

**SELF INTEREST IN THE FINDINGS OF REPEATED AUDITS ON  
LOCAL GOVERNMENT  
(A CASE STUDY IN INSPECTORATE  
BUREAU OF CENTRAL LOMBOK)**

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**ABSTRACT**

This research discusses why financial reports of village's authorities failed to improve despite the recommendations were available based on the findings in the auditing process, resulting in the finding of repeated audits. This was reflected on the contract between the government as the principal of the area and the village's authorities as the agent, where the contract might enable corruptive scandals committed by either the government or the authorities due to their unrighteous ambitions. The purpose of this research was to discover the information related to several factors which cause the occurrence of repeated audits among the village's authorities and the possible solutions that might be applied to solve the problem. This research employed qualitative method with case research approach and multiple-case (holistic) design.

The results of this research showed that repeated audits occurred because of the *self-interest* behavior in the form of *moral hazard*, and the dual-role of the village's authorities in the implementation of the APBDes. The findings of this research are expected to help the village's authorities in improving the managerial performances in auditing according to the recommendations of audits. The results of this research can also be implemented in Central Lombok Regency in form of Regent' Regulations for a better restoration in the bureaucracy

**Keywords:** repeated audits, findings, audit's recommendation, inspectorate, Central Lombok

**1. Introduction**

Oversight Implementation into the duties and functions of the Inspectorate in local government pour in audit activities. This is in line with viewpoint Permendagri 71 Tahun 2015 that supervisory activities carried out in the Ministry of the Interior, especially the local government in the form of surveillance activities (auditing) and follow up the results internal supervision. Both of these activities can not be separated, because the audit is useful to uncover and report a violation clients (Purnama, 2014), while a follow-up results of the audit as government management improvement efforts to restore image and prestige of the government (Solusi, 2012). It is a basic obligation of the entity inspection (auditee) conduct a follow-up audit reports as management improvement efforts based on the audit of government organizations in order to accelerate the achievement of good governance (sari, 2013).

Along with the obligation to follow up the audit reports for inspection entity, Central Lombok District Inspectorate set acceleration follow-up audit as a Strategic Plan organization (Inspectorate, 2010). It aims to accelerate effectiveness measurement of audit recommendations to changing work patterns auditee organization management. Implementation of the strategic plan that has been set shown to increase the percentage achievement of the follow-up audit report Inspectorate Central Lombok. However, when the researchers collecting data findings, recommendations and follow-up audits, researchers found most of the data audit findings on examination of village’s authorities in the form of repeated audit findings. The following audit findings repetitive data view on the village’s authorities in Central Lombok regency.

Tabel 1.1 Findings of repeated audits on village’s authorities in Central Lombok Regency

Year Findings	PPn	PPh 21	PPh 22	PPh 23	BGGC	P Restoran
2012	49	27	41	5	50	38
2013	36	11	36	5	33	30
2014	94	42	94	9	94	89
2015	27	10	27	0	24	20
2016	34	15	32	17	23	24
Jumlah	240	105	230	36	224	201

Source: Inspectorate’s Document follow-up (the data is processed, 2016)

The data above indicate that the examination of the Inspectorate from 2012 until 2016 in Central Lombok regency villages findings would recur on an object PPn (Value Added Tax), PPh(Income Tax) 21, PPh 22, PPh 23, BGGC tax (Non Mineral Sections ), and restaurant tax. The data above is reinforced

by the statement of one staff Inspectorate Bureau of Central Lombok Evaluation and Reporting Section with initials xxx in light discussion session in his office stated :

“Recapitulation of the inspection findings in these villages are the findings of data that occurs continuously every year. Though this data is already followed up during the year, for example findings at the XXX’s village office LHA (Independent Auditor’s Report) checked in 2014 found to PPn and PPh, the follow-up of these findings are resolved in 2014, but was found again at the time of the examination in 2015”

The above statement indicates that the audit findings and recommendations are not fully deliver performance changes in villages that became the object of examination. Due to the above phenomenon shows the failure of management of organization in implementing audit recommendations as a means to improve weaknesses management or audit recommendations are not undone by either (Sari, 2013). Data repeated audit findings in Table 1.1 are not in line with the results the follow-up achievements of the audit report of the Inspectorate of Central Lombok district is outlined in the follow-up monitoring matrix Inspectorate audit results, as shown in the following table.

Table 1.2. LHA Follow-Up Inspectorate Achievement Percentage

LHA Follow-Up Inspectorate Achievement (%)				
2012	2013	2014	2015	2016
81,53	87,37	90,25	85,65	92,73

Source: Inspectorate’s Matrix Development of Follow-Up Inspection, 2016

The table above shows the success of the Inspectorate to carry out planning that has been made in the strategic plan document Inspectorate in 2010, which is valid for five years. But the achievements set out in Table 1.2 in part a repeated audit findings on village’s authorities, as investigators have described in Table 1.1. If described in detail, among the data in Table 1.2 with data from Table 1.1, the result that the data on the outcomes of follow-up in 2012 81.53%, in which there are 212 repeated findings at the village’s authorities of 50 villages. In 2013 the achievements of the follow-up 87.37%, in which there are 151 repeated findings at the village’s authorities of 36 villages. 2014 achievement of 90.25% of follow-up, there were 402 repeated findings at the village’s authorities of 99 villages. 2015 achievement of 85.65% of follow-up, there were 108 repeated findings at the village’s authorities of 27 villages. Then in 2016 the achievement of 92.73% of follow-up, there were 145 repeated findings at the village’s authorities of 36 villages. The case provides a very deep interest for researchers, so that these cases serve as a motivation to research.

