

The Implementation of The Audit Planning of The Performance Audit Within Democratic System in Indonesia

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Abstract

The reform era of Indonesia has brought changes in various fields. One of the changes that have been made is the state financial policy, included the policy of the audit for the management of the state financial. Amendments of Constitution 1945 have repositioned the role of Badan Pemeriksa Keuangan (BPK) as supreme audit institution (SAI). This paper analyzed implementation of the role of BPK especially in their performance audit in a democratic system. This paper used data from interviews with internal and external parties from BPK and utilizes the framework of democratic governance. This paper showed that the development of BPK institutions has followed the institutional maturity level of supreme audit institution. In the recent years, performance audit began to develop and enter into various areas of government. The democratic aspect that can be disclosed was in the input phase especially in the audit planning where BPK partially considered outsider input. The performance audit in democratic governance is potential to be developed especially with the strong political will of the leaders of BPK.

Keywords: *performance audit, process, democratic system, audit plan, BPK.*

1. INTRODUCTION

The reform era of Indonesia since 1998 has brought changes in various fields. One of the values that enter and influence is the spirit of democracy that affect many aspects such as social, economic, and culture including good governance of state financial. One of the changes that have been made was the policy package of state financial. The fundamental aspect that has changed was the policy associated with the audit of the management and responsibility of the state financial. Amendments of Constitution 1945 have repositioned the role of supreme audit institution (SAI) in Indonesia named Badan Pemeriksa Keuangan (BPK). BPK has three types of audits to improve the governance of state financial in democratic values; there are financial audit, performance audit and special purposes audit.

Although the symptoms of quality improvement of financial statements exist, it does not have a direct impact that felt by the public, especially on the entity's performance and eradication of corruption. The analysis is obtained from BPK's opinion of Financial Statement of Ministry / Institution from Central Government for the year 2015 (Audited) with performance accountability rating that issued by Ministry of Administrative and Bureaucratic Reform for each ministry / institution in 2015. The analysis shown that the four entities in the central government that get the predicate A for their performance accountability is also in line with the achievement of the unqualified opinion from BPK, but it doesn't applied in other entities. Ironically, however, the pattern does not apply to entities with predicates of BB, B, and CC where the opinion of the financial statements was not a guarantee of having good performance accountability. By considering the limitation of financial audit and the prospect of performance audit, this paper analyzed the implementation of the BPK's role in reformation era, especially in their performance audit in a democratic system.

2. CONCEPTUAL FRAMEWORK

Performance Audit

INTOSAI (2013) explains that the concept of public sector performance audit has a paradigm shift from the previous administration based on financial became also based on performance. INTOSAI (2013) also pointed that auditors should set a clearly defined audit objective that relates to the principles of economy, efficiency and effectiveness. Then, the formulation of audit questions is an iterative process in which the questions are repeatedly specified and refined, account being taken of known relevant information on the subject as well as feasibility. Related with the democratic value, Baimyrzaeva and Kose (2014) states about role of SAI in collaboration with the public will be mutually beneficial to both parties by focusing on the areas that received great attention from the public and reacting well. In order to formulate appropriate performance audit objectives it is necessary to make the audit planning that closer to the stakeholders targeted by the audit objectives.

Perspective of Democratic Governance

Value of democratic inspired the implementation of governance for public institutions such as the supreme audit institution in a democratic country. Cheema (2005) proposed the framework of democratic governance that composed from the three dimensions of content, context and quality of governance. Cheema (2005), pointed out that the ability of the public to be organized and participate in the political process and influence the policies is a single important factor to improve their own conditions. Furthermore, according to Cheema (2005), when governance is democratic, the governance contains principles of participation, law enforcement, transparency and accountability, in which these principles are towards the improvement of the quality of life and human development for the people.

3. METHODOLOGY

This paper used data from interviews with internal and external parties from BPK and secondary data from BPK's regulation. Internal interviews were conducted with the board members of BPK and the executive leader of BPK. External interviews were conducted with non-governmental organizations related to the functions of BPK. The results of the interview are then analyzed to obtain the quality of democratic governance from the input side is applied in the performance audit process of BPK.

