



Reconstructing Judicial Reasoning in Determining State Financial Loss in Procurement Corruption: A Comparative Study of Indonesia and the United Kingdom

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Abstract

This study examines the reconstruction of judicial reasoning in determining state financial loss in procurement-related corruption cases through a comparative analysis of Indonesia and the United Kingdom. The determination of financial loss remains a central yet contested issue in corruption adjudication, particularly in Indonesia, where judicial reasoning is often heavily dependent on audit findings produced by state institutions. Such reliance raises concerns regarding judicial independence, evidentiary validity, and the conflation of procedural irregularities with substantive economic harm. This research employs a normative juridical method combined with a comparative legal approach, analyzing statutory frameworks, judicial decisions, and scholarly literature from both jurisdictions. The findings reveal a fundamental divergence in judicial reasoning models. In Indonesia, courts tend to adopt an audit-driven and formalistic approach, prioritizing institutional authority over independent evidentiary analysis. In contrast, the United Kingdom demonstrates a more flexible and analytical model, distinguishing between actual loss, intended loss, and risk exposure, while emphasizing judicial discretion and comprehensive evaluation of evidence. Based on this comparative analysis, the study proposes a three-layered reconstruction of judicial reasoning consisting of normative clarification, analytical-evidentiary enhancement, and the integration of substantive justice. This framework aims to reposition judicial reasoning as an independent and rational process, capable of addressing the complexities of modern economic crime while maintaining legal certainty. The study contributes to the development of anti-corruption law by offering a structured and context-sensitive model of judicial reasoning that can improve consistency, proportionality, and fairness in corruption adjudication. It also provides policy-relevant recommendations for strengthening judicial capacity and harmonizing institutional roles in determining state financial loss.

Keywords: Judicial Reasoning; State Financial Loss; Procurement Corruption; Comparative Law; Anti-Corruption Law; Indonesia; United Kingdom; Economic Crime; Legal Interpretation

Received: 09/02/2026

Revised: 07/04/2026

Accepted: 18/04/2026

1. Introduction

The determination of state financial loss constitutes a fundamental element in the adjudication of corruption cases, particularly those arising from public procurement processes. In many legal systems, the existence of financial loss to the state is not merely a supplementary factor but forms an essential component of criminal liability, influencing both the establishment of guilt and the severity of sanctions imposed. In the Indonesian context, the concept of "state financial loss" (*kerugian keuangan negara*) occupies a central doctrinal position within anti-corruption law, as codified under Law No. 31 of 1999 in conjunction with Law No. 20 of 2001. The law explicitly frames corruption as an act that causes financial harm to the state, thereby requiring judicial bodies to engage in the assessment and quantification of such loss as part of the adjudicative process.¹

¹Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 on the Eradication of Corruption.

However, despite its doctrinal centrality, the interpretation and application of state financial loss remain highly contested within judicial practice. Courts often rely on audit findings produced by state institutions such as the Audit Board of Indonesia (BPK) and the Financial and Development Supervisory Agency (BPKP), which are considered authoritative in determining the existence and magnitude of financial loss.² This institutional reliance has contributed to a pattern of formalistic judicial reasoning, in which judges tend to adopt audit conclusions without independently examining the underlying economic realities or evidentiary complexities of the case. As a result, judicial reasoning in corruption cases frequently appears constrained by external institutional determinations rather than guided by an autonomous evaluative process.

This phenomenon raises significant concerns regarding the role of judicial reasoning in constructing legal truth. Judicial reasoning is not merely a procedural formality but represents the intellectual process through which judges interpret facts, apply legal norms, and justify their decisions.³ In the context of corruption cases, particularly those involving procurement, the determination of financial loss often involves complex considerations, including market value discrepancies, hypothetical losses, opportunity costs, and indirect economic impacts. The reliance on rigid audit-based calculations may therefore obscure the broader economic and legal dimensions of harm, leading to inconsistencies in judicial outcomes and undermining the principles of legal certainty and substantive justice.

Empirical and doctrinal studies in Indonesia have highlighted persistent inconsistencies in the interpretation of state financial loss. Judicial practice demonstrates variations in the classification of corruption offenses, particularly in distinguishing between formal and material offenses, which ultimately affects how financial loss is constructed and evaluated.⁴ Moreover, the determination of loss is not always straightforward, as it may involve both actual and potential losses, raising questions about the evidentiary standards required to establish such harm.⁵ These challenges are further compounded by the overlapping authority of multiple institutions such as BPK, BPKP, and the Corruption Eradication Commission (KPK) in assessing state losses, thereby creating legal ambiguity and institutional fragmentation.

In contrast, the legal approach in the United Kingdom offers a different perspective on the assessment of financial loss in corruption and fraud-related cases. Rooted in the common law tradition, the UK legal system emphasizes judicial discretion, evidentiary analysis, and case-specific reasoning in determining financial harm. Rather than relying exclusively on institutional audit findings, courts in the UK distinguish between actual loss and intended loss, allowing for a more nuanced evaluation of the economic consequences of unlawful conduct.⁶ Judicial reasoning in this context is characterized by analytical flexibility, where judges actively engage with evidence, expert testimony, and economic considerations to construct a coherent understanding of loss.

The divergence between these two legal traditions reflects a broader distinction between civil law and common law approaches to judicial reasoning. While civil law systems, such as Indonesia, tend to emphasize codification and institutional authority, common law systems prioritize interpretative reasoning and the development of legal principles through case law.⁷ This distinction becomes particularly significant in corruption cases involving procurement, where the quantification of financial loss cannot always be reduced to a fixed or objective calculation. The absence of a clear and consistent model of judicial reasoning in Indonesia has contributed to doctrinal uncertainty and has limited the capacity of courts to respond effectively to the complexities of modern economic crime.

²See the roles of the Badan Pemeriksa Keuangan (BPK) and Badan Pengawasan Keuangan dan Pembangunan (BPKP) as state audit and supervisory institutions in Indonesia.

³Neil MacCormick, *Legal Reasoning and Legal Theory* (Oxford: Oxford University Press, 1994).

⁴D.L.M.O. Hutapea, "Dogmatic and Mens Rea Analysis of State Economic Loss," (Atlantis Press, 2025).