Based on the description above, the research issues raised in this research is, why is there no improvement based audit recommendations village's authorities financial reporting, giving rise to the occurrence of a repeatitive audit findings. The research problem above is general, so as to clarify the picture of these problems required several research questions as follows:

1. What factor causing repeated audit findings at the village's authorities?
2. What solutions necessary for repeated audit findings do not occur again in future audit?

This research aimed to examine the deeper causes of repeated audit findings and the steps that must be taken to prevent the occurrence of a repeated audit findings on the implementation of the next audit. This research tried to dig as deep as possible information related factors cause of repeated audit findings at the village's authorities, as well as remedial solutions to research problems.

## **2. Theoretical Framework**

### *2.1. Agency Theory*

Agency theory appears as principal and agent have interests that are not aligned. Jensen and Meckling (1976) define an agency relationship with a company that is as a contract where one or more shareholders (principals) hire another person or the management (agent) to perform some service on their behalf by delegating some decision-making authority to the agent. Conflicts of interest will arise from the delegation of tasks to an agent where the agent has a tendency to be selfish at the expense of the interests of the principal. Agency theory in the research used to justify the relationship between the local government as a principal in this grant full rights to the village's authorities (as agent of local government in the village) in implementing rural development.

### *2.2. Oversight by APIPs*

Permenpan No. 9 year 2009 to explain the meaning of supervision is the whole process of activities which include work steps, planning, preparation and implementation of activities to determine whether the results of the execution and settlement of such work in accordance with the objectives and plans that have been defined by legislation applicable. To carry out supervisory functions at the Regional level, Regional Inspectorate established under Government Regulation No. 41 Year 2007 on the Organization of the Region, as well as the Inspectorate pointed APIPs area to carry out oversight

functions in the area. Associated with the supervision and inspection of the duties AIPs, Regulation No. 64 Year 2007 illustrates that the Inspectorate the task of supervising the implementation of government affairs at the Regency / City, the implementation of the guidance on the implementation of the village administration and the implementation of government affairs of the village, where the execution of the duties is reflected in audit activities.

### *2.3. Follow-up of Audit Findings*

Permenpan No. 9 of 2009 describes the audit findings is the fact / event / evidence to at least have a suggestion / recommendation as contained in the monitoring reports. While the follow-up of audit findings is the action taken by the auditee in order to implement the advice or recommendations from the functional supervision. Furthermore Rai (2008: 204) defines as a follow-up audit findings to identify and document the activities of the auditee progress in implementing the audit recommendations that generally aims to improve the effectiveness of supervision.

Fahrudin et al., (2014: 78) describes the functions of the follow-up implementation of audit findings is that the auditee to understand and improve the weaknesses and faults that exist so that they can improve their performance. The above explanation shows the auditee position who shall carry out a follow up audit recommendations as efforts to improve the organization management. The implementation of the follow-up into a liability management, and to improve the follow-up effectiveness of internal auditors are obliged to monitor the implementation of the follow-up. There are six follow-up teams of Central Lombok District Inspectorate through Evaluation and Reporting Section, where each team is responsible for monitoring the implementation of the follow-up examination of each objects that has been determined based Warrant Inspector.

### *2.4. Concept of Repeated Audit Findings*

Putro et al (2014: 46-50) said in his book that Repeated Audit findings is the audit findings which have earned the settlement recommendation by the auditor, then the auditee provide feedback and follow-up in accordance with the recommendation, but the audit findings back next year on the same examination object. Findings repeated is an action that must be avoided, because the emergence of repeated findings mean repeating the same weakness in the coming year. This shows the weakness of the audit from the auditor or the auditee that do not comply with the procedures and regulations of the

organization. For that, Adelia (2015) explains that implementation of the follow-up should ensure that audit recommendations have been implemented properly and sustained. So that changes in the performance and weaknesses of the organization based on the findings of the audit can be improved, thus the organization's objectives expected to be achieved.

### *2.5. Accomplished Research*

The accomplished researches has been carried out by Sari (2013) and Adelia (2015). Sari's Research (2013) discusses the influence of Internal Control System of Government (SPIP), implementation of Accounting Standard Government (SAP), the completion of the audit findings to the adoption of the Principles Governance Either by taking research location in the Provincial Government of West Java and Banten. The results of her research conclude that SPIP, SAP, and completion of the audit findings positive effect on the application of principles of good governance. Sari's (2013) supported this research on the use of variable completion of audit findings provide a positive influence on the application of principles requires good governance. Focus point concludes that the completion of the audit findings may improve the management and financial responsibility of the State / Local / Company on the audited entity.

Adelia's (2015) on the Influence Role of the Internal Auditor, Government Internal Control System, and the completion of the follow-up of audit findings to the adoption of good governance to take a place at the Secretariat General and the Inspector General in the Ministry of the Republic of Indonesia. Research results indicate that the role of the Internal Auditor, SPIP, and the completion of follow-up on audit findings significant effect on the application of good governance's principles. Adelia's (2015) supported this research on the use of variable completion of the follow-up audit findings gives positive significant impact to the implementation of good governance. Where provides the same conclusion with a previous research that the completion of the follow-up audit findings aim to provide repair or improvement of the quality of deficiencies found in the inspection process.

