



The Analysis of the Disharmonization of Institutional Authority in Regional Financial Oversight

Dhea Nisa Arinanda^a, Muh. Ali Masnun^a, dan Alfiani Dwiyanib^b

^aFaculty of Law, Universitas Negeri Surabaya.

^bFaculty of Islamic Business Economics, Sunan Ampel State Islamic University

Corresponding E-mail: dheanisa20030@mhs.unesa.ac.id

Abstract

This study aims to analyze the disharmonization of institutional authority in regional financial supervision and its implications for the effectiveness of oversight mechanisms. In many regional governance systems, financial supervision is carried out by multiple institutions with different legal bases, mandates, and scopes of authority. However, the absence of clear coordination frameworks and the overlap of institutional functions often create disharmony in the exercise of supervisory authority. This research focuses on identifying the forms and causes of such disharmonization, particularly in relation to overlapping mandates, unclear division of responsibilities, and inconsistencies in regulatory arrangements governing regional financial supervision. Using a normative and analytical approach, this study examines relevant laws, regulations, and institutional practices that shape the structure of regional financial oversight. The findings indicate that institutional disharmonization leads to fragmented supervision, duplication of control functions, and gaps in monitoring processes, which ultimately weaken the effectiveness of regional financial supervision. In addition, disharmonized authority tends to create uncertainty among supervisory institutions, reduce institutional accountability, and limit the ability of oversight bodies to respond effectively to financial irregularities. This condition also undermines the consistency of supervisory standards and weakens the overall integrity of the regional financial management system. The study concludes that institutional harmonization is essential to strengthen regional financial supervision, requiring clearer legal frameworks, precise delineation of authority, and improved coordination among supervisory institutions. Addressing institutional disharmonization is therefore a key prerequisite for enhancing the effectiveness and coherence of regional financial oversight.

Keywords: Disharmonization, Authority, Oversight, Governance, Regional Finance

INTRODUCTION

Disharmonization of Institutional Authority in Regional Financial Oversight refers to a legal and governance issue arising from overlapping, unclear, and poorly coordinated authorities among institutions responsible for supervising regional financial management. Based on the referenced document, regional financial oversight in-

volves several institutions with different legal foundations and mandates, such as the Audit Board of Indonesia (BPK), internal government supervisory bodies (including regional inspectorates), and other supervisory agencies. However, the absence of clear boundaries and harmonized regulations governing their respective roles has resulted in overlapping supervisory functions, inconsistent audit findings, and fragmented oversight practices.¹ This condition creates legal uncertainty for regional governments, as they are often confronted with differing assessments and recommendations from multiple supervisory bodies regarding the same financial activities, ultimately weakening the effectiveness of financial oversight and accountability mechanisms.

The disharmonization of institutional authority in regional financial oversight has significant implications for the quality of governance and public financial accountability at the regional level. Instead of functioning as a cohesive system aimed at preventing mismanagement and financial irregularities, supervisory institutions tend to operate independently, focusing on their own regulatory interpretations and institutional interests. This fragmented oversight not only reduces efficiency but also diminishes the preventive and corrective functions of supervision, as regional governments may struggle to prioritize and implement conflicting recommendations.² As emphasized in the document, the lack of regulatory harmonization and institutional coordination undermines the principles of good governance, transparency, and accountability. Therefore, strengthening regulatory alignment, clarifying the division of supervisory authority, and enhancing inter-institutional coordination are essential to establishing an effective, consistent, and accountable regional financial oversight system.

The research gap in the study of Disharmonization of Institutional Authority in Regional Financial Oversight, as reflected in the referenced file, lies in the limited depth of analysis regarding the systemic and integrative resolution of overlapping supervisory mandates beyond normative identification. Existing research, including the analyzed document, has extensively described the legal basis of authority overlap among institutions such as the Audit Board of Indonesia (BPK), the Financial and Development Supervisory Agency (BPKP), and Regional Inspectorates, as well as its implications for legal uncertainty, inconsistent supervisory recommendations, and weakened regional financial accountability.³ However, most studies remain concentrated on normative legal analysis and problem identification, with insufficient exploration of comparative supervisory models, empirical evaluation of coordination mechanisms,

¹ Bagus Surya Dharma et al., "Harmonization of Laws Regulating the Formation of Village Government Work Plan Drafting Teams," *Ex Aequo Et Bono Journal Of Law* 2, no. 2 (January 31, 2025): 69-81, <https://journal-iasssf.com/index.php/EAEBJOL/article/view/1092>.

