

Performance Audit Of Multi-Year Road Infrastructure Project Implementation In The North Sumatra Provincial Government Fy 2023

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Abstract

This study is a Performance Analysis Audit that aims to evaluate the effectiveness of the implementation of the Multi-Year Contract (MYC) Road Infrastructure Project in the North Sumatra Provincial Government (Pemprov Sumut) Fiscal Year (FY) 2023. This study was motivated by the importance of Performance Audits in realizing Public Accountability and the existence of material findings from the Supreme Audit Agency (BPK). The method used is descriptive qualitative analysis through in-depth documentation study (content analysis) of the BPK Audit Report on the North Sumatra Provincial Government's Financial Report for FY 2023. The results of the analysis show a collective failure to meet the 3E criteria (Effectiveness, Efficiency, Economy), as evidenced by potential deficiencies in the volume and quality of work, which resulted in overpayments amounting to IDR 138,867,590,370.33. This failure stems from weaknesses in the Contract Internal Control System (SPI) marked by inadequate approval of contract extension justifications and increased risk of fraud and overstatement of construction assets in progress (KDP). These findings also highlight the limitations of the effectiveness of APIP's functional oversight in preventing Contract Deviations. The study concludes that there is a need for systematic improvement of the Contract ICS and enhanced Audit Follow-up performance to ensure accountability in Capital Expenditure management, while reducing recurring audit findings in the future.

Keywords: Performance Audit, Multi-Year Contract, Contract Deviation, Contract SPI, Public Accountability

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INTRODUCTION

Public financial management, especially at the local government level, plays a fundamental role in realizing accountability and Good Governance (Difinubun et al., 2022; Nabila & Maulina, 2025). One of the key components of local government spending is Infrastructure Capital Expenditure, which serves as a driving force for the economy and improving the quality of public services (Ayuni et al., 2024). Infrastructure projects, especially those involving multi-year contracts (MYC), require strict risk management and oversight given the large contract values and technical complexity (Hutahaeen & Hardjomuljadi, 2021).

To ensure that public financial management complies with the principles of effectiveness, efficiency, and economy (3E), a comprehensive oversight mechanism is

required (Hou et al., 2025). Performance Audit is a vital tool designed to assess whether a program, function, or activity has been implemented effectively, efficiently, and economically (Yulisfan et al., 2025). The purpose of Performance Audits is to provide feedback to management to improve Public Accountability and Efficiency in the management of regional resources (Difinubun et al., 2022; Sari & Puteri, 2023). Performance audits, whether conducted by the BPK or the Government Internal Supervisory Agency (APIP), must be guided by the 3E criteria to measure the achievements and failures of a project (Sari & Puteri, 2023)

Although the North Sumatra Provincial Government (Pemprov Sumut) successfully obtained an Unqualified Opinion (WTP) on its 2023 Financial Statements, the Supreme Audit Agency (BPK) still issued an Emphasis of Matter regarding the implementation of regional strategic projects. The BPK's performance audit found potential deficiencies in the volume and quality of physical work on the Road, Irrigation, and Network (JIJ) Capital Expenditure, which implies a potential overpayment of Rp138,867,590,370.33 that must be returned. This material finding specifically focuses on the Multi-Year Contract (MYC) for Provincial Road and Bridge Construction, where physical realization by the end of FY 2023 only reached 67.4609% (BPK Perwakilan Provinsi Sumatera Utara, 2024)

The failure to complete the MYC project on time and in the required volume indicates a contract deviation and a failure in the function of the Contract Internal Control System (SPI) (BPK Perwakilan Provinsi Sumatera Utara, 2024; Fauzan et al., 2023). This weakness in the ICF can be caused by various factors, including the complexity of the project, the lack of competence of supervisory human resources, and the weak supervision system (El Husna et al., 2024; Sabdan & Akib, 2025). Specifically, the BPK report noted that the contract repeatedly entered a critical condition, but the justification for the extension of time given by the provincial government was deemed inadequate and ignored the service provider's failure to provide sufficient resources (BPK Perwakilan Provinsi Sumatera Utara, 2024). Weaknesses in SPI in construction projects, particularly those related to volume and quality measurement, are closely linked to an increased risk of fraud that is detrimental to state finances (Amri & Putri, 2024; Farradhi & Hartanti, 2023).