⁵Mulyono, "Analysis of Handling State Losses in Corruption Crimes," *IJOSPOL* (2023).

⁶David Ormerod & Karl Laird, *Smith, Hogan, and Ormerod's Criminal Law* (17th ed., Oxford: Oxford University Press, 2023); see also *R v Waya* [2012] UKSC 51.

⁷H. Patrick Glenn, *Legal Traditions of the World* (5th ed., Oxford: Oxford University Press, 2014).

Despite the growing body of literature on corruption, public procurement, and financial accountability, existing scholarship has largely focused on regulatory frameworks, institutional performance, and enforcement mechanisms. Limited attention has been devoted to the internal structure of judicial reasoning in determining state financial loss, particularly from a comparative perspective. Furthermore, comparative studies between Indonesia and common law jurisdictions such as the United Kingdom remain scarce, especially in examining how different legal systems construct and justify financial loss within judicial decisions. This gap is significant, given that judicial reasoning plays a critical role in shaping the consistency, legitimacy, and effectiveness of anti-corruption law.

This article seeks to address this gap by reconstructing judicial reasoning in the assessment of state financial loss in procurement corruption cases through a comparative analysis of Indonesia and the United Kingdom. By examining legal doctrines, statutory frameworks, and selected judicial decisions, this study aims to identify the strengths and limitations of each system and to propose a reconstructed model of judicial reasoning that integrates doctrinal clarity with substantive justice. The comparative approach is particularly relevant in highlighting alternative reasoning models that may inform legal reform and enhance the quality of judicial decision-making in Indonesia.

Accordingly, this study is guided by three main research questions. First, how do Indonesian courts construct judicial reasoning in determining state financial loss in procurement corruption cases? Second, how does the United Kingdom approach the assessment of financial loss within its legal framework? Third, how can judicial reasoning in Indonesia be reconstructed to achieve greater coherence, consistency, and substantive justice? By addressing these questions, this article contributes to the development of corruption law by emphasizing the centrality of judicial reasoning as a mechanism for ensuring legal certainty, fairness, and accountability in the adjudication of economic crimes.

2. Theoretical Framework

The analysis of judicial reasoning in determining state financial loss in corruption cases requires a robust theoretical foundation that integrates legal reasoning theory, principles of legal certainty and substantive justice, as well as the doctrinal understanding of economic loss within criminal law. These theoretical perspectives provide an analytical lens through which judicial decisions can be evaluated, not only in terms of formal legality but also in terms of coherence, fairness, and responsiveness to complex economic realities.

At the core of this study lies the theory of judicial reasoning, which conceptualizes adjudication as an interpretative and justificatory process rather than a mechanical application of legal rules. Classical legal theorists such as Neil MacCormick argue that judicial reasoning involves a structured process of argumentation in which judges must justify their decisions through logical coherence, consistency with legal principles, and alignment with broader normative values.⁸ In this sense, judicial reasoning is not merely about applying statutory provisions but about constructing a rational narrative that connects facts, evidence, and legal norms. This perspective is particularly relevant in corruption cases, where the determination of state financial loss often involves complex factual and economic assessments that cannot be resolved through rigid legal formalism alone.

Complementing this view is the theory of legal reasoning advanced by Robert Alexy, who emphasizes the role of principles in judicial decision-making. According to Alexy, legal reasoning operates within a framework of balancing competing principles, such as legal certainty and justice, rather than applying rules in an absolute manner.⁹ This approach is crucial in understanding how judges navigate cases involving economic loss, where strict adherence to formal audit findings may conflict with broader considerations of fairness and proportionality. The application of Alexy's theory suggests that judicial reasoning should not be confined to institutional determinations but must engage in a process of critical evaluation that accounts for the substantive implications of legal decisions.

⁸Neil MacCormick, *Legal Reasoning and Legal Theory* (Oxford: Oxford University Press, 1994).

⁹Robert Alexy, *A Theory of Constitutional Rights* (Oxford: Oxford University Press, 2002).

The tension between legal certainty and substantive justice forms another key theoretical dimension of this study. Legal certainty demands that laws be clear, predictable, and consistently applied, thereby ensuring stability within the legal system.¹⁰ In the Indonesian context, the reliance on audit reports from institutions such as BPK and BPKP reflects an attempt to achieve certainty in determining state financial loss. However, an excessive emphasis on certainty may lead to rigid and formalistic interpretations that overlook the substantive realities of economic transactions. Substantive justice, on the other hand, requires that legal decisions reflect fairness, proportionality, and the actual impact of conduct on the state and society.¹¹ The challenge for judicial reasoning, therefore, lies in balancing these two principles in a manner that preserves both predictability and fairness.

In corruption cases involving public procurement, this tension becomes particularly evident. Procurement processes are inherently complex, involving multiple actors, contractual arrangements, and market variables. The determination of financial loss in such cases often requires an assessment of whether the state has suffered actual loss, potential loss, or merely administrative irregularities without financial consequences.¹² A strictly formal approach may equate any deviation from procurement procedures with financial loss, while a substantive approach would require a deeper examination of whether the deviation resulted in measurable economic harm. This distinction highlights the importance of adopting a theoretical framework that accommodates both legal and economic dimensions of loss.

The concept of economic loss within criminal law further enriches this analysis. In many jurisdictions, including the United Kingdom, the assessment of financial loss distinguishes between actual loss and intended loss, particularly in fraud and corruption cases.¹³ Actual loss refers to the quantifiable financial harm suffered by the victim in this case, the state while intended loss refers to the harm that the perpetrator sought to inflict, regardless of whether it materialized. This distinction allows courts to capture the full scope of criminal conduct, including attempted or incomplete offenses. By contrast, Indonesian law has traditionally focused on actual state financial loss as determined through audit mechanisms, with limited recognition of intended or potential loss.¹⁴ This doctrinal limitation restricts the scope of judicial reasoning and may result in underinclusive or overinclusive interpretations of corruption.

Moreover, the economic analysis of law provides additional insights into how financial loss should be understood in corruption cases. From an economic perspective, loss is not limited to direct monetary damage but may include inefficiencies, opportunity costs, and distortions in market competition.¹⁵ In procurement corruption, for instance, inflated contract prices or collusive bidding practices may result in the state paying more than the fair market value, even if the goods or services are delivered. Such scenarios challenge the traditional audit-based approach, which may fail to capture the broader economic implications of corruption. Incorporating economic reasoning into judicial analysis can therefore enhance the accuracy and relevance of legal determinations.