² Akhmad, I., A. Mustanir, dan M. R. Ramadhan. "Pengaruh Pemanfaatan Teknologi Informasi dan Pengawasan Keuangan Daerah terhadap Kualitas Laporan Keuangan Kabupaten Enrekang." *Dalam Prosiding Konferensi Nasional ke-7 Asosiasi Program Pascasarjana Perguruan Tinggi Muhammadiyah Aisyiyah (APPPTMA)*, 2018.

³ Akbar, R. R. "Pengembalian Kerugian Keuangan Negara Tanpa Pertanggungjawaban Pidana melalui Lembaga Aparat Pengawas Internal Pemerintah (APIP)." *Jurnal Kewarganegaraan*, 2024: 1047-1062.

or institutional design frameworks that could practically harmonize authority without undermining constitutional mandates. In addition, there is a lack of research that integrates governance theory, institutional behavior, and administrative law to assess how political structure, hierarchical positioning, and inter-agency power relations influence supervisory effectiveness in practice. Consequently, future research is needed to move beyond doctrinal analysis by proposing and testing adaptive regulatory models, inter-institutional coordination instruments, and performance-based oversight frameworks that can function within Indonesia's decentralized governance system while strengthening legal certainty, accountability, and efficiency in regional financial oversight.

The main problem arising from the Disharmonization of Institutional Authority in Regional Financial Oversight, as identified in the referenced document, is the existence of overlapping and unclear supervisory mandates among regional financial oversight institutions, particularly the Audit Board of Indonesia (BPK), the Financial and Development Supervisory Agency (BPKP), and Regional Inspectorates, which are regulated under different laws and regulations without a clear harmonized framework. This disharmonization creates legal uncertainty regarding institutional responsibilities, as each supervisory body applies its own standards, indicators, and approaches when examining the same object of regional financial management, resulting in inconsistent audit findings and recommendations. Consequently, regional governments often face confusion in determining which supervisory recommendations should take precedence, leading to delays in follow-up actions and weakening corrective measures against financial irregularities. Moreover, the absence of explicit regulatory boundaries and coordination mechanisms allows each institution to exercise authority based on its own legal interpretation, intensifying duplication of audits, inefficiency, and excessive administrative burdens on regional governments. Instead of strengthening accountability and good governance, this fragmented oversight system paradoxically reduces the effectiveness of financial supervision, undermines transparency, and diminishes public trust in regional financial management, thereby highlighting the urgent need for regulatory harmonization, clearer division of authority, and strengthened inter-institutional coordination to ensure an effective and accountable regional financial oversight system.

The selection of the title "Disharmonization of Institutional Authority in Regional Financial Oversight" is based on the urgent and fundamental legal problems identified in the referenced document, which reveal that regional financial supervision in Indonesia is characterized by overlapping, fragmented, and uncoordinated authority among supervisory institutions such as the Audit Board of Indonesia (BPK), the Financial and Development Supervisory Agency (BPKP), and Regional Inspectorates. The title reflects the core issue that supervision, which should function as an integrated instrument to ensure accountability, transparency, and good governance, instead operates within a disharmonious regulatory framework caused by multiple laws and

regulations that grant intersecting mandates without clear boundaries. This condition has led to inconsistent supervisory standards, conflicting audit recommendations, duplication of examinations, and legal uncertainty for regional governments in following up supervisory findings. By emphasizing “disharmonization of institutional authority,” the title captures not only the normative overlap of legal provisions but also the broader governance implications, including weakened accountability mechanisms and reduced effectiveness of regional financial management oversight. Therefore, the chosen title accurately represents the substance of the study, which seeks to critically analyze the legal roots, institutional dynamics, and governance consequences of unharmonized supervisory authority, while highlighting the necessity for regulatory alignment and strengthened inter-institutional coordination to establish an effective and accountable regional financial oversight system.⁴

The formulation of the research problems focuses on identifying and understanding the practical and juridical manifestations of the disharmonization of authority among the Audit Board of Indonesia (BPK), the Financial and Development Supervisory Agency (BPKP), and Regional Inspectorates in supervising regional financial management. The first research problem addresses how this disharmonization is reflected in differences in perception, assessment standards, and supervisory outcomes produced by these institutions when examining the same object of regional financial management. Although BPK, BPKP, and Regional Inspectorates share a common objective of ensuring transparency, accountability, and compliance with laws and regulations, each institution operates under a different legal basis, institutional position, and supervisory approach. As a result, their audit findings, conclusions, and recommendations may vary significantly, leading to overlapping supervision and inconsistent interpretations of financial management practices. These differences are not merely technical in nature but indicate deeper structural and regulatory issues, such as unclear boundaries of authority, lack of harmonized supervisory standards, and weak coordination mechanisms, which collectively contribute to confusion for regional governments in responding to and implementing supervisory recommendations.