Both of the researches, conducted using quantitative methods to measure the height of follow-up the implementation of audit role as the organization's management quality improvement efforts are characterized by the application of the good governance's principles.

Specific research related to the theme of this research conducted by Kusuma (2014). Kusuma (2014) studied the dynamics relationship Inspectorate with Inspection Object In The Repeated Inspection Findings Handling Year 2010 - 2013. It is focused on finding the cause of the follow-up treatment is not effective and see the impact of the implementation of the monitoring activity SPIP. This research resulted in several conclusions are: (1) Coordination between the auditors of the Inspectorate with the object of examination and other officials did not go well and sustainable and mutually shifting the responsibility of coordination. (2) There is no standard model in the implementation of the surveillance operations. (3) Understanding the less precise on the position of the eyes of the auditor's Inspectorate and the inspection of objects allowance checks that can reduce the objectivity of the auditor. The absence of strict sanctions to the examination object which has repetitive findings. (4) Lack of assistance in the implementation of SPIP and with a good understanding, and compassionate understanding of SPIP limited in theory. (5) Lack of commitment to the implementation SPIP head SKPD.

## *2.6. Research Question*

The relationship between local governments and village's authorities is a mutual interaction that can not be separated in the structure of the administration. The local government has the resources to build up the area, but unable to fully handle its own development, so that require the participation of the village's authorities to achieve such development. This relationship is justified in agency theory (Jensen and Meckling, 1976) in a contract between the owner of the resource (local government) as the principal and the implementer (village's authorities) as the agent who takes care of the use and control of these resources. Agency relationship that occurs between the local government and village's authorities is a contract in the form of delegation of authority from the principal to the agent, in this case the contract between local government and village's authorities contained in document form RKADes.

RKADes document prepared by the village's authorities as the basis for the disbursement of budget to carry out development in the village, on the grounds of the village to carry out development in the village. The implications of such a contract is the village's authorities (the agent) is obliged to provide accountability reports, presenting, reporting and disclose all activities and the activities they

are responsible (Mardiasmo, 2002: 20) to the local government (principal). Implementation of the construction carried out by the village's authorities will possibly above selfish interests (self-interest) Village Head as executor of the budget, and therefore required the participation of the Inspectorate of Central Lombok district oversight and supervision on the implementation of rural development for the implementation of such development to avoid fraud that could lead to losses for the principal.

Permendagri 71 Tahun 2015 regulating the function of supervision carried out by the District Inspectorate in the administration of the village's authorities, so that the implementation of the development and management of village's authorities organization run well. But in the supervision of the village, often auditors found repeated audit findings, meaning that there is no change in the performance of village's authorities organization management audit based on the recommendations given by the auditors. Repeated audit findings related to the local government has been researched by Kusuma (2014), which examines the dynamics relationship Inspectorate With Inspection Object In The Repeated Inspection Findings Handling Year 2010 - 2013. Based on the research conclusions Kusuma (2014) researchers got three main factors that cause repeated findings: (1) Implementation of Internal Control System of the Government is not optimal. (2) The absence of strict sanctions for the auditee who have repeated findings. (3) The absence of operational standards in the execution of supervision led to a lack of coordination between the auditors with the auditee.

Based on the above, as well as previous research that has been done, the researchers have an interest to dig deeper into repeated related findings at the village's authorities. It is as fundamental research raises the question of research to address issues related to audit findings repeated in village's authorities, following research questions that researchers ask:

**Pp<sub>1</sub>: What factor causing repeated audit findings at the village's authorities?**

Researchers tried to dig up the factors that cause repeated audit findings with a focus on government village in Central Lombok regency. Because will possibly result in different findings with previous studies (Asmony, 2015: 8). Further repeated problems related to audit findings, Zawitri (2009) concluded that these problems indicate the failure of the organization's management in implementing audit recommendations as a means to improve weaknesses in the management or the audit

recommendations are not properly implemented. The opinion was strengthened by the results of Kusuma's (2014) concerning the dynamics of Relationships Inspectorate With Object Inspection in Findings Handling Year 2010 to 2013, so as to minimize the frequency of audit findings repeated, Kusuma (2014) gives some recommendations to the Regional Government of Bojonegoro that (1) It should be made operational standards examination preparation. (2) There should be strict punishment to the object of examination perform repetitive findings. (3) Conducting assistance SPIP practical implementation and deeper. (4) Improving communication and coordination between the auditor with the object of examination. Based on the above research, the researchers tried to ask a second question as an effort to find solutions to these problems. Through this research question, major researchers hope these cases are not repeated in the following year. Here's the second research's question researchers propose:

**Pp2: What solutions necessary for repeated audit findings do not occur again in future audit?**

### **3. Research Methodology**

#### *3.1. Research Approach*

This research using qualitative method based on the opinions Creswell (2010: 4) explaining that qualitative research is an inquiry process to understand the problems of social or human, based on complex drawing buildings and comprehensive analysis, formed by the words, reported by details view of informants and implemented in a natural situation. Another reason of using qualitative research on the handling of repeated audit findings to local governments is still limited. Secondly, the research was conducted in a natural condition. Third, the researchers want to dig deeper into the problem repeated audit findings at the village's authorities Examination Object (obrik) Inspectorate Bureau of Central Lombok. This is in accordance with the opinion of Strauss and Corbin (1990), quoted from Asmony review (2015: 36) states that qualitative research as research that has resulted in findings by not using statistical procedures or other calculations.