4. RESULTS

In the reform era, BPK's public sector performance audit has shown an increasing role in democratic values as follows:

1. BPK can be considering the issue that is developing in the public as audit topic. The first stage of the audit is audit planning. Activity at the beginning of audit planning is the determination of potential audit topics. The performance audit guideline for the year 2008 mentioned that: *"Information that can be used in determining the audit topics include the BPK's Strategic Plan, the National Medium Term Development Plan and the issues that are developing in the public"*. The performance audit operational guideline for the year 2011 also mentioned as follows *"that can be obtained through printed or electronic media"*. The operational guideline shows evidence that many mass media in 2010 highlighted the safety aspect of 3 kilograms of gas issued by the government in the context of conversion of kerosene to gas. So that issue can be raised into a potential topic of BPK's performance audit.
2. BPK can be considering the stakeholders' perspectives in choosing a potential audit topic. From the performance audit operational guideline for the year 2011, there are three factors beside the financial materiality that can be considered. There are closely related to stakeholder's perspectives, namely public interest, political interests and program significance.
 - a) *Public interest that defined as an entity or program that is getting the public attention and becoming a national issue, or is expected to provide optimal public services by the public or concerning the interests of the living of the public can be prioritized as the audit topic.*
 - b) *Political interests that defined as a program or activity that become a government priority and contains high political interests. It should be considered to be chosen as a topic of the performance audit. This is to ensure that the level of government achievement of the program or activity has been disclosed in accordance with the facts.*
 - c) *Significance of programs or activities that defined as the performance audit topic considering the significancy of the program or activity in the assessment of the success of an entity or government performance.*
3. BPK considering the orientation of people in the audit formulation. The performance audit guidance for the year 2008 also provides that the audit of efficiency includes aspects of whether: (1) programs, activities, functions, activities have been managed, organized, and implemented efficiently; and (2) government services have been provided with the best quality, oriented to the needs of the people, and given on time. The people orientation is clearly mentioned as one aspect of efficiency in BPK performance audit. The operational guidelines have been clearly set up regarding the necessary inputs in key area determination activities, one of which is the result of a collection of public complaints that collected by the Public Affair Division in BPK. The operational guidelines for the year 2011 have established that people expectation can be used for the criteria. The guidelines are stated: *"13) user / community expectations, which can be obtained from mass media or public complaints."* Performance audit guidelines also set one of the requirements of audit criteria is acceptable which means it can be accepted by the examined entity, the legislative body, the media and the general public. According to the operational guidelines, the higher the "acceptable" level of criteria, and the more effective the performance audits can be performed.

The analysis of the implementation of the public sector performance audit of BPK related to democratic governance is as follows:

- 1) The importance of stakeholder as audit user stated in the Act. BPK's efforts to provide benefits for stakeholder are what make BPK pursue to listen to stakeholder expectations and opinions. This is where the initiation of democratic governance is in the planning stages of audit that related to the involvement of parties outside BPK. Article 7 from paragraph 1 of Act Number 15 Year 2004 mentions the attention of BPK from the representative institution. Read more as follows: *"In planning the audit, BPK considering the requests, suggestions, and opinions of representative agencies."* Aside from representative institutions, BPK may also pay attention and consider information from other parties. It is contained in Article 8 of Act Number 15 Year 2004 that states: *"In planning the inspection duties, BPK may consider information from the government, central banks, and the public."*

- 2) The importance of stakeholder as user is included in the strategic plan as a basis for planning the audit. The importance of the audit user role is being existed in the 2011-2015 BPK Strategic Plan dated December 28, 2015 which outlines that one of the strategic objectives of BPK is to realize quality audit to produce a useful audit report of outcomes that meet the needs of stakeholders. The objective is also consistently present in the BPK's Strategic Planning for the year 2016-2020.
- 3) The importance of stakeholder as user is operationalized in the audit standard and performance audit manual. The input stage of performance audit input is closely related to performance audit planning. At this stage there are some problems that may arise, especially in determining which themes or topics are appropriate and eligible to be selected to be object of the public sector performance audit. In the audit standard of the Statement of Audit Standard 200 states: "*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 should determine the factors underlying the consideration in determining the subject matter. It is seen that the determination of the objects to be audited should use the basis of consideration of various factors include point a view and opinion of stakeholders.
- 4) Formally, one of the activities carried out by BPK to obtain consideration and information from outside parties is the Hearing Forum of BPK. The forum has been regularly conducted by BPK since 2010 to listen to the opinions, assessments, and expectations of stakeholders. Up to 2015, six forums have been conducted. In the year 2016 the activity is still a forum but changed the term become the term of Hearing Forum or *Sarasehan*. One of the head of Research and Development Division of BPK, Sabardiana mentioned the implementation of BPK's Hearing Forum as follows: "*BPK has already have mechanism that is communicative like BPK always conducted BPK's Hearing Forum in every year. The concept of the forum is that BPK only have ears and do not have a mouth. Then, BPK only have conception of listening. In Hearing Forum, there is mass media, academician, and heads of local government, other stakeholders that gave their opinion about BPK.*" (Interview with Sabardiana, October 6, 2015).
- 5) Technically, BPK captures issues in the public in their audit based on portfolios of auditor. Channels that can be captured by BPK are issues that occur in the public that are captured or known by BPK. Examples of such issues are related to the problems of overseas migrant workers of Indonesia. It is become interesting for the auditor, to audit and get more deeply with the issue. BPK's expert staff, Mumpuni, stated this statement as follows: "*Actually, in fact, we planned the audit because we also pay attention to issues that occur in the public. The treatment of our overseas migrant workers, treated inappropriate, whether in Hong Kong, in Singapore, in Malaysia, or in Arabian countries.*" (Interview of Mumpuni, October 20, 2015)