The research objectives are designed to provide a comprehensive legal analysis of both the form and consequences of such disharmonization. The first objective aims to systematically analyze the patterns and characteristics of authority disharmonization among BPK, BPKP, and Regional Inspectorates as evidenced by divergent supervisory perceptions and outcomes in regional financial oversight. The second objective seeks to examine the legal consequences arising from this disharmonization, particularly its impact on legal certainty and the accountability of regional financial management. Overlapping authority and inconsistent supervisory results may weaken the

⁴ Naikteas, Y. "Peran Dewan Perwakilan Rakyat Daerah Dalam Melaksanakan Fungsi Pengawasan Terhadap Pembangunan Dalam Rangka Pencegahan Tindak Pidana Korupsi Di Provinsi DKI Jakarta (Periode Juni 2023–Juni 2024)." *Lex Progressium: Jurnal Kajian Hukum Dan Perkembangan Hukum*, 2025.

enforceability of audit findings, obscure legal responsibility, and undermine the effectiveness of corrective and preventive measures against financial irregularities. Ultimately, by examining these legal consequences, the research intends to highlight how disharmonized oversight authority can negatively affect the principles of good governance, reduce public trust in regional financial management, and create systemic inefficiencies, thereby emphasizing the necessity of regulatory harmonization and clearer institutional coordination to strengthen legal certainty and accountability in regional financial governance.

RESEARCH METHODS

The research method applied in the study of Disharmonization of Institutional Authority in Regional Financial Oversight, as reflected in the referenced document, is a normative legal research method, which focuses on examining law as a normative system of rules, principles, and doctrines governing institutional authority in regional financial supervision.⁵ This method is used to analyze the disharmonization of authority among the Audit Board of Indonesia (BPK), the Financial and Development Supervisory Agency (BPKP), and Regional Inspectorates by systematically reviewing and interpreting relevant laws and regulations, such as Law Number 15 of 2006 on the Audit Board, Presidential Regulation Number 192 of 2014 as amended by Presidential Regulation Number 20 of 2023 on BPKP, and Law Number 23 of 2014 on Regional Government. Through a statutory approach, the research examines the consistency, coherence, and hierarchical relationship of these legal norms to identify overlaps, ambiguities, and conflicts in supervisory mandates, while a conceptual approach is employed to analyze legal concepts such as authority, supervision, accountability, and governance within the framework of administrative and constitutional law. Legal materials used in this normative research consist of primary legal materials in the form of legislation, secondary legal materials such as legal doctrines, scholarly writings, and journal articles, as well as tertiary legal materials that support legal interpretation. By using qualitative legal analysis, this normative method enables the study to assess how disharmonized regulatory arrangements contribute to inconsistent supervisory outcomes, legal uncertainty, and weakened accountability in regional financial management, thereby providing a solid juridical foundation for proposing regulatory harmonization and clearer institutional coordination in regional financial oversight.

RESULTS AND DISCUSSION

A. Differences in Perceptions of Regional Financial Oversight Results among BPK, BPKP, and Regional Inspectorates

The differences in perceptions regarding regional financial oversight results among the Audit Board of Indonesia (BPK), the Financial and Development Supervisory

⁵ Maalikussofa Masnun, Muh. Ali, Prasetio, Dicky Eko, "Reconstruction of the Normative Legal Research Paradigm in Responding to Global Challenges: An Epistemological Analysis," *Novum: Jurnal Hukum* 12, no. 3 (2025): 372-384.

