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Implementation Of Governance, Risk Management And Compliance System In Corruption Prevention On The State Financial Expenditure Side

Subagio Subagio[1], Sjamsiar Sjamsudin[2], Firda Hidayati[3], Wike Wike[4]
[1]Faculty of Administrative Science, Brawijaya University, Malang, Indonesia
[2]Faculty of Administrative Science, Brawijaya University, Malang, Indonesia
[3]Faculty of Administrative Science, Brawijaya University, Malang, Indonesia
[4]Faculty of Administrative Science, Brawijaya University, Malang, Indonesia

Abstract: *Currently, the Corruption Eradication Commission has made various efforts to prevent corruption. However, corruption still often occurs and even tends to increase, especially corruption in the management of state finances on the state expenditure side, which is detrimental to state finances. Corruption in the management of state finances on the state expenditure side often occurs in the process of procuring government goods and/or services and the use of the state budget, which is a manifestation of structural weaknesses in complex governance. This phenomenon is not merely a product of individual behavior, but also a systemic symptom rooted in systemic and institutional weaknesses. This dissertation explores the architecture of corruption using the Governance, Risk Management, and Compliance (GRC) approach, which provides a holistic perspective on the mechanisms for preventing corruption in the management of state finances on the state expenditure side. This research uses qualitative methods with primary and secondary data, as well as descriptive analysis based on Michael Rasmussen's theory of governance, risk management, and compliance systems. The research data was obtained through interviews, observations, and literature studies related to corruption cases involving state financial losses from the state expenditure side, as well as an analysis of corruption prevention models through the GRC perspective. The results of the study show that the prevention measures taken by the KPK based on the GRC perspective are quite good, but still not completely effective. This is evident from the fact that there are still similar cases of corruption in different ministries. In terms of governance, governance principles are often violated, especially the principles of accountability and transparency. Therefore, it is necessary to improve governance and the application of good governance principles, not only in slogans but also in practice. The second issue relates to corruption risk management, where the risk of corruption has not been adequately controlled and mitigated. Therefore, it is necessary to develop corruption risk management as an early warning system so that corruption can be prevented early on with effective mitigation and control. Third is the issue of compliance systems, where violations of the Corruption Eradication Law often occur. For this reason, it is necessary to increase awareness and strengthen the integrity and capabilities of state financial managers, as well as the importance of role models from government agency leaders* in these public organizations.

Keywords: Corruption, Prevention, Governance, Risk Management, Compliance System

INTRODUCTION

Corruption is a complex phenomenon and has become a public issue, one of the impacts of which is damage to state finances. According to [1] in the book Anti-Corruption Education for Higher Education Revised Edition (2018), strategies or efforts to combat corruption are divided into two approaches, namely through penal and non-penal channels. The penal route is essentially a strategy for combating corruption through law enforcement or repressive action. Meanwhile, the non-penal route is a strategy for combating corruption through prevention without punishment.

If we look at the various limitations of repression strategies and the advantages of prevention strategies as mentioned above, the most ideal and humane way to eradicate corruption is through a "prevention first" strategy, which means prioritizing prevention over repression. This is in line with the term in health science that states that "prevention is better than cure." One alternative for preventing corruption that is worth considering is the implementation of governance, risk management, and compliance systems.

Based on [2], regarding the National Strategy for Corruption Prevention, there are three (3) focuses of the National Strategy for Corruption Prevention, which include: a) Licensing and Trade; b) State Finances; c) Law Enforcement and Bureaucratic Reform. Of these three strategic focuses, this dissertation will focus more on the prevention of corruption focused on state finances, particularly from the perspective of state expenditure. The concept and definition of state finances are contained in two (2) laws, namely Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 concerning Eradication of Corruption Crimes and Law Number 17 of 2003 concerning State Finances.

In Law No. 31/1999 in conjunction with Law No. 20/2001, State Finances are defined as "All state assets in any form, whether separated or not, including all parts of state assets and all rights and obligations arising from: 1) Being under the control, management, and responsibility of state officials, both at the central and regional levels; 2) Being under the control, management, and responsibility of State-Owned Enterprises/Regional-Owned Enterprises, foundations, legal entities, and companies that include state capital, or companies that include third-party capital based on agreements with the State.

Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 also formulates the definition of the State Economy. In this Law, the State Economy is defined as economic life organized as a joint effort based on the principle of kinship or independent community efforts based on Government policy, both at the central and regional levels, in accordance with the provisions of applicable laws and regulations, which aim to provide benefits, prosperity, and welfare to all aspects of life.

Furthermore, the definition of state finances is also contained in Law Number 17 of 2003. In Law Number 17 of 2003, State Finances are defined as all rights and obligations of the state that can be valued in monetary terms, as well as everything in the form of money or goods that can become the property of the state in connection with the implementation of these rights and obligations (Article 1 of Law 17 of 2003). In accordance with Article 2 of Law Number 17 of 2003, the scope of state finances consists of nine aspects or components, namely: 1) The state's right to collect taxes, issue and circulate money, and borrow; 2) The state's obligation to carry out public service duties and pay third party bills; 3) State revenue; 4) State expenditure; 5) Regional revenue; 6) Regional expenditure; 7) State/regional assets managed independently or by other parties in the form of money, securities, receivables, goods, and other rights that can be valued in monetary terms, including assets separated from state-owned enterprises/regional enterprises; 8) Assets of other parties obtained using facilities provided by the government; 9) Assets of other parties controlled by the government in the context of carrying out government duties and/or public interests.

Before the pandemic, in accordance with Law Number 17 of 2003 concerning State Finances, the State Budget (APBN) deficit was limited to a maximum of 3% of Gross Domestic Product (GDP). However, with the issuance of Government Regulation in Lieu of Law (Perppu) Number 1 of 2020, which was later passed into Law Number 2 of 2020, the deficit limit was relaxed. This policy provides flexibility for the government to increase state spending in order to handle COVID-19, even though this has an impact on widening the budget deficit. In 2020, the government projected a state budget deficit of Rp852.935 trillion, or around 5.07% of GDP. This deficit then increased to 6.34% of GDP in line with additional budget requirements for pandemic response. This increase in state spending was due to urgent needs in the health sector, social protection, and support for MSMEs and businesses affected by the pandemic.

Based on the above background, the following problems were identified: 1) How does corruption in state financial management, particularly in terms of state expenditure, occur in Indonesia from the perspective of Governance, Risk, and Compliance System (GRC)?; 2) How is the prevention of corruption that impacts state financial losses in state expenditure implemented in Indonesia based on the perspective of Governance, Risk, and Compliance System (GRC)?; 3) What is the optimal recommendation model in efforts to prevent corruption in state financial expenditure from the perspective of Governance, Risk, and Compliance System (GRC)?.

The objectives of this study are: 1) To explore, identify, describe, and analyze how corruption occurs in state financial management on the state expenditure side from a GRC perspective; 2) To describe and analyze how efforts to prevent corruption that causes state financial losses on the state expenditure side are carried out in Indonesia from a GRC perspective; 3) To formulate a recommended model for preventing corruption related to state financial management on the state expenditure side through the GRC perspective.

MATERIAL AND METHOD

The research in this dissertation uses qualitative methods with a descriptive approach and case studies. This approach was chosen because it allows researchers to describe in detail the characteristics of corruption that harm state finances. In addition, researchers can explore in depth the phenomenon of corruption in state financial management, particularly in terms of state expenditure, as well as the prevention efforts undertaken by the Corruption Eradication Commission (KPK). This approach also focuses more on understanding the meaning behind a phenomenon[3] , so that it is expected to provide a more complete picture of the patterns and dynamics of corruption cases in the management of state finances on the state expenditure side in Indonesia.

Researchers chose case studies as a research strategy because this study focuses on cases of corruption in state financial management, particularly in the aspect of state expenditure in ministries/government agencies, and how the KPK seeks to prevent it. Case studies allow for intensive, in-depth, and detailed research on a particular event or phenomenon[4] . Through case studies, researchers can gather information from various sources to gain a broader understanding of the causes and effects of corruption, as well as the effectiveness of the preventive measures implemented by the KPK.