Another important theoretical dimension is the distinction between formal and material offenses in corruption law. Formal offenses focus on the violation of legal norms or procedures, while material offenses emphasize the consequences of such violations, particularly in terms of harm or loss.¹⁶ In Indonesia, corruption offenses are often framed as material offenses requiring proof of state financial loss. However, judicial practice sometimes blurs this distinction by treating procedural irregularities as sufficient evidence

¹⁰Lon L. Fuller, *The Morality of Law* (New Haven: Yale University Press, 1969).

¹¹Gustav Radbruch, "Statutory Lawlessness and Supra-Statutory Law," *Oxford Journal of Legal Studies* 26, no. 1 (2006): 1-11.

¹²Oksidelfa Yanto, "State Financial Loss in Corruption Cases: Legal Interpretation and Challenges," *Journal of Financial Crime* 29, no. 3 (2022): 945-960.

¹³David Ormerod & Karl Laird, *Smith, Hogan, and Ormerod's Criminal Law* (17th ed., Oxford: Oxford University Press, 2023).

¹⁴Indriyanto Seno Adji, *Korupsi dan Penegakan Hukum* (Jakarta: Diadit Media, 2021).

¹⁵Richard A. Posner, *Economic Analysis of Law* (9th ed., New York: Wolters Kluwer, 2014).

¹⁶Andi Hamzah, *Pemberantasan Korupsi Melalui Hukum Pidana Nasional dan Internasional* (Jakarta: Rajawali Press, 2020).

of loss. This inconsistency underscores the need for a clearer theoretical framework that distinguishes between procedural violations and substantive harm, thereby guiding judicial reasoning toward more coherent and consistent outcomes.

From a comparative perspective, the divergence between civil law and common law traditions also shapes judicial reasoning in assessing financial loss. Civil law systems, such as Indonesia, tend to rely on codified rules and institutional authority, leading to a more structured but potentially rigid approach to adjudication. In contrast, common law systems, such as the United Kingdom, emphasize case law, judicial discretion, and the development of legal principles through precedent.¹⁷ This difference allows common law judges to engage more actively with evidentiary and economic considerations, resulting in a more flexible and context-sensitive approach to determining financial loss. Understanding these systemic differences is essential for reconstructing judicial reasoning in a way that integrates the strengths of both traditions.

Finally, the concept of reasonable justification in judicial decision-making provides a normative benchmark for evaluating the quality of judicial reasoning. According to contemporary legal theory, a judicial decision is considered legitimate not only when it complies with formal legal requirements but also when it is supported by clear, transparent, and persuasive reasoning.¹⁸ In the context of corruption cases, this requires judges to articulate how financial loss is identified, measured, and linked to the defendant's conduct. The absence of such justification may undermine public trust in the legal system and weaken the effectiveness of anti-corruption efforts.

In light of these theoretical considerations, this study adopts an integrated framework that combines judicial reasoning theory, principles of legal certainty and substantive justice, and the economic doctrine of loss. This framework enables a comprehensive analysis of how courts construct financial loss in corruption cases and provides a basis for reconstructing judicial reasoning in a manner that is both legally sound and substantively just. By situating judicial reasoning within this multidimensional theoretical context, the study seeks to move beyond formalistic interpretations and toward a more analytical and principled approach to adjudication.

3. Research Methodology

This study employs a normative-comparative legal research design, which is particularly appropriate for examining judicial reasoning in determining state financial loss within corruption cases. The normative approach focuses on the analysis of legal norms, doctrines, and principles as reflected in statutory provisions, judicial decisions, and authoritative legal interpretations.¹⁹ At the same time, the comparative method enables a systematic evaluation of how different legal systems conceptualize and apply similar legal issues, thereby offering insights into alternative reasoning models that may inform legal reform.

The normative dimension of this research centers on the examination of Indonesian legal instruments governing corruption and state financial accountability. These include, most notably, Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 on the Eradication of Corruption, as well as related regulations and constitutional provisions concerning state finance and public accountability.²⁰ Particular attention is given to the doctrinal construction of "state financial loss" as an essential element of corruption offenses, including its interpretation in statutory language and its application in judicial practice. In addition, relevant institutional frameworks such as the roles of the Audit Board of Indonesia (BPK) and the Financial and Development Supervisory Agency (BPKP) are analyzed to understand how audit findings influence judicial reasoning.

To complement the normative analysis, this study adopts a case-based doctrinal approach, examining selected judicial decisions from Indonesian courts that involve procurement-related corruption cases. These cases are chosen based on their doctrinal significance, frequency of citation, and relevance to the

¹⁷H. Patrick Glenn, *Legal Traditions of the World* (5th ed., Oxford: Oxford University Press, 2014).

¹⁸Aharon Barak, *The Judge in a Democracy* (Princeton: Princeton University Press, 2006).

¹⁹Peter Mahmud Marzuki, *Penelitian Hukum* (Jakarta: Kencana, 2021).

²⁰Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 on Corruption Eradication.

issue of state financial loss. The analysis focuses on how judges construct their reasoning, particularly in relation to evidentiary standards, reliance on audit reports, and the interpretation of financial harm.²¹ Through this approach, the study seeks to identify patterns, inconsistencies, and underlying assumptions in judicial reasoning, thereby providing a deeper understanding of how legal norms are operationalized in practice.

The comparative component of this research examines the legal framework and judicial practices of the United Kingdom, representing a common law jurisdiction with a distinct approach to financial loss in corruption and fraud cases. The UK legal system is selected due to its well-developed jurisprudence on economic crimes and its emphasis on evidentiary reasoning and judicial discretion. Relevant sources include statutory provisions such as the Fraud Act 2006, as well as judicial decisions and authoritative legal commentaries that address the concepts of actual loss, intended loss, and economic harm.²² By comparing these approaches with the Indonesian framework, the study aims to highlight fundamental differences in legal reasoning and to identify potential areas for doctrinal improvement.