Agency (BPKP), and Regional Inspectorates are a phenomenon that can be traced to the disharmonization of authority reflected in various laws and regulations governing these institutions. Under Indonesian law, BPK is normatively regulated by Law No. 15 of 2006 on the Audit Board of Indonesia, which emphasizes BPK's primary function as an independent external audit institution with the authority to examine the management and accountability of state finances, including regional finances, in a normative, formal manner based on public financial accountability principles. In contrast, BPKP, under Presidential Regulation No. 192 of 2014, later refined by Presidential Regulation No. 20 of 2023, has broader oversight authority, focusing on supervision, assistance, and guidance for government agencies in financial and development management, including performance- and compliance-based audits, which are more technical and administrative. Meanwhile, Regional Inspectorates, whose legal basis is Law No. 23 of 2014 on Regional Government, focus on internal oversight within local governments with a more consultative, internal, and investigative approach to program and activity implementation. These differences in mandates, standards, and audit methods create varying perceptions regarding the same oversight outcomes among the three institutions.⁶

These differences become clearer when considering the standards and assessment indicators used by each institution to evaluate regional financial management. BPK emphasizes audit standards based on accountability and compliance with national regulations, including conformity with Government Accounting Standards (SAP) and principles of transparency and fairness in financial reporting. BPKP, on the other hand, uses a multidimensional approach that combines compliance, efficiency, effectiveness, and risk management, making its evaluations focus not only on formal conformity but also on performance quality and risk management. Regional Inspectorates, focusing internally, often emphasize administrative compliance, internal control, and enforcement of local regulations, resulting in interpretations of irregularities or findings that may differ from those issued by BPK and BPKP. These differences stem fundamentally from varying objectives, methodologies, and supervisory indicators mandated by the respective legal bases, so when these three institutions assess the same regional financial management, their perceptions of quality, compliance, and performance can diverge significantly.

Differences in the legal basis of supervisory authority stipulated in regulations significantly influence oversight results. Law No. 15 of 2006 grants BPK broad and independent authority, including the right to evaluate all aspects of state finances, issue

⁶ Presiden Republik Indonesia. "Peraturan Presiden Nomor 20 Tahun 2023 Tentang Perubahan Atas Peraturan Presiden Nomor 192 Tahun 2014 Tentang Badan Pengawasan Keuangan Dan Pembangunan." *Presiden Republik Indonesia*. 2023.

opinions, and report audit findings to the House of Representatives (DPR) and the public, making BPK's results normative and often considered final. In contrast, Presidential Regulation No. 192 of 2014 jo. Presidential Regulation No. 20 of 2023 grants BPKP a coordinative, guidance, and technical oversight role, producing recommendations focused on system improvements and performance evaluation. Regional Inspectorates, under Law No. 23 of 2014, have authority limited to internal oversight and investigation of suspected irregularities within local governments, leading to differences in priority and interpretation compared to external audit institutions. This divergence in legal basis creates room for multiple interpretations of oversight results, as no legal framework integrates or aligns evaluation procedures, parameters, and indicators.⁷

The absence of clear statutory regulations to harmonize oversight results and parameters is a critical factor that reinforces these perceptual differences. In practice, BPK issues audit opinions that are final and carry strong legal implications, whereas BPKP produces improvement recommendations that are flexible and adaptable to local conditions, and Regional Inspectorates emphasize internal corrective actions based on local regulations and operational standards. This regulatory misalignment leads to differences in understanding the level of errors, compliance, or quality of financial management. Consequently, regional heads, DPRD, and related parties often face dilemmas in interpreting audit results from different institutions, reducing coordination and weakening the effectiveness of follow-up actions. This gives rise to perceptions of overlapping authority and confusion in determining priorities for improving regional financial management.

Regulatory misalignment not only affects perceptions but also creates inconsistency in oversight practices. BPK, operating under independent audit standards, tends to issue measurable opinions based on formal accountability and compliance principles. Conversely, BPKP and Regional Inspectorates, with technical and internal oversight focuses, may emphasize system improvement and early risk detection, resulting in narrative and solution-oriented findings. These differences create legal ambiguity and potential conflicts between supervisory institutions and local governments, particularly in evaluating financial management effectiveness, following up on recommendations, and enforcing administrative sanctions. In this context, disharmonization of authority is the root cause, as existing regulations do not provide a clear mechanism to align external audits, technical supervision, and internal oversight.

These perceptual differences have implications for public policy implementation and regional financial governance. Regional heads receiving different oversight results from BPK, BPKP, and Regional Inspectorates face dilemmas in determining appropri-

⁷ Republik Indonesia. "Undang-Undang Nomor 15 Tahun 2006 tentang Badan Pemeriksa Keuangan." *Lembaran Negara Republik Indonesia Tahun 2006 Nomor 85*. Jakarta, 2006.

ate corrective measures because the recommendations they receive are not always aligned and can sometimes contradict each other. For instance, BPK emphasizes procedural and formal compliance improvements, BPKP encourages strengthening internal controls and budget efficiency, while Regional Inspectorates focus on adjustments to local regulations and administrative improvements. This divergence can create legal uncertainty, reduce accountability, and slow bureaucratic reform, undermining the intended purpose of oversight to enhance transparency, accountability, and quality of regional financial management.