As a research paradigm, this study is based on post-positivism, which emphasizes that social reality is complex and can be understood through in-depth interpretation of the phenomena that occur. In this paradigm, researchers act as the main instrument in the data collection process, using purposive sampling and snowball sampling techniques to determine relevant data sources. Data collection techniques were carried out through: 1) In-depth interviews with KPK investigators and detectives, policy makers at the KPK, and other parties with expertise in the field of state financial management and corruption prevention; 2) Direct observation of the investigation process and corruption prevention efforts at the KPK; 3) Documentation analysis of audit reports, relevant regulations, and other data relevant to this study. Then, to strengthen the analysis, this study also utilized literature studies and literature as methods to obtain theoretical foundations and secondary data that support the processing of primary data.

To ensure data validity, this study applied triangulation by combining various data sources and analysis techniques. Data analysis was conducted inductively, emphasizing the interpretation and meaning of the information obtained, thus focusing more on understanding the substance rather than generalizing the research results. Through this approach, researchers were able to gain a deeper understanding of the reality in the field and obtain firsthand information from stakeholders involved in corruption prevention in Indonesia.

The population in qualitative research refers to the social setting, which is the environment in which the phenomenon being studied occurs. In this study, the Corruption Eradication Commission (KPK) was chosen as the main location because this institution plays a central role in the prevention and prosecution of corruption in Indonesia, especially corruption in the management of state finances on the expenditure side. In addition, this study also covers the KPK's strategic partner organizations, such as the Supreme Audit Agency (BPK), the Financial and Development Supervisory Agency (BPKP), the Government Internal Supervisory Apparatus (APIP), the Ministry of Finance, and other related agencies that have authority in the state financial supervision system.

The data sources in this study are divided into two types: primary and secondary data. Primary data in this study was obtained through in-depth interviews with key informants who play strategic roles in the state financial management system and anti-corruption efforts. The information obtained from these interviews is in-depth, exploratory, and contextual, as it is based on the direct experiences of individuals involved in the prevention and prosecution of corruption. Data validity was tested by assessing credibility, transferability, reliability, and objectivity. Data analysis included data collection, data reduction, data display, conclusion drawing, and data verification.

Data Analysis

Theories on the Causes of Corruption

Cultural Determinism Theory

According to Snape (1999), corruption occurs due to cultural factors. In the case of Indonesia, cultural determinism can be explained by the fact that the culture of corruption in Indonesia is linked to evidence of ancient Javanese customs. These customs were manifested in the form of tribute payments to kings or rulers. Because these customs have been practiced for a long time and have been passed down from generation to generation, the mindset of giving tribute or similar gifts is difficult to eliminate. In addition to the culture of giving tribute, there are also other cultures, namely the culture of pakewuh (reverence) and tenggang rasa (mutual respect), which discourage resistance or harsh attitudes towards corruption, because there is a perception that being harsh towards corruption will lead to conflict and disharmony that could threaten the lives of families and communities.

Means-Ends Scheme Theory

This theory was proposed by [5], who stated that corruption is human behavior caused by social pressure, leading to violations of norms and legal rules. Every social system has a purpose. Anyone bound by that social system strives to achieve that purpose through agreed-upon means. In reality, not all social systems are perfect. It is not uncommon for social systems to create pressures that result in many people not having opportunities or access within the social structure due to restrictions or discrimination. Social systems that place too much emphasis on economic success but limit opportunities and discriminate in achieving it will result in high levels of corruption (Ministry of Education and Culture, 2018).

Social Solidarity Theory

The Theory of Social Solidarity was developed by [6], who argued that corruption occurs because human nature is essentially passive and controlled by society. Therefore, if society is apathetic and considers corruption to be normal and commonplace, corruption will flourish in that society; this situation is described as anomie (a state of lawlessness). To prevent lawlessness (anomie), education (anti-corruption) is the best solution, according to [7].

Equation Theory

Equation theory was proposed by Robert Klitgaard. According to [8], corruption occurs due to monopoly and discretion without accountability, resulting in the following equation: $C = M+D-A$.

C is Corruption; M is Monopoly; D is Discretion; and A is Accountability. Monopoly occurs when there are no alternative policies/instruments. On the other hand, discretion is the loose authority to make decisions. If these two things are not packaged within a good accountability framework, they can trigger corruption [8], [9].