The comparative analysis is conducted using a functional method, which focuses on how different legal systems address similar legal problems rather than merely comparing formal legal rules.²³ In this context, the central problem is the determination of financial loss in corruption cases, and the analysis explores how Indonesian and UK courts construct, justify, and apply this concept within their respective legal traditions. This method allows for a more meaningful comparison, as it emphasizes the practical operation of legal systems and the reasoning processes underlying judicial decisions.

The sources of data in this study consist of both primary and secondary legal materials. Primary materials include legislation, judicial decisions, and official legal documents from both Indonesia and the United Kingdom. Secondary materials include academic journal articles, legal textbooks, and policy reports that provide theoretical and contextual insights into corruption law, judicial reasoning, and economic analysis.²⁴ These sources are selected based on their relevance, credibility, and contribution to the research objectives, with particular emphasis on recent scholarship to ensure the timeliness of the analysis.

Data analysis is conducted using a qualitative doctrinal technique, which involves three main stages. First, the study identifies and categorizes relevant legal norms and judicial decisions related to state financial loss. Second, it interprets these norms and decisions in light of the theoretical framework outlined earlier, focusing on issues such as legal certainty, substantive justice, and economic reasoning. Third, it compares the findings from Indonesia and the United Kingdom to identify similarities, differences, and potential areas for reconstruction.²⁵ This analytical process enables the study to move beyond descriptive analysis and to provide normative recommendations for improving judicial reasoning.

It is important to note that this research does not employ empirical methods such as interviews or surveys, as its primary focus is on doctrinal analysis and legal reasoning. However, the study incorporates insights from existing empirical and policy-oriented research to contextualize its findings and to illustrate the practical implications of legal norms. This approach ensures that the analysis remains grounded in real-world challenges while maintaining its theoretical rigor.

To ensure methodological validity and reliability, the study adopts a critical and reflective approach to legal analysis. Rather than accepting legal norms and judicial practices at face value, it examines their underlying assumptions, internal coherence, and practical consequences. This includes questioning the extent to which audit-based determinations of financial loss accurately reflect economic reality, as well as evaluating

²¹M. Syamsudin, "Judicial Reasoning dalam Putusan Perkara Korupsi," *Jurnal Hukum & Peradilan* (2022).

²²Fraud Act 2006 (UK); see also David Ormerod & Karl Laird, *Smith, Hogan, and Ormerod's Criminal Law* (17th ed., Oxford: Oxford University Press, 2023).

²³Konrad Zweigert & Hein Kötz, *An Introduction to Comparative Law* (Oxford: Oxford University Press, 1998).

²⁴Mark Van Hoecke, *Methodologies of Legal Research: Which Kind of Method for What Kind of Discipline?* (Oxford: Hart Publishing, 2011).

²⁵Terry Hutchinson, *Researching and Writing in Law* (4th ed., Sydney: Lawbook Co., 2018).

whether judicial reasoning aligns with broader principles of justice and fairness.²⁶ By adopting this critical perspective, the study aims to contribute not only to the understanding of existing legal frameworks but also to their improvement.

Finally, the methodological approach of this study is inherently prescriptive, as it seeks to reconstruct judicial reasoning in a way that enhances doctrinal clarity and substantive justice. The comparative insights derived from the United Kingdom are not intended to be transplanted directly into the Indonesian legal system but are used as a reference point for developing context-sensitive reforms. In this sense, the study combines descriptive, analytical, and normative elements to provide a comprehensive examination of judicial reasoning in corruption cases involving state financial loss.

4. Results And Discussion

4.1 Judicial Reasoning in Indonesia in Determining State Financial Loss

The determination of state financial loss within Indonesian corruption cases, particularly those involving public procurement, reveals a distinctive pattern of judicial reasoning characterized by strong reliance on institutional audit findings and a tendency toward formalistic legal interpretation. While Indonesian anti-corruption law formally positions state financial loss as a core element of corruption offenses, the manner in which courts interpret and apply this element reflects deeper structural and doctrinal issues within the legal system.

At the normative level, Indonesian law defines corruption, among others, as any act that unlawfully enriches oneself or another person and causes a loss to state finances.²⁷ This formulation places state financial loss as a material element that must be proven in court. However, the law does not provide a precise definition of how such loss should be calculated or what evidentiary standards should be applied. As a result, judicial reasoning has evolved in practice to rely heavily on audit institutions such as the Audit Board of Indonesia (BPK) and the Financial and Development Supervisory Agency (BPKP), whose findings are often treated as conclusive evidence of financial loss.²⁸

This reliance has led to what may be described as "audit-driven judicial reasoning," where judges defer to external institutional determinations rather than independently evaluating the existence and extent of financial harm. In many corruption cases, judicial decisions explicitly cite audit reports as the primary basis for concluding that state loss has occurred, with limited engagement in verifying the methodology, assumptions, or economic validity of such findings.²⁹ This approach reflects a broader tendency within civil law systems to prioritize formal legal certainty and institutional authority over interpretative flexibility.

One of the key implications of this approach is the reduction of judicial reasoning to a procedural validation of audit outcomes. Instead of engaging in substantive analysis, courts often focus on whether an audit has been conducted and whether it indicates a numerical loss, rather than examining whether the alleged loss corresponds to actual economic harm. This phenomenon can be observed in a number of procurement corruption cases, where deviations from administrative procedures such as non-compliance with tender requirements are automatically equated with financial loss, even in situations where the state has received goods or services of equivalent value.³⁰

This raises a fundamental doctrinal issue regarding the distinction between procedural irregularity and material loss. From a theoretical perspective, not every violation of procurement procedures necessarily

²⁶Richard A. Posner, *Economic Analysis of Law* (9th ed., New York: Wolters Kluwer, 2014).

²⁷Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 on Corruption Eradication.

²⁸Badan Pemeriksa Keuangan (BPK), *Audit Guidelines on State Financial Loss* (Jakarta, 2020); Badan Pengawasan Keuangan dan Pembangunan (BPKP), *Technical Guidelines for Calculating State Loss* (Jakarta, 2021).

²⁹M. Syamsudin, "Judicial Reasoning in Corruption Cases: A Critical Analysis of Indonesian Court Decisions," *Indonesia Law Review* 12, no. 2 (2022): 210-230.