Building on the previous analysis, the differences in perception among BPK, BPKP, and Regional Inspectorates also reflect deeper structural and institutional issues in the Indonesian financial oversight framework. The regulatory frameworks governing these institutions are designed independently, with limited consideration for inter-institutional harmonization. BPK's statutory mandate under Law No. 15 of 2006 grants it full independence to examine the legality, efficiency, effectiveness, and accountability of regional financial management, producing audit opinions that carry both normative and political weight.⁸ BPKP, on the other hand, is operationalized through Presidential Regulation No. 192 of 2014, revised by Perpres No. 20 of 2023, which frames its role as more supportive, focusing on technical guidance, risk assessment, and compliance monitoring, rather than issuing binding audit opinions. The Regional Inspectorates, operating under Law No. 23 of 2014, conduct oversight with a localized perspective, emphasizing compliance with local regulations, internal control improvements, and corrective actions within the administrative apparatus of local government. The coexistence of these three approaches with BPK taking a macro, formal, and accountability-driven approach, BPKP taking a technical, system-focused, and corrective role, and Inspectorates taking a micro, localized, and internal control-oriented approach creates a natural divergence in interpretation of the same set of financial data, making the phenomenon of differing perceptions almost inevitable in practice.

These perceptual differences are exacerbated by the lack of harmonized audit and evaluation standards across the institutions. BPK utilizes a nationally standardized audit framework aligned with internationally recognized public sector accounting standards, ensuring comparability and consistency of audit opinions across regions, yet leaving little room for nuanced understanding of localized financial or operational challenges. BPKP incorporates multiple dimensions into its assessment methodology, including compliance, risk management, effectiveness, and efficiency, which introduces a more adaptive and context-sensitive analysis but at the cost of alignment with BPK's normative findings. Regional Inspectorates, constrained by limited human and

⁸ Republik Indonesia. "Undang-Undang Nomor 23 Tahun 2014 tentang Pemerintahan Daerah." *Lembaran Negara Republik Indonesia Tahun 2014 Nomor 244*. Jakarta, 2014.

technical resources, often rely on administrative benchmarks and local regulations to conduct oversight, producing findings and recommendations that are largely procedural in nature. The result is that a single regional financial report can simultaneously be assessed as compliant by one institution, partially efficient but needing improvement by another, and administratively deficient by a third, creating not only confusion among regional authorities but also highlighting a systemic gap in integrated financial governance.⁹

The absence of a unifying legal framework to reconcile these differences perpetuates inconsistencies in implementation and follow-up actions. BPK's opinions are considered final and authoritative, often used as a basis for legislative scrutiny and public accountability, while BPKP's reports are advisory, aimed at guiding improvements in systems and processes rather than determining formal compliance. Regional Inspectors' oversight functions, meanwhile, focus on detecting irregularities, enforcing administrative compliance, and recommending corrective actions, yet their authority to compel changes is limited. This divergence is compounded by overlapping responsibilities in certain financial activities, such as procurement audits, grant utilization monitoring, and performance-based expenditure assessments. Without a legally binding mechanism to integrate these oversight results, local government officials face uncertainty when deciding which recommendations to prioritize, often leading to partial implementation, selective compliance, or even disregard for certain findings, thereby undermining the intended effectiveness of the overall oversight system.

The practical consequences of these disharmonized perceptions extend beyond legal ambiguity and administrative inefficiency; they have tangible implications for regional development and governance.¹⁰ When regional governments receive inconsistent assessments, budgetary allocations, program implementations, and corrective measures may be delayed or inconsistently applied, reducing the capacity for strategic planning and governance innovation. Misalignment of oversight results can also erode public trust, as stakeholders including citizens, media, and civil society may perceive irregularities in financial management differently depending on which institution's findings are highlighted. Moreover, conflicts between oversight institutions and local governments may arise, particularly if BPK's audit opinion identifies compliance failures, while BPKP's recommendations suggest system-level adjustments without legal consequences, and the Inspectorate emphasizes procedural corrections within administrative capacity. This multi-layered tension underscores the critical need for regula-

⁹ Helmizar, Sukmalalana, Dan T. S. Darma. *Akuntabilitas Dan Dinamika Pengelolaan Keuangan Daerah*. 2017.

