International Journal of Engineering & Technology, 7 (3.25) (2018) 672-675

International Journal of Engineering & Technology

Website: www.sciencepubco.com/index.php/IJET

Research paper

Aligning the Audit Themes with Government Priority to Improve the Effectiveness of Performance Audit (Case Study in Supreme Audit Institution in Indonesia)

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Abstract

Various implementations of public policies in democratic countries need the oversight from external to obtain the public trust and policy legitimacy of the government policy itself. Indonesia's government needs to improve the quality of the evaluation, including policy evaluation from the external, in this case is the Supreme Audit Institution (SAI). This paper will describes how the performance audit role of the SAI according to the constitution, the mindset about performance audits from informants, and how to answer the mindset regarding a performance audit that closer to management. This paper uses qualitative approach based on in-depth interviews with SAI's officials and the secondary data. This paper describes perspectives from SAI's internal and external about the focus of performance audit. Many perspectives brought to describes how the SAI use alignment strategy that linier with government strategy in a medium term development plan. This paper concludes that SAI's performance audit can be regarded as a good baseline in the policy evaluation if it aligns with the government strategy as declared in RPJMN. This suggests an indication of democratic governance of BPK performance audit at least from the input stage or audit-planning phase.

***Keywords**: Supreme Audit Institution; Performance Audit; Alignment Strategy; Government Plan*

1. Introduction

Various implementations of public policies in democratic countries need the realization of oversight function from external to obtain the public trust and policy legitimacy of the government policy itself. Public in the democratic countries are also watched the public funds that used. In Indonesia, the number of public fund that represent in the budget is increasing from year to year. However, the output and outcome that derived from the state and local budget are not optimal felt by the public. Then, Indonesia's government needs to improve the quality of their service, program, and policy. Evaluation of the implementation of public policies is not only conduct by the management but also by the external, in this case is the Supreme Audit Institution (SAI) in Indonesia or Badan Pemeriksa Keuangan (BPK). Commonly, evaluation of the policy implementation conducted by the SAI is in the form of performance audit. Previously, the paper describes the performance audit role of the SAI according to the constitutional context and the various mindsets about performance audit of BPK as a part of SAI's capacity. Then, this paper will describe the alternative way to improve the effectiveness of performance audit in democratic country by auditor strategy to be adapted with management planning.

2. Literature Review

Policy evaluation does not stand-alone but interacts with other aspects such as the institutional and governance systems. In this case, policy evaluation used to achieve a good performance in the perspective of performance regime. The role of performance regimes in contemporary governance concludes that performance regimes are and will remain an essential aspect of contemporary governance arrangements even their effectiveness depends on their capacity and context (1). Then, by setting standards or making specific recommendation the audit bodies can effectively impose performance measures or targets (2). The SAI as audit body become important to support the performance regime.

External auditors institution in democratic country has a basic function as a tool of legislative to checks and balances on government. The basic functions of checks and balances can develop depend on the maturity of the external auditor institution of each country. The SAI's maturity model based on its accountability is a model developed by International Organization of Supreme Audit Institutions (INTOSAI). The model adapted the practice of Government Accountability Office (GAO) in the United States where generally the external auditor institutions will evolve or develop their role. Basic role of the external auditor institution is keeping their focus and work expectations in around eradication corruption and assess compliance. In the next level of role, the more mature the external auditor institutions, shifting their role to improve transparency, accountability and performance values. The first level and second level of the SAI's role is called the phase of oversight function of the external auditor institution. Secondly, after the oversight phase, the external auditor institution will enter the insight phase by providing input through their recommendation in the deep analysis of public policy. Third, after the insight phase of the external auditor institution will reach the top phase of foresight or assist decision makers in choosing alternatives in the future.

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The International Standards of Supreme Audit Institutions (ISSAI) No.300 that governs the Fundamental Principles of Performance Auditing in Section 9 defines performance audit as: "performance auditing is an independent, objective and reliable examination of whether government undertakings, systems, operations, programs, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement" (3).ISSAI 300 section 12 states that: "The main objective of performance auditing is constructively to promote economical, effective and efficient governance. It is also contributes to accountability and transparency"(3).
INTOSAI directs public sector performance audit to constructively support economic, effective and efficient governance while contributing to accountability and transparency. The capacity of public sector performance audit becomes more meaningful with recommendations that giving a room for improvement including on the improvement of the targeted policy. Policies targeted when properly implemented are expected to make more concrete contributions to users of the policy and society in general.

3. Methodology

This paper uses qualitative approach based on in-depth interviews with SAI's officials and apparatus and the secondary data from the SAI's documents such as SAI's strategic planning for the year 2015-2020 and government's medium term planning for the year 2014-2019. The documents and interview results are used to explore the views of stakeholders regarding performance audit and their relation to the alignment between government's strategy and SAI's strategic planning as a part of signal in democratic governance.