³⁰Oksidelfa Yanto, "State Financial Loss in Corruption Cases: Legal Interpretation and Challenges," *Journal of Financial Crime* 29, no. 3 (2022): 945-960.

results in financial harm to the state. However, judicial practice in Indonesia often conflates these two concepts, leading to an expansive interpretation of state financial loss. Such an approach risks undermining the principle of proportionality and may result in criminal liability being imposed in cases where actual economic damage is minimal or even absent.

Furthermore, the reliance on audit-based determinations introduces significant epistemological challenges. Audit institutions operate within administrative and financial frameworks, employing methodologies that are not always aligned with legal standards of proof.³¹ For example, audit calculations may include assumptions about potential losses, projected values, or hypothetical scenarios that are not directly verifiable in a legal context. When courts adopt these findings without critical scrutiny, they effectively transfer the responsibility of legal reasoning from the judiciary to administrative bodies. This raises concerns about the independence of judicial decision-making and the integrity of the adjudicative process.

Another issue arises from the lack of consistency in judicial decisions regarding the interpretation of state financial loss. Different courts, and even different panels within the same court, may adopt varying approaches in assessing loss, depending on the type of evidence presented and the involvement of specific audit institutions.³² In some cases, courts accept BPK findings as definitive, while in others they rely on BPKP or independent expert testimony. This inconsistency reflects the absence of a unified doctrinal framework guiding judicial reasoning, resulting in legal uncertainty and unpredictability.

The problem is further exacerbated by the overlapping authority of multiple institutions in determining state financial loss. Both BPK and BPKP claim competence in calculating losses, and their methodologies may differ significantly.³³ In practice, this creates opportunities for conflicting assessments, which courts must reconcile. However, rather than critically evaluating these differences, courts often select one institutional finding over another without providing a detailed justification. This selective reliance undermines the transparency and rationality of judicial reasoning.

From the perspective of legal theory, the Indonesian approach demonstrates a strong inclination toward formal legal certainty at the expense of substantive justice. The emphasis on audit reports provides a clear and seemingly objective basis for decision-making, thereby enhancing predictability. However, this predictability is achieved through rigid adherence to institutional authority rather than through reasoned analysis. As a result, judicial decisions may fail to capture the broader economic realities of corruption, including indirect losses, inefficiencies, and distortions in market competition.

Moreover, the current model of judicial reasoning does not adequately account for the distinction between actual loss and potential loss. In many cases, courts treat potential or estimated losses as equivalent to actual losses, without clearly articulating the basis for such equivalence.³⁴ This approach contrasts with more developed legal systems, where the distinction between different types of loss plays a crucial role in determining criminal liability and sentencing. The absence of such distinctions in Indonesian judicial reasoning contributes to doctrinal ambiguity and may lead to disproportionate outcomes.

The role of expert testimony in Indonesian corruption cases also reflects the limitations of current judicial reasoning. While expert witnesses are occasionally presented to challenge or support audit findings, their contributions are often secondary to institutional reports. Courts tend to prioritize formal audit conclusions over independent expert analysis, thereby limiting the scope of evidentiary evaluation.³⁵ This practice further reinforces the dominance of audit-driven reasoning and reduces the capacity of courts to engage in comprehensive analysis.

³¹Richard A. Posner, *Economic Analysis of Law* (9th ed., New York: Wolters Kluwer, 2014).

³²Indriyanto Seno Adji, *Korupsi dan Penegakan Hukum* (Jakarta: Diadit Media, 2021).

³³Andi Hamzah, *Pemberantasan Korupsi Melalui Hukum Pidana Nasional dan Internasional* (Jakarta: Rajawali Press, 2020).

³⁴Terry Hutchinson, *Researching and Writing in Law* (4th ed., Sydney: Lawbook Co., 2018).

³⁵Mark Van Hoecke, *Methodologies of Legal Research* (Oxford: Hart Publishing, 2011).

In addition, the lack of a clearly articulated standard of proof for state financial loss poses a significant challenge. Indonesian law does not specify whether loss must be proven beyond reasonable doubt, by a balance of probabilities, or through another evidentiary standard. As a result, judicial reasoning varies widely, with some courts adopting a strict approach while others apply more flexible standards.³⁶ This inconsistency undermines the coherence of legal doctrine and complicates the application of anti-corruption law.

Taken together, these issues indicate that judicial reasoning in Indonesia remains constrained by structural, doctrinal, and institutional limitations. The dominance of audit-based evidence, the conflation of procedural violations with material loss, and the absence of a unified analytical framework have resulted in a model of adjudication that prioritizes formal compliance over substantive evaluation. While this approach may facilitate the prosecution of corruption cases, it also raises concerns regarding fairness, proportionality, and legal certainty.

In light of these findings, it becomes evident that a reconstruction of judicial reasoning is necessary to address these shortcomings. Such reconstruction requires a shift from a purely formalistic approach toward a more analytical and evidence-based model that integrates legal principles with economic reasoning. This includes the development of clearer standards for determining financial loss, greater judicial engagement with evidentiary analysis, and a more balanced relationship between audit institutions and judicial authority.

4.2 Judicial Reasoning in the United Kingdom in Determining Financial Loss

The approach to determining financial loss within the United Kingdom's legal system reflects a markedly different model of judicial reasoning compared to Indonesia. Rooted in the common law tradition, judicial reasoning in the UK is characterized by a high degree of analytical flexibility, evidentiary scrutiny, and doctrinal development through case law. Rather than relying on institutional audit bodies as determinative authorities, UK courts assume an active role in constructing and evaluating the concept of financial loss based on the totality of evidence presented in each case.

At the doctrinal level, financial loss in the UK is primarily addressed within the framework of fraud and corruption-related offenses, particularly under the Fraud Act 2006. Unlike Indonesian law, which explicitly requires proof of state financial loss as an element of corruption, UK law does not always require actual loss to be demonstrated. Instead, it recognizes the concept of "intended loss," whereby criminal liability may arise from the intention to cause financial harm, regardless of whether such harm has materialized.³⁷ This doctrinal distinction significantly expands the scope of judicial reasoning, allowing courts to focus on the nature of the defendant's conduct and intent rather than solely on measurable outcomes.