¹⁰ Ningwati, G., R. Septiyanti, Dan N. Desriani. "Pengaruh Environment, Social And Governance Disclosure Terhadap Kinerja Perusahaan." *Goodwood Akuntansi Dan Auditing Reviu*, 2022: 67-78.

tory synchronization, integrated audit frameworks, and inter-institutional coordination mechanisms to ensure that oversight is not only rigorous but also actionable and harmonized.

B. Legal Consequences of the Disharmonization of Supervisory Authority among BPK, BPKP, and Regional Inspectorates

The disharmonization of supervisory authority among the Audit Board of Indonesia (BPK), the Financial and Development Supervisory Agency (BPKP), and Regional Inspectorates has significant legal consequences, particularly in the context of regional financial management, creating a complex web of legal uncertainty and administrative ambiguity. At the core of this issue is the overlapping and sometimes contradictory mandates of these institutions, which are rooted in Law No. 15 of 2006 on BPK, Presidential Regulation No. 192 of 2014, subsequently revised by Perpres No. 20 of 2023 regarding BPKP, and Law No. 23 of 2014 on Regional Government. BPK is vested with independent authority to audit state and regional finances comprehensively, producing normative audit opinions that carry binding legal and political weight, while BPKP operates with a focus on technical guidance, compliance monitoring, and performance improvement, issuing recommendations rather than binding conclusions. Regional Inspectorates, on the other hand, emphasize internal oversight within local governments, detecting irregularities, enforcing compliance with local regulations, and recommending corrective measures. The coexistence of these three authorities without a harmonized regulatory framework generates uncertainty regarding which oversight results should be prioritized, leaving regional governments in a legal gray zone when reconciling findings and determining appropriate responses. This uncertainty undermines the predictability and consistency of law enforcement in regional financial management, as there is no single, integrated legal guideline specifying how conflicts between oversight outcomes should be resolved or how recommendations from different institutions should be implemented cohesively.¹¹

One of the most immediate legal consequences of this disharmonization is the ambiguity surrounding the legal responsibility of local government officials in responding to oversight findings. When BPK issues a formal audit opinion indicating non-compliance or irregularities, local governments are legally obliged to address such findings; however, when BPKP provides alternative recommendations focused on systemic improvement or efficiency, and the Regional Inspectorate emphasizes internal administrative adjustments, officials may face confusion regarding which recommendations carry formal legal obligation. This ambiguity can result in partial or incon-

¹¹ Haryanto. *Sejumlah Penggalan Keuangan Daerah*. 2019.

sistent implementation of corrective measures, leaving gaps in legal accountability.¹² The lack of clarity in legal responsibility may expose local governments to potential administrative or even criminal liability if a particular oversight result is later interpreted as the legally binding standard. Consequently, regional officials must navigate a complex landscape where compliance with one institution's findings may not satisfy another, effectively creating legal uncertainty that hampers effective governance and undermines the principle of equal accountability in public financial management.

Another critical consequence of disharmonization is the erosion of accountability and governance effectiveness in regional financial management. Legal certainty is a foundational element of public financial accountability, as it ensures that oversight findings are actionable, enforceable, and aligned with clearly defined responsibilities. When supervisory authorities issue non-uniform findings and recommendations, local governments may prioritize actions based on administrative convenience, political expediency, or resource availability, rather than legal obligation or systemic risk mitigation. Such selective compliance reduces the capacity of oversight institutions to enforce accountability effectively, leaving gaps in monitoring and evaluation mechanisms.¹³ Over time, this legal ambiguity can weaken internal controls, diminish transparency, and compromise the overall quality of financial governance, as officials operate in an environment where the consequences of non-compliance or partial compliance are uncertain, and corrective actions may not be legally binding or consistently applied.

The disharmonization of oversight authority has the potential to hinder the prevention of financial irregularities and misuse of public funds at the regional level.¹⁴ Effective oversight is intended not only to detect and correct existing deviations but also to provide a deterrent effect against potential mismanagement or corruption. However, when legal responsibility is unclear and supervisory recommendations are inconsistent, the preventive function of financial oversight is significantly compromised. Local officials may perceive gaps in enforcement, exploit inconsistencies between BPK, BPKP, and Inspectorate findings, or delay implementing corrective measures due to uncertainty about legal obligations. This creates opportunities for irregularities, misappropriation, or inefficient financial practices to persist, which can

¹² Pratama, O. T., Dan A. Anandita. "Pengaruh Kapasitas Sumber Daya Manusia, Pengendalian Intern Akuntansi, Pemanfaatan Teknologi Informasi, Dan Pengawasan Keuangan Daerah Terhadap Keterampilan Dalam Pelaporan Keuangan Pemerintah Daerah Kabupaten Sukoharjo." *Jurnal Ekomaks: Jurnal Ilmu Ekonomi, Manajemen, Dan Akuntansi*, 2021: 27-32.