The BPK's findings highlight the role of the Government Internal Supervisory Apparatus (APIP) or Regional Inspectorate. The Inspectorate is required to expand its performance oversight role in evaluating program effectiveness, including infrastructure project control (Jiwayanti et al., 2024; Sari & Puteri, 2023). However, the effectiveness of Inspectorate oversight is often constrained by limited resources and repeated audit findings in OPDs, particularly the Public Works and Public Housing Agency (Prabowo & Supardal, 2025; Shabuur & Hamzah, 2024). The issue of follow-up on BPK audit findings often becomes an obstacle for local governments, even though it is a determinant of audit effectiveness (Nahor et al., 2021). Therefore, the magnitude of potential losses found by the North Sumatra BPK requires a comprehensive Performance Analysis Audit to explore the weaknesses of the SPI

contract, analyze legal risks, and prevent the recurrence of contract deviations in the future (Fauzan et al., 2023; Hutahaeen & Hardjomuljadi, 2021).

Based on this urgent background, this study aims to conduct a Performance Audit Analysis of the implementation of the Multi-Year Road Infrastructure Contract Project in the North Sumatra Provincial Government for the 2023 fiscal year. Specifically, this study aims to:

- 1) Analyze and describe the findings of volume and quality deficiencies in the Road Infrastructure MYC Project as an indication of failure to meet the 3E criteria.
- 2) Evaluate the effectiveness of Contract SPI and Functional Supervision in controlling Contract Deviation risks and their impact on KDP asset reporting.
- 3) Provide systematic recommendations for strengthening the SPI contract and improving audit follow-up performance.

METODOLOGY

1. Type and Approach of Research

This study uses qualitative research with a descriptive-analytical approach. The qualitative approach was chosen because this study aims to describe, interpret, and analyze in depth the causes, conditions, and impacts of the findings of the BPK Performance Audit (Sugiyono, 2012). The main focus is on content analysis of audit documents and their relationship to the theoretical framework of Public Sector Performance Audit. Specifically, this study applies the Performance Audit Analysis methodology using the results of external audits (BPK) as the main data to evaluate the 3E aspects (Economical, Efficient, and Effective) of the MYC road infrastructure project (Sari & Puteri, 2023; Yulisan et al., 2025).

2. Data Sources

This study uses secondary data divided into two main groups; Audit Report (LHP) Of The Supreme Audit Agency (BPK) On The Financial Statements Of The North Sumatra Provincial Government For The 2023 Fiscal Year, Number .A/LHP/XVIII.MDN/05/2024. This data includes details of performance audit findings, potential losses (more than IDR 138.86 billion), causes of SPI contract weaknesses, as well as BPK recommendations and responses from North Sumatra provincial government officials (BPK Perwakilan Provinsi Sumatera Utara, 2024). Supporting Secondary Data (Theoretical Framework And Comparisons):

Scientific Literature and Journals: Academic journals, theses, and research reports relevant to the topics of Performance Audit, COSO Internal Control System (ICS), Construction Contract Deviations, and APIP Supervision (Amri & Putri, 2024; Fauzan et al., 2023; Nahor et al., 2021). Referensi ini digunakan untuk membangun kerangka pemikiran dan membandingkan temuan Sumut dengan studi kasus serupa di daerah lain (Hutahaeen & Hardjomuljadi, 2021; Waridin et al., 2024).

3. Data Collection Techniques

The data collection technique used is Documentation Study (Library Research). This technique focuses on collecting, inventorying, and conducting an in-depth review of written documents, namely:

1. Audit Report (LHP) of the State Audit Agency (BPK) on the Provincial Government of North Sumatra's Financial Statements (LK) for Fiscal Year 2023.

2. Research Report (LHP) documents from the Internal Audit Agency (APIP) and related scientific journals used as references (Amri & Putri, 2024; Fauzan et al., 2023).

4. Data Analysis Techniques

The data analysis techniques used are Qualitative Content Analysis and Comparative Analysis.

- 1) Qualitative Content Analysis: Involves three stages of analysis of BPK findings (Jiwayanti et al., 2024; Sari & Puteri, 2023) :
 - a) Criteria (What Should Be): Identification of contract standards, laws and regulations (Perpres PBJ), and the 3E principles that should be fulfilled in the MYC project.
 - b) Conditions (What Is): Description of BPK findings regarding volume/quality deficiencies, physical realization of 67.4609%, and excess payments of more than IDR 138.86 billion (BPK Perwakilan Provinsi Sumatera Utara, 2024).
 - c) Causes and Impacts (Why and So What): Analysis of the cause-and-effect relationship between the weaknesses in the SPI Contract (cause) and the potential financial losses to the region (impact).