Judicial reasoning in the UK thus operates within a more nuanced framework that distinguishes between actual loss, intended loss, and risk of loss. Actual loss refers to the quantifiable financial damage suffered by the victim, while intended loss captures the harm that the defendant sought to inflict. In addition, courts may consider the exposure of the victim to financial risk as a relevant factor in assessing the seriousness of the offense.³⁸ This multi-dimensional approach enables judges to capture the broader economic implications of unlawful conduct, particularly in complex procurement or contractual arrangements.

One of the defining features of UK judicial reasoning is its emphasis on evidentiary evaluation and judicial discretion. Judges are not bound by the findings of a single institutional authority but are required to assess evidence holistically, including documentary evidence, expert testimony, market analysis, and factual circumstances.³⁹ This approach reflects the common law tradition's reliance on adversarial proceedings, where competing arguments are tested through cross-examination and judicial scrutiny. As a result, the

³⁶M. Syamsudin, "Judicial Reasoning in Corruption Cases," *Indonesia Law Review* 12, no. 2 (2022): 210-230.

³⁷Fraud Act 2006 (UK).

³⁸David Ormerod & Karl Laird, *Smith, Hogan, and Ormerod's Criminal Law* (17th ed., Oxford: Oxford University Press, 2023).

³⁹Andrew Ashworth, *Principles of Criminal Law* (9th ed., Oxford: Oxford University Press, 2022).

determination of financial loss is not a mechanical process but an interpretative exercise that requires careful consideration of multiple evidentiary sources.

The role of expert evidence in UK courts further illustrates this analytical approach. Experts are frequently called upon to provide assessments of financial loss, particularly in cases involving complex economic transactions or procurement arrangements. However, their opinions are not treated as binding but are subject to rigorous examination and may be challenged by opposing parties.⁴⁰ Judges are therefore required to evaluate the credibility, methodology, and relevance of expert testimony, ensuring that their conclusions are grounded in reasoned analysis rather than deference to authority. This contrasts sharply with the Indonesian reliance on audit institutions, where expert findings are often treated as conclusive.

Another important aspect of judicial reasoning in the UK is the integration of economic and commercial realities into legal analysis. Courts recognize that financial loss cannot always be captured through rigid accounting methods and may require consideration of market dynamics, contractual expectations, and opportunity costs.⁴¹ For example, in procurement-related cases, courts may assess whether the contract price reflects fair market value, whether the procurement process was distorted by fraudulent conduct, and whether the victim suffered a disadvantage as a result. This approach allows for a more context-sensitive evaluation of loss, aligning legal reasoning with economic principles.

The flexibility of UK judicial reasoning is also evident in sentencing practices. The Sentencing Council Guidelines for fraud offenses provide a structured framework for assessing harm, including both actual and intended loss, as well as the broader impact on victims and public confidence.⁴² Judges are required to consider the scale of financial harm, the degree of culpability, and the circumstances of the offense, thereby ensuring that sentencing reflects both legal and economic considerations. This structured yet flexible approach enhances consistency while preserving judicial discretion.

From a theoretical perspective, the UK model exemplifies a balance between legal certainty and substantive justice. While statutory provisions and sentencing guidelines provide a degree of predictability, judicial reasoning remains adaptable to the specific facts of each case. This balance is achieved through the development of legal principles in case law, which guide judicial decision-making without imposing rigid constraints.⁴³ As a result, courts are able to respond effectively to the complexities of modern economic crime, including procurement corruption.

Moreover, the absence of a rigid requirement to prove actual financial loss allows UK courts to address cases where harm is difficult to quantify. In situations involving attempted fraud or collusive practices, the recognition of intended loss ensures that criminal liability is not limited by the absence of measurable damage.⁴⁴ This approach reflects a preventive orientation, focusing on the protection of economic integrity rather than solely on compensating for realized losses. Such a perspective is particularly relevant in procurement corruption, where the harm may extend beyond immediate financial damage to include distortions in competition and public trust.

However, the flexibility of judicial reasoning in the UK is not without its challenges. The reliance on judicial discretion may lead to variability in outcomes, particularly in cases involving complex economic assessments. Differences in judicial interpretation, the quality of expert evidence, and the presentation of arguments by counsel can all influence the determination of financial loss.⁴⁵ Nevertheless, the existence of appellate review and the development of precedents serve as mechanisms for maintaining consistency and coherence within the legal system.

⁴⁰*R v Turner* [1975] QB 834.

⁴¹Richard A. Posner, *Economic Analysis of Law* (9th ed., New York: Wolters Kluwer, 2014).

⁴²UK Sentencing Council, *Fraud, Bribery and Money Laundering Offences: Definitive Guideline* (London, 2022).

⁴³H. Patrick Glenn, *Legal Traditions of the World* (5th ed., Oxford: Oxford University Press, 2014).

⁴⁴David Ormerod & Karl Laird, *Smith, Hogan, and Ormerod's Criminal Law* (17th ed., Oxford: Oxford University Press, 2023).

⁴⁵Andrew Ashworth, *Principles of Criminal Law* (9th ed., Oxford: Oxford University Press, 2022).

When contrasted with the Indonesian approach, several key differences emerge. First, UK courts exercise a greater degree of independence in evaluating financial loss, whereas Indonesian courts often defer to audit institutions. Second, the UK framework incorporates a broader conception of loss, including intended and potential harm, while Indonesian law remains focused on actual financial loss. Third, judicial reasoning in the UK is more explicitly grounded in evidentiary analysis and economic reasoning, whereas Indonesian practice tends toward formalistic validation of institutional findings.

These differences highlight the potential for reform in the Indonesian legal system. The UK model demonstrates that judicial reasoning can accommodate both legal and economic complexities without sacrificing coherence or predictability. By adopting a more analytical and evidence-based approach, Indonesian courts could enhance the quality of their reasoning and improve the consistency of their decisions. However, such reform must be adapted to the Indonesian legal context, taking into account its civil law tradition and institutional structures.

In conclusion, judicial reasoning in the United Kingdom offers a more flexible, analytical, and context-sensitive approach to determining financial loss in corruption-related cases. Its emphasis on evidentiary evaluation, economic analysis, and judicial discretion provides a valuable point of comparison for assessing the limitations of the Indonesian model. The insights derived from this comparative analysis will serve as the basis for reconstructing judicial reasoning in Indonesia, as discussed in the following section.