¹³ Enggarani, N. S., A. Budiono, Dan A. M. Farid. *Hukum Pemerintahan Daerah Dalam Bingkai Negara Kesatuan*. Yogyakarta: Muhammadiyah University Press, 2025.

¹⁴ Masnun, Muh Ali, Dicky Eko Prasetio, Konara, Thamasi, "Financial Reconstruction of State-Owned Enterprises in Indonesia as Special State Finances: Public or Private Law?," *Jurnal Hukum Bisnis Bonum Commune* 9, no. 1 (2026): 44-62.

have serious implications for public service delivery, fiscal sustainability, and public trust in local governance institutions.

The overlapping and disharmonized authority complicates legal enforcement mechanisms and the imposition of sanctions. BPK's audit findings can trigger parliamentary oversight or administrative sanctions, BPKP's advisory reports inform corrective actions without binding legal force, and Regional Inspectorates can recommend disciplinary measures internally, yet their enforcement capacity is limited. The divergence of these authorities results in a fragmented enforcement landscape where accountability is diluted, and sanctioning measures may not be applied uniformly. This fragmentation undermines the deterrent effect of financial oversight and can perpetuate systemic vulnerabilities, as regional officials may perceive that compliance with one oversight body is sufficient while ignoring recommendations from another. The absence of a harmonized legal framework to reconcile these enforcement powers perpetuates uncertainty and weakens the rule of law in regional financial management.

Addressing these legal consequences requires deliberate institutional and regulatory reform aimed at harmonizing supervisory authority and clarifying legal responsibility. Potential solutions include developing integrated regulatory frameworks that establish standardized audit procedures, benchmarks, and reconciliatory mechanisms for divergent findings, as well as creating formal coordination platforms between BPK, BPKP, and Regional Inspectorates to ensure consistent interpretation and implementation of oversight results. Legal reforms could also codify the hierarchy of authority and binding nature of recommendations to reduce ambiguity and ensure that corrective measures are legally enforceable. Strengthening capacity, promoting joint training programs, and institutionalizing inter-agency collaboration are equally essential to foster shared understanding and coordinated action. By implementing these measures, the legal uncertainty and risks associated with disharmonized supervisory authority can be mitigated, enabling more effective accountability, reducing financial irregularities, and improving the governance of regional finances.¹⁵

Continuing from the previous analysis, the legal consequences of disharmonized supervisory authority among BPK, BPKP, and Regional Inspectorates also extend into the realm of institutional credibility and the perceived legitimacy of local governance. When different supervisory institutions provide divergent findings and recommendations, local governments are placed in a position of having to interpret and reconcile these oftenconflicting outputs without clear legal guidance, which inherently undermines the predictability and consistency that the law is supposed to guarantee. This situation can create legal ambiguity where officials may act defensively, prioritizing compliance with the oversight body perceived as having the greatest legal authority

¹⁵ Hartoto, I., A. F. Andriani, N. Andriana, M. Nurkhamid, dan S. Yustiani. *Analisis Laporan Keuangan Pemerintah Daerah (Teori dan Praktik)*. Bandung: Penerbit Widina, 2025.

typically BPK while inadvertently neglecting recommendations from BPKP or the Regional Inspectorate, even if such recommendations are critical for improving internal control systems and preventing inefficiencies. The inconsistent treatment of supervisory results not only complicates the exercise of legal responsibility but also erodes the credibility of regional institutions, as stakeholders including citizens, auditors, and higher-level authorities may question the integrity and enforceability of local financial governance processes. Consequently, the rule of law in financial administration is weakened, and local governments may develop ad hoc compliance strategies that are driven more by the avoidance of legal repercussions than by adherence to principles of accountability, transparency, and good governance.¹⁶

Another major consequence lies in the weakened effectiveness of internal control mechanisms due to the lack of synchronized legal obligations. Regional Inspectorates are primarily responsible for internal oversight and monitoring compliance with local regulations, yet their findings may conflict with BPK's formal audit opinions or BPKP's technical recommendations. This creates a paradox where internal controls intended to prevent financial mismanagement are rendered less effective because the legal weight of the Inspectorate's recommendations is unclear or subordinate to BPK's authoritative audits.¹⁷ The divergence also discourages proactive risk management, as local officials may hesitate to implement corrective measures that are not reinforced by all oversight bodies, leading to partial or inconsistent reforms.

