional Financial Statements (LKPD). The data used is documentary data. Data collection was conducted through systematic searches in various online databases, such as Google Scholar, ResearchGate, and the official BPK (Financial Audit Agency) website.

The data obtained were then analyzed descriptively and compared audit opinions each year and interpreted their implications for improving the quality of financial reporting and accountability of local governments, supported by previous research which showed that follow-up of audit results did not always have a significant effect on the transparency of local government financial reports.

**RESULTS AND DISCUSSION**



Source: Processed data, (2025)

Based on the Audit Report (LHP) of the Supreme Audit Agency (BPK) on the 2020 South Sulawesi provincial government financial report, which was given a qualified opinion. This was due to significant weaknesses in the internal oversight system and violations of regulations, with key findings including non-compliant regional budgets (APBD), late procurement without fines, late/missing treasurer cash deposits, and uncertainty about the fairness of permanent investments. This indicates a link to the 24.8% of recommendations that were not yet appropriate or not followed up, where the main causes were a lack of commitment and support from regional leaders, a lack of understanding of the substance of the findings by implementing officials, employee rotation, weak internal systems, and the absence of firm sanctions.

In 2021, the South Sulawesi provincial government received an unqualified opinion, indicating that its financial statements were prepared in accordance with government accounting principles. However, 23.4% of recommendations from the Supreme Audit Agency (BPK) audit remained unresponsive, particularly those related to the management and organization of fixed assets and improvements to regional expenditure accountability. This situation indicates that, despite the good presentation of the reports, the effectiveness of follow-up on audit findings has not been fully maximized. Therefore, strengthening the internal control system is necessary to further enhance accountability in regional financial management in the coming year.

The South Sulawesi provincial government again received an unqualified opinion (WTP) in 2022, but the improved reporting quality was not accompanied by an increase in the effectiveness of follow-up on the Supreme Audit Agency (BPK) recommendations. This is evident in the high percentage of unsatisfactory recommendations, reaching 89.0%, reflecting a weakening commitment and coordination of regional government agencies in addressing audit findings. The continued weakness in spending oversight and fixed asset recording also indicates that the improved opinion has not been matched by substantive improvements in budget governance. Therefore, the unqualified opinion cannot be used as a sole indicator of the success of regional financial management, as the auditor's recommended improvements have not been consistently and sustainably implemented.

Furthermore, in the 2023 fiscal year, the South Sulawesi provincial government received an unqualified opinion. However, several audit recommendations have not been optimally implemented. A total of 98.5% of these recommendations have not been fully implemented in accordance with existing regulations, indicating that follow-up actions have not fully aligned with the BPK's recommendations. This was due to several reasons, such as delays in completing the administration of fixed assets and regional property, the suboptimal process of administering and reconciling regional asset data, and a lack of collaboration between regional government agencies in responding to previous audit results. Furthermore, limitations in human resource capacity and information systems related to regional financial management have impacted the implementation of BPK recommendations from previous years through 2023.

Overall, the results of the Supreme Audit Agency (BPK) audit of the South Sulawesi provincial government's financial statements for the 2020-2023 period indicate that although the audit opinion improved to unqualified, the effectiveness of following up on audit recommendations remains suboptimal. The high percentage of unsuitable

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recommendations indicates weaknesses in the internal control system, asset management, and collaboration between regional government agencies. This situation indicates that the improved opinion has not been fully accompanied by tangible improvements in regional financial management and accountability. Therefore, continuous steps are needed to strengthen commitment, enhance human resource capabilities, and improve the monitoring and reporting system to ensure more transparent regional financial management.

## CONCLUSION

Based on the analysis of the Supreme Audit Agency (BPK) Audit Report (LHP) on the South Sulawesi Provincial Government's Financial Statements for 2020–2023, it can be concluded that the increase in the audit opinion from qualified to unqualified indicates an improvement in the preparation of regional financial reports in accordance with government accounting standards. However, the high percentage of recommendations that have not been properly followed up indicates that the effectiveness of the BPK's recommendations is still suboptimal. Weaknesses in the internal control system, asset management, and coordination between regional apparatus organizations are the main factors hindering increased accountability in financial management. Therefore, it is necessary to strengthen the commitment of regional governments, improve workforce capabilities, and improve data systems and internal oversight so that regional financial management can be more transparent, accountable, and sustainable.

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