4.3 Comparative Analysis and Reconstruction of Judicial Reasoning

The comparative analysis between Indonesia and the United Kingdom reveals a fundamental divergence in how judicial reasoning is constructed in determining financial loss within corruption cases, particularly in public procurement. This divergence is not merely technical but reflects deeper structural differences in legal traditions, epistemological approaches, and the relationship between judicial authority and external institutions. By examining these differences, this section seeks not only to identify doctrinal gaps but also to propose a reconstructed model of judicial reasoning that can enhance coherence, consistency, and substantive justice in the Indonesian legal system.

At the most fundamental level, the Indonesian model of judicial reasoning is characterized by institutional dependency, whereas the United Kingdom model reflects judicial autonomy. In Indonesia, courts tend to rely heavily on audit findings produced by institutions such as BPK and BPKP, often treating these findings as conclusive evidence of state financial loss.⁴⁶ This approach effectively shifts the locus of reasoning from the judiciary to administrative bodies, reducing the role of judges to one of validation rather than evaluation. By contrast, UK courts maintain full control over the determination of financial loss, engaging in independent assessment of evidence, including expert testimony, financial data, and factual circumstances.⁴⁷ This autonomy allows for a more dynamic and context-sensitive form of judicial reasoning.

A second point of divergence lies in the conceptualization of financial loss. Indonesian law adopts a relatively narrow approach, focusing primarily on actual and quantifiable state financial loss as determined through audit mechanisms.⁴⁸ This approach is rooted in the material offense structure of corruption law, which requires proof of loss as an essential element of criminal liability. In contrast, the UK legal system embraces a broader and more flexible conception of loss, encompassing not only actual loss but also intended loss and risk exposure.⁴⁹ This broader framework enables courts to capture the full spectrum of economic harm, including cases where financial damage is difficult to quantify or has not yet materialized.

Third, there is a significant difference in the epistemological foundation of judicial reasoning. Indonesian courts tend to adopt a formalistic epistemology, where truth is derived from institutional authority and

⁴⁶Badan Pemeriksa Keuangan (BPK), *Audit Guidelines on State Financial Loss* (Jakarta, 2020); BPKP, *Technical Guidelines for Calculating State Loss* (Jakarta, 2021).

⁴⁷Andrew Ashworth, *Principles of Criminal Law* (9th ed., Oxford: Oxford University Press, 2022).

⁴⁸Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 on Corruption Eradication.

⁴⁹David Ormerod & Karl Laird, *Smith, Hogan, and Ormerod's Criminal Law* (17th ed., Oxford: Oxford University Press, 2023).

procedural compliance. The presence of an audit report is often sufficient to establish the existence of financial loss, regardless of the underlying methodology or economic assumptions.⁵⁰ In contrast, UK courts operate within an analytical epistemology, where truth is constructed through the evaluation of competing evidence and reasoned argumentation. Judges are required to assess the credibility, relevance, and weight of evidence, thereby ensuring that conclusions are grounded in rational justification rather than institutional deference.

This divergence has important implications for the principles of legal certainty and substantive justice. The Indonesian model, with its emphasis on audit-based determination, provides a high degree of formal certainty, as decisions are anchored in authoritative institutional findings. However, this certainty is achieved at the cost of substantive justice, as it may fail to account for the economic realities of the case or the proportionality of the outcome.⁵¹ Conversely, the UK model prioritizes substantive justice through flexible and context-sensitive reasoning, while maintaining a degree of certainty through the development of legal principles in case law and sentencing guidelines.

Another critical difference concerns the treatment of procedural irregularities in procurement processes. In Indonesia, deviations from procurement procedures are often equated with financial loss, leading to an expansive interpretation of corruption.⁵² This approach risks criminalizing administrative errors that do not result in actual economic harm. In the UK, however, courts distinguish more clearly between procedural violations and financial loss, requiring evidence that the defendant's conduct resulted in economic disadvantage or risk to the victim.⁵³ This distinction ensures that criminal liability is grounded in substantive harm rather than mere formal non-compliance.

These comparative findings highlight several structural weaknesses in the Indonesian model of judicial reasoning. First, the excessive reliance on audit institutions undermines judicial independence and limits the capacity of courts to engage in substantive analysis. Second, the narrow conceptualization of financial loss restricts the ability of courts to address complex forms of economic harm. Third, the absence of a unified analytical framework results in inconsistent and unpredictable judicial outcomes. Taken together, these issues indicate the need for a reconstruction of judicial reasoning that integrates doctrinal clarity with analytical flexibility.

Based on the comparative analysis, this study proposes a three-layered model of reconstructed judicial reasoning for determining state financial loss in procurement corruption cases:

a. Normative Clarification Layer

The first layer involves the clarification of legal norms governing state financial loss. Indonesian law must move beyond vague and general formulations by providing a more precise definition of financial loss that distinguishes between actual loss, potential loss, and economic distortion.⁵⁴ This clarification should be incorporated into statutory provisions or judicial guidelines, thereby providing a clear doctrinal foundation for judicial reasoning. At this stage, audit findings should be treated as supporting evidence rather than determinative authority, allowing judges to retain ultimate responsibility for legal interpretation.

b. Analytical-Evidentiary Layer

The second layer focuses on strengthening the analytical capacity of judicial reasoning through a more rigorous evaluation of evidence. Judges should be required to examine not only audit reports but also expert testimony, market data, contractual terms, and economic context.⁵⁵ This approach aligns with the common law tradition's emphasis on evidentiary scrutiny and ensures that judicial conclusions are

⁵⁰M. Syamsudin, "Judicial Reasoning in Corruption Cases," *Indonesia Law Review* 12, no. 2 (2022): 210-230.

⁵¹Lon L. Fuller, *The Morality of Law* (New Haven: Yale University Press, 1969).

⁵²Oksidelfa Yanto, "State Financial Loss in Corruption Cases," *Journal of Financial Crime* 29, no. 3 (2022): 945-960.

⁵³Fraud Act 2006 (UK).

⁵⁴Indriyanto Seno Adji, *Korupsi dan Penegakan Hukum* (Jakarta: Diadit Media, 2021).