Comparative Analysis: Comparing empirical findings in the North Sumatra Provincial Government with case studies and theoretical concepts from the references (Nahor et al., 2021). For example, comparing the weaknesses of SPI in North Sumatra with the COSO framework (Pratiwi et al., 2025) or comparing North Sumatra's Contract Deviation with the case in West Sumatra (Fauzan et al., 2023) to generalize findings and policy implications.

RESULTS AND DISCUSSIONS

Results

Findings of the BPK Performance Audit

Based on a documentary analysis of the BPK Audit Report on the North Sumatra Provincial Government Financial Statements for Fiscal Year 2023 (BPK Perwakilan Provinsi Sumatera Utara, 2024), the material findings that are the focus of this study are potential overpayments in the Multi-Years Contract (MYC) for Provincial Road and Bridge Construction implemented by WSU KSO.

- 1) Deviations in Quantity and Quality Performance

The BPK found deficiencies in the volume and quality of physical work in the Capital Expenditure for Roads, Irrigation, and Networks (JIJ). Quantitatively, this deviation resulted in potential regional financial losses (overpayment) amounting to IDR 138,867,590,370.33 (BPK Perwakilan Provinsi Sumatera Utara, 2024)

Performance Analysis indicates failure to meet the criteria for Effectiveness and Efficiency:

1. Time Effectiveness: By the end of the contract period (December 2, 2023), physical work realization had only reached 67.4609%, indicating that the project was ineffective in achieving the set time target (BPK Perwakilan Provinsi Sumatera Utara, 2024).
2. Cost/Volume Efficiency: The potential for overpayment of Rp138.86 billion indicates that the funds paid (Capital Expenditure) were inefficient, as they were not commensurate with the volume of work actually realized in the field.

2) Impact on Financial Reporting

This finding of volume shortfall has direct implications for the accuracy of asset presentation. The volume shortfall that has been paid will affect the value of Construction in Progress (KDP) recorded in the North Sumatra Provincial Government Balance Sheet. The value of KDP presented may be overstated because it includes payments for work that does not physically exist or does not meet standards, which threatens compliance with the Government Accounting Standards (Waridin et al., 2024).

Discussion: Weaknesses in the Internal Control System (ICS) for Contracts

The finding of a contract deviation amounting to Rp138.86 billion is fundamentally caused by weaknesses in the Internal Control System (ICS) for Contracts that are not functioning effectively (El Husna et al., 2024).

1) Failure of COSO Control Components

When analyzed using the COSO/SPIIP framework, these weaknesses primarily occur in the Control Activities and Monitoring components (Pratiwi et al., 2025; Saputra & Novita, 2023). The BPK notes that these weaknesses are caused by:

- a. Critical Condition of Repeated Contracts: Repeated contracts entered a critical condition from the outset, but were not followed up decisively, indicating a failure in the monitoring and supervision function (BPK Perwakilan Provinsi Sumatera Utara, 2024).
- b. Weak Justification for Addendum: The extension of time in Addendum-IX was deemed not supported by adequate Technical Justification. This indicates a failure of control in the contract change approval and verification process, which should be the responsibility of the Commitment Making Officer (PPTK) to carefully control (BPK Perwakilan Provinsi Sumatera Utara, 2024; Hutahaeen & Hardjomuljadi, 2021).

2) Relationship with Fraud Risk

The weaknesses of SPI that lead to potential financial losses for the state are a strong indication of an increased risk of fraud in the local government environment (Amri & Putri, 2024). The failure of the provider (WSU KSO) to provide adequate resources (funds, equipment, labor) indicates problems with integrity and capacity. In the context of ICFR (Internal Control over Financial Reporting) in construction projects, this control failure often becomes a loophole for fraud that affects the quality of financial reporting (Farradhi & Hartanti, 2023).

Discussion: Effectiveness of Functional Oversight (APIP) and Follow-up

The BPK's findings also highlight the effectiveness of the Government Internal Supervisory Apparatus (APIP) or Regional Inspectorate in conducting Performance Audits and functional supervision.