The disharmonization exacerbates the risk of delayed or ineffective corrective actions, which can have profound implications for the management of public resources and fiscal sustainability. Regional governments facing conflicting audit results may experience delays in approving budget revisions, implementing efficiency measures, or responding to findings of misuse or misallocation of funds, simply because the legal obligation to act is unclear or disputed among the oversight bodies. This delay not only hampers the operational efficiency of government programs but also increases the risk of financial losses, wastage, or corruption, as unresolved discrepancies in oversight interpretations leave room for potential exploitation.¹⁸ Moreover, prolonged ambiguity in the legal and supervisory framework undermines public confidence in local governance, as citizens perceive a lack of coherent oversight and accountability, potentially reducing civic engagement and support for local initiatives. In this sense, the legal consequences of disharmonization are not confined to procedural uncertainty but

¹⁶ Djiloy, N. L. *Pengaruh Pengawasan Intern dan Perencanaan*. 2014.

¹⁷ Rahayu, K. N. S., dan L. G. K. Dewi. "Pengaruh Transparansi dan Pengawasan Keuangan Daerah terhadap Kualitas Laporan Keuangan Daerah Buleleng." *Jurnal Ilmiah Mahasiswa Akuntansi*, 2022.

¹⁸ Purnama, F., Dan Nadirsyah. "Pengaruh Pengawasan Keuangan Daerah, Akuntabilitas, Dan Transparansi Pengelolaan Keuangan Daerah Terhadap Kinerja Pemerintah Daerah Kabupaten Aceh Barat Daya." *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (Jimeka)*, 2016: 1-15.

extend to practical outcomes that affect the quality of public service delivery and the sustainable management of regional finances.

Addressing these challenges requires systemic legal and institutional reforms aimed at creating a cohesive, integrated supervisory framework. Legal harmonization must establish clear hierarchies, standardized audit and oversight procedures, and reconciliatory mechanisms for divergent findings, thereby ensuring that all recommendations whether from BPK, BPKP, or Regional Inspectorates are interpreted and applied consistently. Beyond legislation, institutional reforms should promote inter-agency coordination, joint training programs, and shared evaluation standards to foster mutual understanding and cooperation among oversight institutions. By clearly defining legal responsibility, enforcement authority, and the binding nature of recommendations, such reforms would mitigate legal uncertainty, enhance accountability, and strengthen preventive mechanisms against financial irregularities. Ultimately, a harmonized supervisory system would not only clarify legal obligations but also ensure that regional financial management operates efficiently, transparently, and in accordance with both national standards and local governance priorities, reinforcing trust in public institutions and enhancing the overall rule of law

CONCLUSION

The disharmonization of institutional authority in regional financial oversight, as evidenced in the divergent mandates and operational frameworks of the Audit Board of Indonesia (BPK), the Financial and Development Supervisory Agency (BPKP), and Regional Inspectorates, produces profound and multifaceted consequences for governance, accountability, and legal certainty at the regional level. The coexistence of these institutions each guided by distinct statutory foundations such as Law No. 15 of 2006 for BPK, Perpres No. 192 of 2014 jo. Perpres No. 20 of 2023 for BPKP, and Law No. 23 of 2014 for Regional Government creates inherent tensions in interpreting, implementing, and prioritizing oversight results. This generates ambiguity regarding legal responsibility, inconsistent follow-up actions, and a fragmented enforcement landscape in which local government officials must navigate conflicting audit opinions, advisory recommendations, and internal corrective suggestions without clear, harmonized guidance. This structural misalignment not only undermines the predictability and authority of financial regulations but also weakens internal control systems, diminishes the preventive function of oversight against mismanagement or misuse of public funds, and erodes public trust in regional governance. At the same time, it limits the capacity of oversight institutions to act synergistically in promoting transparency, efficiency, and fiscal accountability. These circumstances highlight an urgent need for comprehensive legal and institutional reforms that establish standardized audit procedures, reconciliatory mechanisms, clear hierarchies of authority, and coordinated inter-agency frameworks. Such reforms would ensure that oversight is both legally binding and practically actionable, thereby enhancing accountability, preventing financial irregularities, and fostering an integrated and professionalized regional finan-

cial management system capable of sustaining good governance and re-inforcing the rule of law at all levels of local administration.

DAFTAR PUSTAKA

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