⁵⁵Richard A. Posner, *Economic Analysis of Law* (9th ed., New York: Wolters Kluwer, 2014).

grounded in comprehensive analysis. Importantly, courts must articulate the reasoning process explicitly, explaining how different forms of evidence contribute to the determination of financial loss.

C. Substantive Justice Layer

The third layer emphasizes the integration of substantive justice into judicial reasoning. This involves evaluating the proportionality and fairness of legal outcomes, particularly in cases where financial loss is uncertain or minimal.⁵⁶ Judges should consider whether the alleged loss reflects actual economic harm, whether it is attributable to the defendant's conduct, and whether criminal sanctions are justified in light of the circumstances. This layer ensures that judicial reasoning does not merely satisfy formal requirements but also achieves equitable outcomes.

The integration of these three layers results in a model of judicial reasoning that is both structured and flexible. It preserves the advantages of legal certainty by providing clear doctrinal guidelines while also incorporating the analytical depth and contextual sensitivity necessary for addressing complex economic crimes. Furthermore, this model redefines the relationship between audit institutions and the judiciary, positioning audit findings as part of a broader evidentiary framework rather than as authoritative conclusions.

Importantly, the proposed reconstruction does not seek to transplant the UK model directly into the Indonesian legal system. Instead, it adopts a contextual adaptation approach, recognizing the differences in legal traditions, institutional structures, and socio-legal environments. The objective is to develop a model of judicial reasoning that is compatible with Indonesia's civil law framework while incorporating best practices from comparative jurisdictions.

From a policy perspective, the implementation of this reconstructed model requires several supporting measures. These include the development of judicial guidelines on the assessment of financial loss, capacity building for judges in economic and evidentiary analysis, and the harmonization of methodologies used by audit institutions.⁵⁷ In addition, greater transparency in judicial reasoning is essential to enhance public trust and ensure accountability in corruption adjudication.

In conclusion, the comparative analysis demonstrates that the challenges faced by Indonesia in determining state financial loss are not merely technical but are rooted in deeper issues of judicial reasoning. By reconstructing judicial reasoning through a multi-layered framework, this study offers a pathway toward more coherent, consistent, and substantively just adjudication. Such reform is essential not only for improving the effectiveness of anti-corruption law but also for strengthening the legitimacy of the legal system as a whole.

5. Conclusion

This study has examined the structure and dynamics of judicial reasoning in determining state financial loss in procurement-related corruption cases through a comparative analysis of Indonesia and the United Kingdom. The findings reveal that the divergence between the two jurisdictions is not merely procedural but reflects deeper differences in legal tradition, epistemological orientation, and the institutional positioning of judicial authority. While Indonesia adopts a formalistic and audit-dependent approach, the United Kingdom demonstrates a more analytical, flexible, and evidence-driven model of judicial reasoning.

In Indonesia, judicial reasoning in corruption cases is predominantly shaped by reliance on audit institutions such as BPK and BPKP, whose findings are frequently treated as definitive evidence of state financial loss. This practice creates a model of adjudication that prioritizes institutional authority over independent judicial evaluation. Although this approach enhances formal legal certainty, it simultaneously constrains the ability of courts to engage in substantive analysis and risks conflating procedural

⁵⁶Gustav Radbruch, "Statutory Lawlessness and Supra-Statutory Law," *Oxford Journal of Legal Studies* 26, no. 1 (2006): 1-11.

⁵⁷Mark Van Hoecke, *Methodologies of Legal Research* (Oxford: Hart Publishing, 2011).

irregularities with actual economic harm. As a result, judicial decisions may lack proportionality and fail to reflect the broader economic realities of procurement activities.

By contrast, the United Kingdom offers a more nuanced framework that distinguishes between actual loss, intended loss, and risk of loss, thereby enabling courts to capture a wider spectrum of economic harm. Judicial reasoning in the UK is characterized by active evidentiary assessment, critical engagement with expert testimony, and integration of economic considerations into legal analysis. This approach allows for greater adaptability and ensures that judicial conclusions are grounded in rational justification rather than institutional deference. Although this model may introduce a degree of variability due to judicial discretion, it is balanced by the development of consistent principles through case law and sentencing guidelines.

The comparative findings underscore the need for a fundamental reconstruction of judicial reasoning in Indonesia. The current model, which is heavily dependent on audit-based determinations, does not adequately accommodate the complexities of modern economic crime, particularly in the context of public procurement. To address these limitations, this study proposes a three-layered reconstruction framework consisting of: (1) normative clarification, (2) analytical-evidentiary enhancement, and (3) integration of substantive justice. This framework seeks to reposition judicial reasoning as an independent and analytical process, while maintaining coherence with Indonesia's civil law tradition.

The normative clarification layer emphasizes the importance of redefining the concept of state financial loss to include distinctions between actual loss, potential loss, and broader economic distortions. Such clarification would provide a more precise doctrinal foundation for judicial decision-making and reduce inconsistencies in interpretation. The analytical-evidentiary layer calls for greater judicial engagement with diverse forms of evidence, including expert analysis and market-based assessments, thereby enhancing the depth and quality of reasoning. Finally, the substantive justice layer ensures that judicial outcomes are not only legally valid but also proportionate and aligned with the principles of fairness and economic rationality.

From a policy perspective, the implementation of this reconstructed model requires institutional and procedural reforms. These include the development of judicial guidelines on the assessment of financial loss, capacity-building programs to strengthen judges' analytical competencies, and the harmonization of methodologies used by audit institutions. Additionally, greater transparency in judicial reasoning is essential to enhance public trust and accountability in corruption adjudication. Such reforms would not only improve the effectiveness of anti-corruption law but also contribute to the broader goal of strengthening the rule of law in Indonesia.

In conclusion, this study contributes to the literature by offering a comparative and reconstructive perspective on judicial reasoning in corruption cases, highlighting the limitations of the current Indonesian model and proposing a structured pathway for reform. By integrating doctrinal clarity with analytical flexibility, the proposed framework provides a foundation for more coherent, consistent, and substantively just judicial decision-making. Future research may further explore the practical implementation of this model, including empirical studies on judicial behavior and the impact of institutional reforms on corruption adjudication.

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