The quality of BPK's performance audit in input stage is also assessed based on the other stakeholders other can provide topics as input to the BPK. One of the stakeholders is a non-governmental organization (NGO). Based on an interview with Salam, a senior researcher at the Indonesia Budget Center (IBC), it was found that outsider party had difficulty making public complaints to delivered inputs to the BPK. The complete statement of informants is as follows: "*BPK is not yet institutionally prepared in this case. BPK has no public complaints mechanism. In my opinion, when there is no such mechanism, it can be because there is no regulation yet, so the public then finds difficulty to deliver inputs to BPK both the auditor's resources and the public's findings on budget governance.*" (Interview Salam, 15 April 2016). Salam's opinion reveals the difficulties of the other stakeholders especially public to provide input if there is no direct mechanism that institutionalized in BPK. As for the input process, BPK actually has invite stakeholders to give critique and opinions every year in the Hearing Forum of BPK.

4. DISCUSSIONS

BPK has increased its role in the reform era

Historically, BPK has pointed by the state finance policy, as an independent external auditor of the government to audit which the reform in 1998 has demanded improved governance. The expected values of governance are transparency and accountability in all fields. The reform in 1998 in Indonesia has brought many changes for Indonesia. One significant change that exists was the state financial policy. The law package of the State Financial Policy consists of Act Number 17 Year 2003 regarding State Finance, Act Number 1 Year 2004 regarding State Treasury and Act Number 15 Year 2004 regarding Audit of State Financial of Management and Accountability. The audit act formed the basis for the implementation of BPK functions to assess and ensure accountability by the government in terms of compliance and governance. The last term leads to BPK's contribution to improve government performance and public services for the public. The emphasis of improvement on the government side is in managerial aspects such as the level of economics, efficiency and effectiveness (3E). The improvement of performance is also viewed and felt by the public or community as the party that served by the government.

BPK's efforts to strengthening their performance audit

The description above is shows the phenomenon that the audit needed to fix the governance is not an audit that is only a financial report. The paradigm of stakeholders in performance audit is still at the level of passive who have not demanded for the performance audit. Currently, public sector performance audits have begun to become the attention of BPK's leaders, although they have not been the main concern. This can be seen from the phenomenon of low portion from total audit that implemented in BPK. The opening of BPK to community inputs and willingness to process the issues into audit themes is in line with Baimyrzaeva & Kose (2014), which shows that the role of collaboration of external auditor institutions with the public will be mutual or mutually beneficial become optimally beneficial. The development of BPK institutions has followed the institutional maturity level of supreme audit institution where BPK is very focused on financial and compliance audit. In the recent years, performance audit began to develop and enter into various areas of government. The democratic aspect that can be disclosed is about the phase of the delivery of audit result of the representative institutions and the government.

5. CONCLUSION

In the perspective of democratic governance, especially in the input phase in audit planning, BPK partially used the external input by the consideration into BPK's strategy planning and professionalism attitude that care and aware of external's needs. The performance audit in democratic governance is potential to be developed especially with the strong political will of the leaders of BPK that implied from solid management to push the high quality of performance audit. This research suggests digging deeper into the democratic aspects of the planning stage of the audit but still in the corridor to maintain auditor independence.

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