GONE Theory

The GONE theory discusses the factors that cause corruption, as presented by [10]. The GONE theory illustrates the factors that cause fraud or corruption, which include Greed, meaning human greed; Opportunity, meaning the chance or opportunity to commit corruption; Needs, meaning the pressure of needs that cause thoughts of committing corruption; and Exposure, meaning how the factors that cause corruption can be revealed and made known to the public [10].

Fraud Triangle Theory

Fraud, according to the Association of Certified Fraud Examiners (ACFE), is an act in which an employee, staff member, manager, officer, or even owner deliberately commits fraud, thereby causing harm to the organization or company [11]. A similar view is expressed by [12], who describes fraud as intentional deception or intentional misstatement of financial statements for personal or group gain through illegal means (against the law). The ACFE classifies fraud into three categories: fraudulent financial statements, asset misappropriation, and corruption. Corruption itself consists of the sub-groups of bribery, illegal gratitude, conflict of interest, and economic extortion.

According to the ACFE, the definition of fraud is broader than that of corruption, or in other words, corruption is a part of fraud. This is slightly different from the formulation in Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 concerning the Eradication of Corruption, which states that fraudulent acts are part of corruption.

Fraud Diamond Theory

The fraud diamond theory was proposed by [13] in [14] This theory is an extension of the fraud triangle theory. According to the fraud diamond theory, fraud or corruption occurs due to four factors, namely incentive, opportunity, rationalization, and capability [15]. In the fraud diamond theory, the term pressure is replaced with incentive, which has a similar meaning, namely the motive that drives a person to commit fraud. This theory also introduces the concept of capability, which refers to the ability to commit fraud.

Fraud Pentagon Theory

The fraud pentagon theory is an extension of the fraud triangle theory, which was proposed by [16] in [17]. According to the fraud pentagon theory, corruption or fraud can be caused by five factors, with the addition of arrogance and competency. The other three factors are the same as the causes of fraud in the fraud triangle theory, namely pressure, opportunity, and rationalization [18], [19]. The fraud triangle theory needs to be refined due to technological developments, giving rise to two other factors, namely arrogance and competency. Arrogance is an attitude of superiority and entitlement as part of a person who believes that internal controls do not apply to them. Competency is the ability to bypass internal controls by developing sophisticated strategies of deviation or deception to commit fraud for their own or their group's benefit.

Internal and External Theory

Internal factors are causes of corruption that come from within the individual, while external factors are causes of corruption that come from outside the individual. According to [20] in the book Anti-Corruption Education published by [7], when society's behavior is materialistic and consumptive and the political system still "idolizes" material things, it can trigger money games and corruption. Corruption will continue as long as there are misconceptions about how to view wealth. The more people have misconceptions about wealth, the greater the likelihood that they will make mistakes in accessing wealth, regardless of whether it is halal or haram, so that they are not afraid to commit acts of corruption.

Governance

According to [21] in [22], "governance is the way state power is used in managing economic and social resources for the development of society." Governance is the way the state uses its power to manage the economy and social resources for the welfare of society. Furthermore, according to UNDP (1997) in Sedarmayanti (2003), "governance is the exercise of political, economic, and administrative authority to manage a nation's affairs at all levels." From these two definitions, it can be emphasized that governance can be interpreted as managing, but there are slight differences in perspective between the World Bank and UNDP.

According to [23], corporate governance is a system of checks and balances between management and all related parties, with the aim of creating effectiveness, efficiency, and compliance with the law.

The characteristics of good governance according to the UNDP in [24] are as follows: 1) Participation: This means that good governance must involve various parties in the policy-making and implementation processes; 2) Rule of Law: There are legal regulations that must be upheld and obeyed; c) Transparency: This means that good governance must be open to stakeholders; 4) Responsiveness: Good governance should be responsive and flexible to change; 5) Equality: Good governance must contain elements of fairness; 6) Effectiveness & Efficiency: Effectiveness refers to the achievement of predetermined goals, while efficiency refers to the use of specific resources to produce optimal outputs and outcomes; 7) Accountability: Good governance must be accountable to all stakeholders; 8) Strategic Vision: Good governance should have a strategic vision that ensures the sustainability of an organization and governance itself.