This research used qualitative method with case research. It is a research strategy with the aim to understand the phenomenon based on the example case of the phenomenon under research (Asmony, 2015: 55). Then Arikunto (2005: 41) adds that the case study conducted intensively, detail and depth to

an organization, institution or certain symptoms. Using a case study approach that the audit Inspectorate Central Lombok is a social phenomenon that is compiled with the social interaction between the various parties and are contemporary. The occurrence of the audit findings repeated in village's authorities is the object of inspection Inspectorate Central Lombok is a real event and occurs only in villages in Central Lombok regency, so that this reality can be a case worth studying to understand the phenomenon of audit activities in an effort to improve District Government organization Central Lombok appropriate audit recommendations performance. This consideration is accordance with the terms of use of case studies in qualitative research. Where Yin (1994) in Asmony (2015: 53) mentions the case study requirements: (a) a research question using the word 'what', 'why', (b) does not require control of behavior, (c) focus on contemporary events.

According to Yin (2014: 46) there are four (4) typology of this type of design is a single case study-case (holistic), single-case (embedded), multiple-case (holistic), and multiple-case (embedded). The choice between four types of design is dependent on the aspects examined. The research design in this study using a third type. For the case in this study occurred in reality the entire village's authorities in Central Lombok, while the unit of analysis is only one auditor Inspectorate Central Lombok.

### *3.2. Sampling*

According Asmony (2015: 78) in qualitative research with case study approach, researchers should conduct sampling techniques in determining the number of cases and interviewed prior to data collection. Sampling technique is not a representation of the population, but as an option it deems appropriate to reveal the phenomenon. This research was conducted in Central Lombok District Inspectorate. However, Prior to data collection, Asmony (2015: 78) suggested for selecting the cases and informants to facilitate researchers assimilate or digest the information.

Selection of cases based on logic replication and is purposive (selection criteria) in hopes that researchers can predict the same results and can prediction of each case. Therefore, the selection criteria is based on the case of the village which is audited annually from 2012 to 2016. If the first criteria is not met, the researchers will look at the auditee that the audit four years in a row and so on until researchers get valid data from the case.

Selection of informants selected using purposive, according to the opinion (Dick, 1990; Patton, 2002; Yin, 1994; Perry & Coote, 1994; Maykut & Morehouse, 1994) in Asmony (2015: 84) who said that the informants who can provide information need to be identified, searched, so it can not be determined at random or representation. Therefore, the informants were selected based on certain criteria and considerations. The informants in this study are employees involved and direct knowledge of the audit process and follow-up of audit results. Selection of informants not only there, to dig depth information researchers are also using the principle of maximum variation and snowball namely the determination of informants with varied backgrounds all related to the studied cases, further research informants developing and rolling follow the information or data required from informants previously interviewed. So the information obtained through the saturation point and there is no variation answers from informants. The Informants in this study can be seen in the following table:

Table 3.1 Informants for the reaserch

Informants	Initials	Positions
R.1	(LB)	First Auditor
R.2	(NY)	Auditor Supervisor
R.3	(AM)	Supervisor of Local Government Affairs (P2UPD) Madya
R.4	(NLMd)	Technical Controller
R.5	(NL)	Monitoring and Evaluating Team Leader
R.6	(MI)	Monitoring and Evaluating Team Leader
R.7	(TS)	Monitoring and Evaluating Team member

Source: Developed for this reaserch

### 3.3. *Data Collection Technique*

Data collected through interviews and documentation. Method of interviews conducted by interviewing directly and deep (depth interview) and related parties who know directly in order to obtain clarification on the conditions and the actual situation (Irawan, 2006: 59). One technique-depth interviews by Dick (1990) in Asmony (2015: 105) is an interview convergent, interviews convergent is a serial cyclically-depth interview in which the context or content of the interview was not structured although the process is slightly structured, and the questions are refined after each interview so that

issues of the research topic can be more focused. While documentation is implemented based on the opinion of Yin (1994) in Asmony (2015: 122) which says there are 6 (six) main source of the data as evidence or facts of case study that documentation, archival records, interviews, direct observation, participant observation, and physical artifacts , The shape of the documentation used in this study are seminar artichel related to the research topic, document of Audit Report (LHA), and the follow-up document of audit results.

### *3.4. Data Validity*

Testing the validity of the data on a case study is determined by the level of validity and reliability. Validity refers to the social reality as measured by the study is appropriate or suitable to construct the researchers used to understand it. While the reliability is how inconsistent a technique to measure the concepts so that other researchers will obtain the same results (Asmony, 2015: 148). In this study, the validity of the data is determined based on the opinions of Yin (2014: 38) where the validity of measured through construct validity, internal validity and external validity. Construct validity refers to the determination of appropriate operational measurements for the concept being studied. External validity refers to the ability to generalize the findings. While the internal validity of the study was not used, due to internal validity is used to study the causal or explanatory. While this study is exploratory to dig deeper into the causes of repeated findings and proposed solutions. Final determination of the level of reliability in a case study by Asmony (2015: 147) can be built through the standard process of data collection and analysis. As the use of case study protocol, develop a database of case studies, as well as provide a transcript of the interview conducted.