4. Results and Findings

4.1. Role of BPK in the Reform Era

The multi-dimensional crisis of 1998 brought Indonesia into the reform era, along with the end of President Soeharto's rule after 32 years. It brings a spirit of openness in all sectors of government and also affects the policy of state financial in general and also authority of the SAI in Indonesia or BPK in special. In 2001, People's Legislative Assembly gave the amendment of the 1945 Constitution. The articles amended relating to BPK were in Chapter VIII (A) article 23 (E) paragraph (1) - (3), Article 23 (F) paragraph (1) - (2) And article 23 (G). In principle, the current position and authority of BPK is becoming stronger, freer and more independent than in the new order.
Historically it is known that the BPK was established with an independent position. But in the old order era, BPK changed to be not independent because it must be responsible to the President. In the new order, BPK's position was formally restored despite the fact that its role was actually minimized and the responsibility to audit was largely carried out by other institutions namely the Financial and Development Supervisory Board (*Badan Pengawasan Keuangan dan Pembangunan or BPKP*). In this reform order, democracy brought BPK back into a free and independent institution to audit the management and responsibilities of the state finance.

4.2. Organizational System of BPK

The organizational system of BPK is using board system. BPK is independent from the executive or government and assists the representative bodies in exercising the oversight function. BPK has an audit commission as board that consisting of nine members of BPK and executive branch or BPK's executive organ. The Chief of BPK is the de facto auditor general. In general, BPK's mandate is to analyze government spending and revenue and report its findings to representative bodies. However, in relation to whom the BPK report was submitted, the BPK has a slightly different system with common SAI with the board system where deliver their audit report to the government(4). BPK delivers reports directly to representative bodies and president. The nature of the report is given per semester under the name Summary of Semester Audit Result (*Ikhtisar Hasil Pemeriksaan Semesteran*/IHPS).
The organizational audit system in BPK uses board system where leaders or commissioners in board separate with executive bureau. The House of Representatives elect the Commissioner of BPK by considering the input from the Regional Representative Council. Regarding to the relationships with other institutions, BPK has a clearly defined relationship with the government and representative bodies. Policies related to BPK's organization and audit system are already legalized in the 1945 Constitution and derivative regulations. This model of SAI's institutional maturity can illustrate the extent to which BPK is institutionally within the framework of fairly democratic governance. Although the portion of public sector performance audit is being pursued to increase significantly by BPK leaders, it is undeniable that the focus of BPK is still low on the performance audit. It shows that BPK is still at the bottom of the three levels of SAI's maturity model that focus on accountability function. The present key role of the BPK at the level of ensuring accountability as mandated by legislation and has not fully provided input or insight on public policy to stakeholders.

4.3. The Mindset Diversities of BPK's Performance Audit

The mindset or understanding from informants about performance audit has much diversity. It is known from the informant about two wide focus founded in this research. According to the informant's opinion, the focus of performance audit can be divided into two categories are management and other stakeholders. In general, most of the mindset of informants regarding user of performance audit remains focused on aspects of management as entity. It means the most important that drive the performance audit is management or government, ministries and their subsidiary bodies. This mindset has an effect on the performance audit cycle in the stages of audit input, audit process and audit output that focus to help the management to solve their problem or common issue of public service. The diversities of mindset in the BPK's performance audit have shown by the Table 1.

Table 1: Focus of the BPK's Performance Audit

Focus	Keywords	Informant	Statement
Management	Ministry	Member of BPK's board	So, by the performance audit, the ministry became aware of their fault, what they did not do. (5)
	Entity	Expert staff of BPK	The performance audit is comprehensive, so when (BPK) audits the entity, BPK describes how the entity's performance in a comprehensive way.(6)
	Area (in the management)	Audit director of BPK	The performance audit is problem-solving activities; in the context of there are areas that can be improved. (7)
	They are (actor / management)	Former principle auditor of BPK	The performance audit directly touches what they have to do. (8)

	Organization	Audit director of BPK	The performance audit is the roadmap of looking the organization as a whole. (9)
Broader Stakeholders	Stakeholders (broader stakeholders)	Audit director of BPK	The performance audit should not only have an economic perspective in the country's financial context. We want to expand stakeholders from our performance audit reports. (10)
	Public	Expert staff of BPK	Audit performance is an audit that conducted to answer the public needs of good performance. (11)
	People	Expert of the performance audit and former member of BPK's Board	The existence of an audit is a reflection of democracy so that people can know. Performance audit goals related to outcome. (12)

Some informants provided a management-driven performance audit in their view of performance audit. One of the informant stated that the performance audit is viewed as an analysis of an organization to make improvements. Other informant stated that the performance audit are also understood to give management an explanation of what is still inappropriate and should be improved. Other informant stated that performance audit closely related with the management work so it tends to be favored by auditee. Informant was understood that the performance audit describes the entity's performance comprehensively. The performance audit can also be assessed as a problem solving process in the opinion of other informant. Other informant said that performance audit is directed to the achievement of the purpose of the country because performance audit must have conclusions that can improve the management of a policy, program or activity.