Risk Management

According to [25], risk is the possibility of an event or occurrence that will impact the achievement of objectives. Risk management is the process of identifying, assessing, managing, and controlling potential events or situations to provide reasonable assurance that the organization's objectives will be achieved.

According to [26], risk is an event where the outcome or consequence is unknown, but the distribution of outcomes or consequences is known. Risk management is the handling or management of a risk.

There are 11 principles of risk management, which include: 1) Creating and protecting value; 2) An integral part of the organizational process; 3) Part of decision-making; 4) Explicitly addressing uncertainty; 5) Systematic, structured, and timely; 6) Based on the best available information; 7) Tailored to needs; 8) Taking into account human and cultural factors; 9) Transparent and inclusive; 10) Dynamic, iterative, and responsive to change; 11) Facilitating continuous improvement and development of the organization.

Compliance

Compliance is the process of adhering to a set of laws, regulations, guidelines, standards, and internal rules related to organizational or company policies. Violations of applicable regulations result in sanctions, both administrative and criminal. Ignorance of a law or regulation is not an excuse for avoiding responsibility. In legal fiction theory, it is said that everyone is considered to know a regulation immediately after it is enacted.

Some regulations that must be known and complied with by state financial administrators or managers include: a) Law No. 17 of 2003 concerning State Finances; b) Law No. 1 of 2004 concerning State Treasury; c) Law No. 15 of 2004 concerning State Financial Management Audits; d) Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 concerning Eradication of Corruption.

There are six stages in the compliance approach [27], namely: 1) Planning: At this stage, all issues, including corruption, are discussed in the legislative and executive branches. Draft regulations are still in their early stages and need to be discussed with various stakeholders and harmonized with existing regulations; 2) Entity Level Control: At the entry level control stage, academics are involved and their input is heard, and the draft is discussed at a special level in the legislative body to be documented in the form of a draft law or draft regulation;

3) Documentation: Documentation in the form of a draft law or draft regulation prepared by the proponents of the regulation, both from the legislative and executive branches; 4) Testing: At this stage, the draft regulation is tested by all stakeholders, including the public and academics; 5) Gap analysis: At the gap analysis stage, a study is conducted to determine whether there are any gaps or striking differences between the draft regulation and its implementation, so that the regulation can be approved and implemented properly; 6) Reporting: At this stage, the regulation is ratified, reported, and promulgated to the public.

DISCUSSION

Based on the results and hypotheses obtained from the research, the discussion in this study is as follows:

Corruption in State Financial Management in Terms of State Expenditures in Indonesia from the Perspective of GRC (Governance, Risk Management and Compliance System)

Corruption in state financial management in terms of state expenditure results in state losses [28]. Based on Article 1 paragraph (22) of Law Number 1 of 2004 concerning State Treasury, "State losses are shortages of money, securities, and goods, which are real and certain in amount as a result of unlawful acts, whether intentional or negligent".

According to [29], in order to be categorized as a criminal act of corruption that causes harm to the state, at least three elements must be fulfilled, namely the element of unlawful acts, the element of intent, and the element of actual and definite harm to the state. These three elements provide legal certainty that a person can be categorized as having committed a criminal act of corruption that harms the state, so that the case must be resolved through law enforcement or legal proceedings in court. Meanwhile, negligence or unintentional acts will be categorized as errors or administrative mistakes, which are resolved through civil proceedings, namely the recovery of state losses without criminal punishment.