### *3.5. Data Analysis*

Analysis of the data in this study involves data from in-depth interviews and supported by documentation. According to the data analysis Yin (2014: 133) is often regarded as the most difficult stage, because the data to be processed is data in the form of words, phrases, and expressions of informants. Data analysis in this study followed the Asmony advice (2015: 128-133): 1). checking of data; 2). categorize the data; 3). identify elements of each category; 4). checking documents; 5). tabulate data and gleaning word / phrase / sentence Locks; 7). Data grouping each case.

#### **4. Discussion and Analysis**

Based on the results of data analysis can be concluded that the main causes of repeated audit findings in local government, specially in the village's authorities based on Inspectorate's audit results is due to the efforts of village officials led to the behavior of self-interest in the implementation of rural financial management form of moral hazard behavior and the dual role of village officials.

##### *4.1. Moral Hazard*

##### *4.1.1. Cause*

##### 1) The use of tax money

A statement from one informant with the initials LB in the interview conducted at his office "One cause of repeated audit findings on the financial management of the village is the use of tax money, tax money that has been collected in the village were borrowed by village chief or it could be by the Treasurer of the Village with a variety of reasons." Stating that there were indications of the use of tax money by village officials the cause of the repeated audit findings in the village's authorities. Similar disclosed by AM "Please browse their tax money, if belated deposited uncertain because the money was borrowed nothing else, and they are trying to deceive the auditors, but we are as auditors must not be careless". At different times, the implementation of a follow-up interviews were conducted on the team that handles the follow-four villages. Where TS as a follow team member give the same statement that tax money should be used to resolve on the audit findings be used to finance village "yes it is, indeed tax money is often borrowed, so hard did we follow up. But for what it borrowed, we dare not searched because we are not the auditors". Pursuant to regulations, the use of tax funds for financing rural activities not in accordance with the rules of taxation, so that should be an audit by the auditor's findings.

##### a) The use of tax money to finance the activities of the village

Tax money already set aside by the treasurer as a result of the procurement of goods / services in the village's authorities, should immediately cash deposited into the State / Region. But the tax money already set aside, on the instructions of the Village Head utilized to finance the implementation of village activities while waiting for the payment of funds disbursed village of Local Government. It is based on a statement NY as Chairman of the Audit Team

"yes, it's okay if the tax money which already collected used for village activities, which are essential to be replaced after the ADD liquid funds. But the problem is the tax money

borrowed by the Treasurer or the village chief must lead to delay the tax payment or not even paid up”

The same thing also expressed by MI as the Chairman of the Follow-stated “we admit, in every village is a complaint of friends follow up the issues of taxation used by the village to cover the financing of the activities, but it's difficult until the end of the tax money not be replaced”. Village Chief policies using tax money that had been set aside for the tax payment delay resulted in the findings of the Inspectorate, it affected the completion of the follow-impaired.

b) The use of tax money for its own sake

The use of tax money by village officials are not only used for financing activities in the village, but was used also by the village chief, treasurer, and secretary of the village for personal gain.

“well, now for the Village Chief, treasurer, and secretary. Lets usk for the truth, a village chief for example, the 2014 tax year. He already collected it, the money is in his hand, so at 31<sup>st</sup> December it should be paid. But, how can it be paid, if the money was still be used by him”

NY said in an interview while enjoying a warm cup of coffee at home. The above statement is reaffirmed “after we browse, the tax money was first used at the treasurer for his personal benefit. At that time, the reason for treasurer again there is the problem of debt”. At the time and a different place and a different object NIMD as technical controller at the four villages that make researchers study sample, he said

“maybe if tax evasion remain in the village, especially the head of the village. Tax money is very often used for personal interests him, but the tax money he borrowed to the end of the fiscal year were not replaced. So long as I go down with the team, that's all I found the field”

This statement shows a high potential for the use of tax money the central or local taxes or levies have been collected by treasurer, reused for private purposes village officials. This action greatly hinder the implementation of a follow-up audit findings and recommendations, in addition to these actions the main cause of repeated audit findings at the village’s authorities in Central Lombok regency.

#### *4.1.2. Solution*

1) **Transparancy APBDes**

The four informants (R4) at the time of the interview in his office to propose the implementation of the principle of transparency as prevention solutions use tax money by village officials. “I actually proposed an emphasis on the transparency of financial management, so that the whole village officials feel responsible for the implementation APBDes”. According to the use of taxes for village development activities and the use of taxes for personal interest is the impact of poor implementation of the financial management transparency of the village. This opinion was approved as one solution to the prevention of repeated audit findings by three other informants namely NL, MI, and TS.

2) **Letter of Undertaking Absolute Responsibility (SKTJM)**

NY as a second informant recommend granting a certificate of debt settlement capability in the application set forth in the Certificate of Absolute Responsibility (SKTJM) as a solution “when it happens this way must inevitably we make complete the promissory note debt, then we give warning that he returned the money”. This statement was approved by the AM and MI on the results confirm the researcher with the informant at the time of follow-up interview. NY statement reaffirmed by TS “The most severe sanctions that we give it made a follow-stamped promissory note. It’s useless if we get to hard, they will not have a job anymore, thew wife and children needs to eat”.