The informant from government side also approves the mindset that management is the focus of performance audit. Minister of Administrative Reform and Bureaucratic Reform of 2014-2016 that has mindset about focus of the performance audit is at the government agencies. Chrisnandi stated as follows: "Because the fund collected in state budget is not gift from the sky or grant, but all the fund collected from the productivity of the Indonesian nation, managed by the government for development, so the measure of the development success, the role of BPK's audit is to assess how much the outcome from the money. BPK should emphasize (audit) the performance of government agencies that are assessed or audited. (13)

Some informants provide other stakeholder perspectives in expanding their understanding focus on performance audit. One informant stated that the performance audit is also understood as a form of response from BPK to meet the public's needs of good performance from public officials. Other informant said that public sector performance audit is naturally broad not only on the financial aspect or everything that can be measured with monetary values. Other informant said that the performance audit is also expected to provide an emphasis on outcomes. The argument considers that one of the functions of the audit is to assist the democratic process.

BPK's effort to provide stakeholder benefits is what makes it important to listen to stakeholder wishes and opinions. This is where the origination of democratic governance is in the planning stages related to the involvement of external parties of BPK. Article 7 of paragraph (1) of Act Number 15 Year 2004 mentions the BPK give attention to the representative bodies. Read more as follows: "In planning the examination tasks, BPK takes into account the requests, suggestions, and opinions of representative bodies." Aside from representative bodies, BPK may also pay attention and consider information from other parties. It is contained in Article 8 of Act Number 15 Year 2004, which states: "In planning the inspection duties as referred to in Article 7 paragraph (1), BPK may consider information from the government, central banks, and the public."

The first stage of public sector performance audit is at the input stage. Public sector performance audit input stage is closely related to public sector performance audit planning. At this stage there are some problems or issues that may arise, especially in determining which themes or topics are appropriate and eligible to be selected to be the object of the performance audit. In the Audit Standard of State Finance (*Standar Pemeriksaan Keuangan Negara*/SPKN) on the Statement of Audit Standard (*Pernyataan Standar Pemeriksaan*/PSP) of 200 in the Standard Field Audit in Section 11 states that: "The BPK should be guided by the BPK's Strategic Plan in preparing the annual audit plan. In performance audit and special purpose audit, the auditor must determine the subject matter to be examined. The auditor shall establish the factors upon which consideration is given in the determination of the subject matter". From the previous statement known that consideration on performance audit planning comes from many party even the decision to determine the subject matter or themes is in the hand of the auditor itself.

4.3. Alignment Strategy to the Government Strategy as the Auditor's Environmental Scanning

In relation to the climate of democracy and the democratic governance, quality of the performance audit can be seen whether performance audit inputs are concerned with stakeholders or not. From interviews known that the dominant stakeholders that performance audit must gave focuses are management. Giving emphasis of the management means that BPK should pay more attention to the government. One of the most obvious evidence of the awareness of the BPK to the stakeholders is BPK give attention to the medium-term plans of government. The themes of the BPK's performance audit are aligns with the government's development plan.

President has issued Presidential Regulation No.2 of 2015 about the National Medium Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional*/RPJMN). In order to be in line with the government's plan, BPK has alignment strategy by issued the BPK Strategic Plan 2016-2020. BPK Regulation No.7/K/I-XIII.2/12/2015 dated December 28, 2015 shown that the BPK's audit theme plan is indeed related to the achievement of state objectives as the agenda of RPJMN 2015-2019. The BPK Strategic Plan 2016-2020 stated that: "The vision for the strategic plan 2016-2020 is to be a driving force in the management of state finances to achieve state objectives through quality and beneficial audit, meaning that in accordance with its mandate contained in the 1945 Constitution, the BPK audit of the period of 2016-2020 will ensure that all of audit managers of state finance have compiled and conduct programs/development activities directly related to the achievement of the objectives of the state on the agenda in the RPJMN 2015-2019." (14)

Specifically, the Strategic Plan of BPK 2016-2020 clearly mentions the themes based on the Government's RPJMN 2015-2019, namely audit in health, education, character and mental, population and family planning, food availability, and energy availability. It is mentioned in the strategic planning of BPK follows: "The performance audit and special purpose audit will be done by setting the theme of audit based on RPJMN 2015-2019. The audit theme for the year 2016-2020 consists of health, education, character and mental, population and family planning, food availability, energy availability, maritime and marine, regional development, development equity, security and order, governance and bureaucratic reform, efficiency and effectiveness and competitiveness of state owned companies."(14).

Based on performance audit data that BPK has implemented, it is known that priority sectors have been audited using thematic approaches such as performance audit of national health insurance

involving health ministries, local governments and social security providers and audit of the provision of clean water involving the ministries of public works, the ministries of the interior, local governments and local-owned enterprises. By the evidences above, alignment of the BPK's performance audit with the RPJMN will create the opportunities of performance audit that relevant with the government and public needs.

5. Conclusion

SAI's performance audit can be regarded as a good baseline in the evaluation of policy implementation by surpasses the precondition maturity model of SAI. BPK already aligns to the government strategy as declared in RPJMN. This suggests a signal of democratic governance of the implementation of BPK's performance audit at least from the input stage or audit planning. This paper proposes BPK and another SAI to use the model of democratic governance more comprehensively that not only in the input stage but also in the field audit stage as well as reporting and follow-up stage.

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