There are several factors that cause corruption in state financial management on the expenditure side from a GRC perspective, as follows: a) From the governance side: Lack of accountability in state financial management, especially on the state expenditure side, is one of the main causes of corruption. Accountability is defined as the ability of individuals or institutions to take responsibility for their actions, which is a key element in preventing irregularities. When this principle is ignored, the opportunity for corruption increases, whether in the form of abuse of authority, financial manipulation, or other practices that violate the law and ethics[30] ; b) From a risk management perspective, corruption occurs due to weak internal control systems, which are characterized by weak supervision. A study by the Corruption Eradication Commission (KPK) shows that supervision is weak because the parties who are supposed to supervise are actually involved in collusion in tenders. Furthermore, corruption risk management is not effective because the top leadership in the organization commits corruption in the form of budget cuts; c) From the compliance system perspective, regulations designed to ensure transparency and accountability are often ignored for the benefit of certain individuals or groups. Violations of the law in budget management are also one of the main root causes of corruption in state financial management. State financial management, which should be carried out based on the principles of transparency, accountability, and compliance with laws and regulations, often becomes an arena for abuse of authority for personal gain or for the benefit of certain groups.

Prevention of corruption that causes financial losses to the state, on the state expenditure side, is carried out in Indonesia from the perspective of GRC (Governance, Risk Management and Compliance System).

Corruption in state financial management on the state expenditure side has become a complex and widespread problem in many countries, including Indonesia. The integrated implementation of GRC in the prevention of state expenditure corruption represents a comprehensive approach that harmonizes three elements, namely Governance, Risk Management, and Compliance System [27].

From a governance perspective, the implementation of good governance in state financial management, particularly in terms of state expenditure, is a fundamental instrument in corruption prevention efforts [26]. The approaches taken in corruption prevention are: a) Ensuring transparency in state financial management, particularly in the procurement of goods and services and the use of the budget. Non-transparent planning often opens the door to various forms of corruption, such as manipulation of requirements, drafting of technical specifications that benefit certain parties, and budget inflation. Therefore, ensuring transparent planning is a critical step in creating a clean procurement system that is free from corrupt practices [31]; b) Accountability or good responsibility in state financial management on the state expenditure side. Accountability in the

procurement of goods and services is a fundamental element in preventing corruption, as it ensures that every stage of the state financial management process can be audited, traced, and assessed in a fair and accountable manner [12]; c) The participation of the community and the business world in overseeing state financial management, particularly state expenditure, is very important in preventing corruption.
From a risk management perspective, preventing corruption in state financial management is closely related to the concept of risk management, as risk management aims to identify, analyze, and manage potential threats that could disrupt the effectiveness and integrity of an organization. In the context of state financial management, corruption can be considered a significant form of risk that needs to be managed strategically and systematically. Ministries/institutions can implement risk management using tools such as risk mapping, which can help identify the stages of procurement that are most vulnerable to corruption. For example, the stage of preparing technical specifications is often a loophole for collusion, so oversight at this stage needs to be strengthened. In addition, the implementation of an e-procurement system, as recommended by the OECD (2016), can also reduce the risk of corruption by increasing the transparency and accountability of the procurement process.
Then, through the compliance system, where the compliance system in the context of preventing corruption in state expenditure is an integrated framework that aims to ensure that all state expenditure activities are in line with applicable regulations, ethical standards, and procedures. The implementation of an effective compliance system is a fundamental instrument in minimizing the potential for corruption [32]. Efforts that can be made in this regard include: a) A tender or auction process that is free from collusion, ensuring that tender documents are prepared with non-discriminatory criteria and provide equal opportunities for all eligible providers. In addition, discretion can be reduced by applying strict and transparent ethical standards; b) Validated and non-fictitious procurement of goods and services. Fictitious procurement can be prevented by involving third parties, such as the community or non-governmental organizations, in the procurement monitoring process. This involvement creates a social control mechanism that adds a layer of oversight to every step of the procurement process. The validation and verification of procurement data is a crucial step in preventing fictitious practices; c) Management of state finances free from legal violations, ensuring that the management of state finances is free from legal violations through the implementation of a transparent system, effective supervision, and the imposition of strict sanctions for violations. Government institutions must have clear and unambiguous regulations so as to reduce opportunities for manipulation or abuse of authority.