3) **Reprimand**

The third informant with the initials AM, recommend giving warning as the solution treatment and prevention of repeated audit findings are due to the use of tax money “we give first warning letter in order to reimburse the tax owed, if they refuse, we make an agreement stamp duty returns, so strong in the law”.

4) **Criminal Sanction**

Criminal sanctions recommended by AM “if they using tax money for its own sake I think enough to give sanctions, but has never been implemented so as to make the auditee become”. In line

with AM's opinion, but affirmed by MI "we are from Monev Tim only suggest that this problem should solve by legal action, in order to become an example for other villages".

#### 4.2. *Dual-role of Village officials*

Based on information obtained from informants that investigators encountered and document LHA (Audit Report) Inspectorate bureau of Central Lombok, one of the efforts of village officials in an attempt altruistic self (self-interest) to gain an advantage in the agency contract implementation between the local government as the principal and village's authorities as an agent indicated by the double role of village officials in the village's authorities implementation.

##### 4.2.1. *Cause*

###### 1) The village chief or the Treasurer acting as executor of rural activities

"as we down the field, we found that village chief or Treasurer execute a lot of village activities. It makes the audit findings definitely will show again in the next year. Because they just want to take the advantage of the project."

NIMD statement above shows the behavior of the village chief or village Treasurer indirectly be implementing village activities, thus NIMD also stated that it can cause repeated audit findings.

In a different interview sessions NL also confirms the above statement "sometimes very difficult to follow up the programs undertaken by the village chief, especially the tax. finished our audit findings recap of LHA certainly issues of taxation and local taxes (levies) ".

Continued implementation of the next informant interviews, interviews then lead researchers to the conclusion that the actions of village officials who acted as executor of activity indicates the occurrence of tax evasion efforts and actions ignore the follow up audit findings may lead to repeated audit findings.

###### a) Tax Evasion Efforts

Behavior village officials who acted as executor of rural activity showed indications of tax evasion by minimizing each activity that does not reach the tax value. This was disclosed NY on implementation interview at home

"it is cleared that double roled by the village officials is the the main cause of repeated audit findings with avoiding tax. If we did not careful, we will let it go. For example, PPn will be given if the spending above 1 million, PPh if above 2 million, so it will be double PPn and PPh. To avoid that, they will spend in 500, 700, or 900 on the receipts. But, we should not trapped in that kind of game".

NY statements approved by LB, NIMD, NL, and AM at different interview sessions and at different times to confirm the answer. This was done to corroborate the opinion researchers NY, for the NIMD reaffirm "tax avoidance efforts have certainly become a cause of repeated findings, because many transactions that are hidden. Become an incomplete follow up".

b) Neglecting Follow Up Action

Efforts to neglect the follow-effects dual role of village officials, which according to TS this happens because of the action of throwing the responsibility between the Chairman of the Implementation Teams with the Village Head.

“when the dual role of village chief and treasure on the village projects cause repeated findings, the village chief will said that the findings did not follows because the receipt was still on the third parties. But when we ask the third parties, they said it’s already on the village chief. They keep blaming each other. When we ask village staff, they know even less.”

Then MI confirms TS "we discover the difficulties of village officials to follow up if third parties have already started throwing responsibility, because location is far and time is not enough ". Actions like this lead follow-up process to be blocked, so that the next audit period re-used the same findings audit findings.

*4.2.2. Solution*

The dual role of village officials are believed to cause repeated audit findings, so that all the informants in this study recommends some preventive solutions that can be applied.

1) Transparancy APBDes

Solution like transparency APBDes recommended by TS “maybe transparency APBDes will be better solution for this problem”. This reinforced by AM’s statement “transparency was the only one solution for village finance management, if it cannot work we will reprimanded, still not work we will give sanctions. But sanctions are rarely performed.” Other informants NIMD, MI, andNL confirm the solution that recommended by TS.

2) Coaching

Solution like coaching recommended by LB and MI, then this solution being rectified other informants. According to LB “the solution can be done by coaching procurement of goods /

services in the village, because in the implementation, Perbub implementation of procurement of goods / services is still not maximal". In other interview MI said "Inspectorate needs to guidance, so the village know how the procurement of goods / services actually".

3) Reprimand

Solution like reprimand recommended by NY "this insiden we should reprimand before we took another solution like sanction". NY's Opinion reinforced by several informants except MI, because according to MI we must put development first.

*4.3 Discussion*

Sayidah (2015) in his research said that the motivation to benefit as much as possible in the context of the agency occurs because there are attempts selfish agents (self-interest), in order to benefit as much as possible of the agency contract has been made with the principal (owner, shareholder). Furthermore Sayidah (2015) explains that the efforts to be made to reduce or prevent the occurrence of moral hazard is required to delegate the principal other party to monitor the implementation of the agent (Jensen and Meckling, 1976). In the context of this study, the principal effort delegate others to monitor the activities of the agent can be carried out through auditing. For that governments simply as AIPs Inspectorate in the area to conduct surveillance.

Data analysis was performed on each end of the interview from across the informant produces findings that the behavior of self-interest (business selfish) village officials become the main cause of repeated audit findings at the village's authorities in Central Lombok and its solution. The behavior of self-interest in this research is reflected in the actions of moral hazard and the dual role of village officials.