1) Weaknesses in APIP Oversight

Although APIP is expected to expand its performance audit capacity (Jiwayanti et al., 2024; Sari & Puteri, 2023), the failure to prevent such a significant contract deviation before the BPK's Audit Report (LHP) was published indicates that the effectiveness of Regional Inspectorate oversight still faces obstacles, such as

limited human resources and budget allocation (Prabowo & Supardal, 2025; Sabdan & Akib, 2025). These findings are consistent with studies that highlight recurring audit findings in regional government agencies such as the Public Works and Public Housing Agency in various regions (Shabuur & Hamzah, 2024).

2) Urgency of Follow-up

The effectiveness of BPK performance audits is measured by how quickly and thoroughly local governments follow up on the recommendations provided (Difinubun et al., 2022). In this case, the BPK recommended that the Governor instruct the Head of the PUPR Office to: 1) Optimize work supervision, and 2) Process the return of potential overpayments (BPK Perwakilan Provinsi Sumatera Utara, 2024). This follow-up process must be closely monitored, considering that the completion of follow-up actions on BPK performance audit results often faces obstacles in the regions (Nahor et al., 2021). A thorough follow-up will serve as evidence of the North Sumatra Provincial Government's accountability and commitment to improving SPI.

CONCLUSIONS

Based on the Performance Audit Analysis of the BPK Audit Report on the 2023 North Sumatra Provincial Government Financial Report, the following conclusions can be drawn:

- 1) Project Performance Failure: The implementation of the Multi-Year Contract (MYC) for Road Infrastructure in the North Sumatra Provincial Government for the 2023 fiscal year showed inadequate performance, failing to meet the principles of time effectiveness and cost efficiency. This failure is evidenced by material findings of deficiencies in the volume and quality of work, which have implications for potential overpayments amounting to IDR 138,867,590,370.33 (BPK Perwakilan Provinsi Sumatera Utara, 2024).
- 2) Contract Internal Control System (ICS) Weaknesses: The main cause of contract deviation is significant weaknesses in the Contract Internal Control System (ICS) (El Husna et al., 2024). These weaknesses are mainly found in the COSO Control and Monitoring Activities component, as seen in the neglect of critical contract conditions, the failure of the supervisory function by the PPTK/Procurement Officer, and the inadequate approval of the Justification for Contract Extension and neglect of the service provider's resource capabilities (BPK Perwakilan Provinsi Sumatera Utara, 2024; Hutahaeen & Hardjomuljadi, 2021). These weaknesses in the SPI increase the risk of fraud and affect the accuracy of the presentation of KDP assets (Amri & Putri, 2024; Farradhi & Hartanti, 2023).
- 3) Limitations of Functional Supervision: BPK findings highlight the limitations of the effectiveness of functional supervision by the Regional Inspectorate in preventing repeated audit findings at the PUPR Office (Prabowo & Supardal, 2025; Shabuur & Hamzah, 2024). This emphasizes the need to increase the capacity and allocation of APIP resources to conduct more proactive and in-depth performance audits of regional strategic projects (Jiwayanti et al., 2024; Sari & Puteri, 2023).

Based on the above conclusions, several recommendations are proposed for the North Sumatra Provincial Government and related institutions:

- 1) Strengthening Contract SPI: The Provincial Government must follow up thoroughly on BPK recommendations, especially ensuring the return of all potential overpayments to the Regional Treasury. In addition, Contract SPI must be strengthened by:
 - a. Implementing strict and risk-based verification procedures before approving time extension addenda, including in-depth analysis of the availability of funds and service provider resources.
 - b. Improving the training and competence of Commitment Making Officials (PPTK) and Procurement Officials in controlling the quality and volume of work.
- 2) Enhancing the Role of APIP Performance Audits: The Regional Inspectorate (APIP) needs to strengthen its Performance Audit function for MYC strategic projects, with a focus on contract compliance and fraud risk assessment. This must be supported by an increase in budget allocation and adequate human resources, so that APIP can function as an effective Early Warning System, reducing dependence on BPK audit findings (Difinubun et al., 2022; Nahor et al., 2021).
- 3) Transparency and Accountability: The North Sumatra Provincial Government is advised to improve transparency in the management of Construction Assets Under Construction (KDP) and Capital Expenditures, so that information regarding Contract Deviations and their follow-up actions can be accessed by the public, in line with the principles of Good Governance (Nabila & Maulina, 2025)

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