Corruption Prevention Recommendation Model with a GRC (Governance, Risk Management and Compliance System) Approach

The Governance, Risk Management, and Compliance (GRC) model in the context of preventing corruption in state financial management is a series of integrated and systematic recommendations. The recommended model is based on three main aspects that are interrelated and reinforced by a foundation of religiosity, integrity, and values, accompanied by the support of reliable and adequate information technology. The three main aspects are governance, risk management, and compliance systems.
In terms of governance in the corruption prevention model, emphasis is placed on the importance of good governance based on the principles of good governance, including the principles of accountability and transparency. According to the National Committee on Governance Policy (KNKG, 2008), good governance is the main foundation in preventing corruption because it includes at least regulatory arrangements, organizational structures, processes, and human resources (HR), which are based on the principles of good governance (GG). In this model, clear and effective regulations form the basis that enables every process to run according to the rules. A clear and accountable organizational structure ensures that the authority and responsibilities of each individual or work unit are well distributed so that no party has excessive control over a particular process, thereby reducing opportunities for abuse of authority. Thus, a transparent and accountable organizational structure plays an important role in preventing corruption [33].
Then, the risk management aspect can be approached strategically, designed to identify, analyze, and manage risks related to corruption in organizational activities. This process seeks to ensure that any potential irregularities or corruption risks can be identified early and dealt with effectively. As outlined by the Committee of Sponsoring Organizations of the Treadway Commission [34], effective corruption risk management is not only about recognizing the identification of potential corruption risks, risk analysis, and corruption risk evaluation; but also includes treatment in the form of control activities and the formulation of comprehensive mitigation strategies

to manage these corruption risks. This approach to corruption risk management is also relevant to the view of the [35], which emphasizes that without integrated risk management, organizations become more vulnerable to corruption because they lack a systematic prevention system. This is reinforced by research [33], which found that organizations with weak risk management tend to have higher levels of corruption due to a lack of oversight and weak internal controls.

Next is the aspect of compliance, which is to create a key mechanism to ensure that every activity of the organization, especially in the management of state finances on the state expenditure side, is carried out in accordance with regulations, standards, and principles of good governance. This system is designed to create a high level of accountability through systematic control, monitoring, and evaluation. According to [33], an effective compliance system not only minimizes the opportunity for irregularities but also builds public trust in organizational governance. Furthermore, [27] adds that the Compliance System serves as an instrument to ensure that all organizational activities are carried out in accordance with applicable regulations and standards [27].

CONCLUSION

Based on the results and discussion above, the conclusion of this study is:

The causes of corruption in ministries/government agencies that result in financial losses to the state from a GRC perspective in state financial management on the state expenditure side (governance, risk management, and compliance) are: a) Governance: the weak implementation of good governance principles, particularly accountability and transparency in state financial management, is a fundamental factor that leads to corruption; b) Risk management: internal control systems have not been able to comprehensively identify, assess, and manage the risk of corruption in state financial management. This is due, among other things, to weak internal control elements and ineffective supervision; c) Compliance, there are serious problems related to low compliance with applicable laws and regulations. This is mainly due to the weak integrity and understanding of state financial managers and stakeholders regarding the provisions of laws and regulations applicable to state financial management on the state expenditure side.

The KPK has implemented corruption prevention measures from a GRC perspective, namely: a) Governance: The KPK has strengthened its LHKPN reporting and inspection system and implemented a comprehensive gratuity control program. LHKPN reporting is mandatory for treasury officials and state financial managers, requiring these officials to report honestly; b) Risk management: the KPK has strengthened internal controls by increasing the supervisory role of APIP through the PAKU Integrity program; c) Compliance: the KPK has conducted various socialization and instilled anti-corruption and integrity values in various ministries/government agencies. In addition, the KPK has enforced the law to create a deterrent effect, so that state financial managers and stakeholders are afraid to commit corruption.

The optimal recommendation model in efforts to prevent corruption in state financial expenditure with a Governance, Risk, and Compliance System (GRC) perspective is as follows: a) Governance: ministries/institutions need to develop an integrated information system that supports transparency and accountability in state financial management. This system should utilize reliable information technology and application programs that guarantee data security and accuracy; b) Risk management: each ministry/agency needs to improve the effectiveness of internal controls and develop an accurate data-based early warning system to detect potential corruption in state financial management; c) Compliance: the Corruption Eradication Commission (KPK) and all government organizations need to improve human resource capacity through training oriented towards strengthening professionalism and instilling values of anti-corruption, integrity, and religiosity in state financial managers and stakeholders.

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