*4.3.1 Moral Hazard*

*Cause*

Moral Hazard by Investipedia (2009) in Sayidah (2015) is a dishonest behavior in providing information to the other party to a contract of cooperation in order to fulfill his wish. Moral hazard village officials according to information from informants conducted by the Village Head and Treasurer in the form of borrowing tax money. Borrowing tax money as a positive expression in the disclosure of

dishonest behavior of village officials, because borrowing tax money intended to reveal the use of taxes that are not in place. This is in line with the results of data analysis which concludes that moral hazard like the use of tax money to finance village's activities or for private purposes be the cause of repeated audit findings.

1) The use of Tax Money

Civic duty to pay taxes listed in chapter 23 A of UUD1945 which states, "Taxes and other coercive for the purposes of the state governed by the Act". Through Permendagri No. 113 of 2014 Chapter 31 the government appointed Village Treasurer acts as a compulsory tax collection in the village and is obliged to pay the tax to the state treasury accounts or regions. this situation opens the opportunity for the village chief with authority ordered village Treasurer to use tax money that has been collected for other activities.

Forms of money usage fees based on in-depth interviews with informants is the first tax money is used to finance the activities of the village, the tax money used for personal purposes of Treasurer and Head Village. The use of tax funds that treasurer's collected for the financing of the village and for private purposes is not in accordance with the legislation in force. Therefore, based on the audit report of the Inspectorate, was made a condition of audit findings and the auditor is obliged to provide improvement recommendations for further action. However, due to the selfishness Village Chief and Treasurer, they tend to not give a follow up accordingly so this event becomes the findings back to the next audit period.

4.3.2 *Dual-role of Village Officials*

*Cause*

1) Village chief or Treasurer acting as executor village activities

Dual role by Munthe (2012: 9) is someone who has the job title or position or circumstance that more than one so that it has a responsibility to make people more. So that the dual role of village officials in this study were used to justify the dual role that made the village chief or village Treasurer acting as executor of the village project activities besides running their duties and functions as village officials. Based on the context of agency theory (Jensen and Meckling, 1976) doubles behavior village officials provide a huge opportunity for village officials in an effort to

seek its own (self-interest) Sayidah (2015). This is in line with the results of data analysis that concluded that the behavior of the dual role of village officials such as the behavior of the village chief or Treasurer acts as executor of activity can lead to the occurrence of tax evasion efforts and follow up actions ignoring the cause of repeated audit findings.

Dual role of village officials are not in accordance with the mandate of the Regent (Perbub) Central Lombok No. 18 Year 2014 on Guidelines for Procurement of Goods / Services in the village. Where in the rules mentioned in chapter 6 that the procurement of goods / services in the village carried out by the Implementation Team (TPK) established by village chief, so that TPK is obliged to report the procurement of goods / services to village chief. After conducting in-depth interviews with the informants, investigators found that the conditions on the field are not in accordance with the criteria mentioned in Perbub. On the field, researchers found that the implementation of the village shopping activities carried out by village chief or Treasurer alone or together with the Treasurer, thus providing an opportunity to act selfish (self interest) in the procurement of goods / services of the village. Self-interest is the village officials in this study is shown by the efforts of tax evasion and effort implementing a follow-up activities of the village overlook the audit findings.

#### *4.4 Solutions*

Several solutions have been proposed by the informant repairs to minimize and prevent the occurrence of a repeated audit findings on the reporting of financial management of villages, such as transparency APBDes management, coaching, administration of reprimand and sanctions. In the context of the village administration in Indonesia, the concept of good governance is used as the institutional framework for strengthening the autonomy of the village. Autonomy of local government at the village level will not be strong and beneficial to local communities if it is not supported by the principles of transparency (Rustiarini, 2016). Lack of transparency means engaging directly across the village officials and the public in the implementation of direct APBDes community to enhance confidence for the rural development management. This is in accordance with the principles requires transparency in efforts to establish a good governance Napitupulu (2014: 11), so that people have a sense of responsibility and helped supervise the

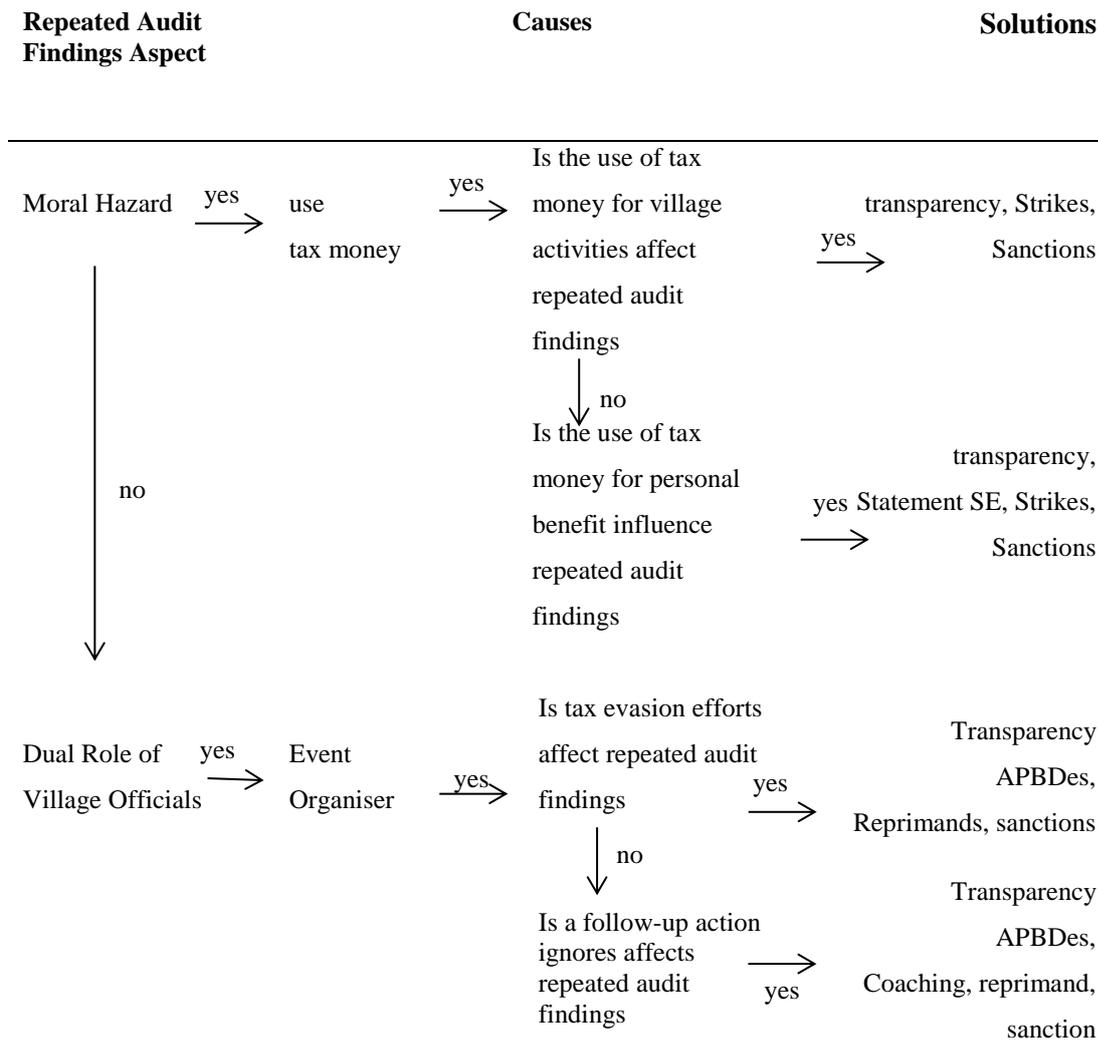
implementation of the principle of transparency in the village management. Development application in accordance with the APBDes opinion, Warsito et al. , (2014: 7) as an effort that can be done to improve good governance. So with the principles of transparency in the APBDes management expected to increase the role of society towards the development of a prosperous society.

Solution like coaching requires the participation of the Regional Inspectorate to continue actively carry out the task of supervision main task and the main function of the Inspectorate as set out in the Regional Regulation No. 1.A 2012. Thus the application of goods / services procurement in the village can be implemented according to the guidelines that have been made. In line with the opinions Fahrudin et al., (2014: 8), which outlines the function of the Inspectorate management carried out in the form of consulting and assurance. Consulting function provides guidance execution of an activity or to comply with the standard criteria, while assurance provides assurance that the an activity implementation complies with the standards. The final solution is the provision of reprimand and sanctions, has been recommended by Kusuma (2014) in his research as the last method that can be done in the handling of repeated audit findings, hoping to provide a deterrent effect so that the auditee will not repeat the same mistakes on the same object.

#### *4.5 Model for Repeated Audit Findings and Solutions*

Data have been processed based analysis techniques that researchers use, resulting in a conclusion which causes of repeated audit findings in Inspectorate bureau of Central Lombok's audit and solutions that can be proposed for the prevention of this problem would occur again in the next audit. Here researcher presented an overview model of causes and solutions to problems repeated audit findings to local government.

Figure 5.1. Model for Repeated Audit Findings and Solutions



## 5. Conclusion, Implication and Limitation

### 5.1. Conclusion

Based on analysis and confirmation of theory, concepts and accomplished research, it can be concluded that repeated audit findings in Inspectorate bureau of Central Lombok auditor in the audit of government financial management reports village caused by the self-interest behavior of village chief and treasurer. Such actions are reflected in the behavior of moral hazard and the dual role of village officials in the implementation of APBDes. As a solution to these actions, it is hoped their transparency APBDes management, their mechanism of procurement of goods / services, letter of undertaking absolute responsibility, sanctions in the form of strikes, and the last criminal sanctions.

## 5.2. Implication

The results of this study can be contribute to knowledge and accounting literature, especially public sector accounting is primarily concerned with the handling of repeated audit findings at village authorites. The results of this study can be used as one of the considerations for decision makers in Central Lombok regency, for more attention to the results of Inspectorate's audit in order to improve the financial management of village. So that local governments can take certain steps in providing preventive measures misappropriation or misuse of information APBDes management by village authorities.

## 5.3. Limitation

Limitation in this study are:

- a) Flurry of village chief causes the interview process is only done to Treasurer and Village Secretary
- b) Lack of information disclosure management of village activities, causing the informant didn't have much information related to the implementation of procurement of goods / services of the village.
- c) Lack of *accomplished* research on repeated audit findings to local governments

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