

TOWARDS A MUTUALISM PERFORMANCE AUDIT ON LOCAL GOVERNMENTS BETWEEN AUDITOR AND COMMUNITY

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Abstract

BPK as Supreme Audit Institution (SAI) has been massively conduct financial audit on local government in Indonesia. Quality of financial statement is also upgraded, known from the improvement of BPK's opinion. However, quality, transparency and accountability of local government are still far from public expectation. This paper shows the importance of public need to improve the performance of local governments by support from BPK especially their performance audit. This paper will discuss the development of performance audit in BPK especially at the local government. This paper uses the analysis of Baimyrzaeva and Kose (2014) that states about role of SAI in collaboration with the community will be mutually beneficial to both parties by focusing on the areas that received great attention from the public and reacting well. This paper results show that the quantity of performance audits of local governments continue to rise. However, most of the audit they are stand-alone and need to led to the outcome-oriented for the communities. This paper discusses the case of performance audit of the provision of water as a performance audit that successfully give more impact on communities in local government. To be more impactful performance audit, this paper proposes the model of participatory audit, especially when BPK planning the audit.

Key Words: *performance audit, participatory, local government, mutualism*

INTRODUCTION

A government established with the objectives to be achieved, as mandated by the constitution. Similarly, Indonesia, after the declaration of independence, Indonesia stated purposes of the state in the Preamble of the Constitution of 1945 are to protect, to create welfare, to educate the nation and to participate in the establishment of world order. To achieve the purpose of the state, Indonesia needs a source of funds to implement them arranged in the form of a state budget. The budget is prepared annually in the form of the State Budget (Anggaran Pendapatan dan Belanja Negara/APBN) for the central government and the Regional Budget (Anggaran Pendapatan dan Belanja Daerah/APBD) for local government. State finances, as a means to achieve the purpose of the state in its execution requires well control in the form of monitoring, supervision, and inspection. Related to the audit of state finances and

certainly related to the financial responsibility of the state, section 23E of the Constitution 1945 regulates the external audit institution of the Supreme Audit Institution (Badan Pemeriksa Keuangan Republik Indonesia/BPK) to examine the management and financial responsibility of the state. The relationship between the BPK as an auditor of state and government will not be eliminated the role of the representative bodies as a representation of the people. Implementation of the BPK's function leads to improvement BPK contribution to the improvement of performance, service and public administration in general. Awareness of the importance of improvements is also on the side of the auditee, with emphasis on the improvement of managerial aspects of economic, efficiency and effectiveness (3E). BPK as Supreme Audit Institution (SAI) has been massively conduct financial audit on local government in Indonesia. From the summary of semester's audit report (Ikhtisar Hasil Pemeriksaan Semester/IHPS) I/2014 known that the number of BPK's financial audits (green) is constantly increasing and often dominate the audit.

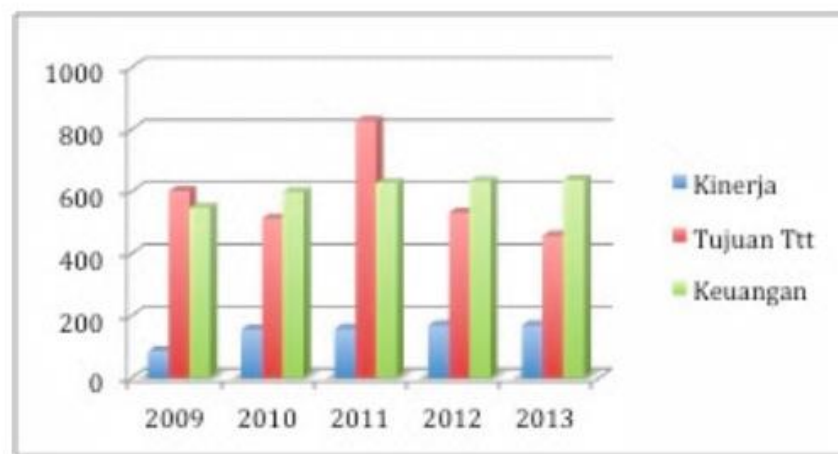


Figure 1: Comparison type of BPK's audit in number for period 2009-2013

(Source: IHPS BPK)

Quality of financial statement is also upgraded, known from the improvement of BPK's opinion as follows in figure 2.

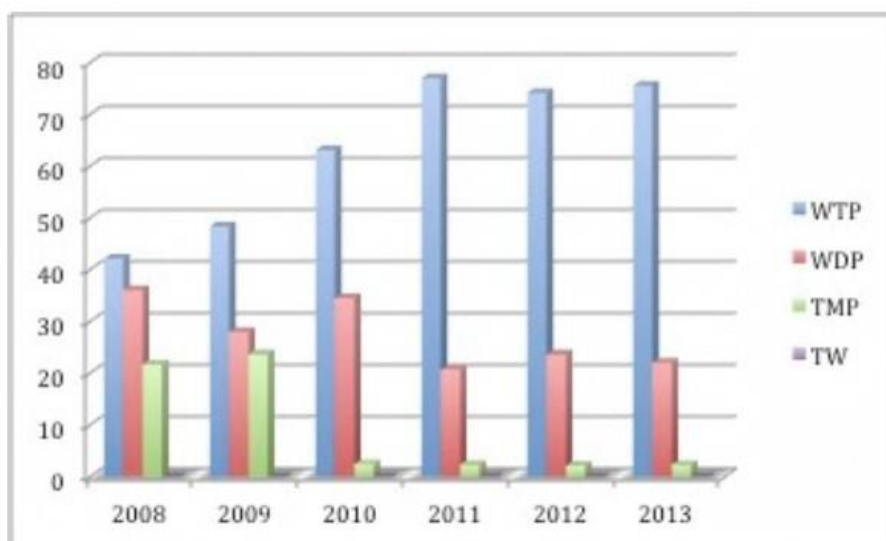


Figure 2: Trend BPK's Opinion of Government Financial Report 2008-2013

(Source: IHPS BPK)

From the figure 2 above shows that the unqualified opinion continues to increase, especially for entities in the central government. However, quality, transparency and accountability of local government are still far from public expectation. This is evident from the number of local government's leaders arrested by Corruption Eradication Commission (Komisi Pemberantasan Korupsi/KPK) arrested despite have good opinion the financial statements. These symptoms indicate the importance of improving the performance audit in addition to the financial audit.

This paper shows the importance of public needs to improve the performance of local governments by support from BPK especially their performance audit. This paper will discuss the development of performance audit in BPK especially at the local government in relation to audit more impactful for the community in the future.

LITERATURE REVIEW

From the latest release, INTOSAI (2013) officially defines the performance audit of public sector in the International Standards of Supreme Audit Institution (ISSAI) 300 of the Fundamental Principles of Performance Auditing, as mentioned by the Lima Declaration with an emphasis on the scope for improvement of audit results, INTOSAI definition explains that the concept of public sector performance audits can address the

issue of a paradigm shift from the previous administration based on financial statements be also based on performance. The full definition of public sector performance audit by ISSAI 300 is as follows:

“ As carried out by Supreme Audit Institutions/SAI's, performance auditing is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency, and effectiveness and whether there is room for improvement.” (INTOSAI, 2013)

This paper uses the analysis of Baimyrzaeva and Kose (2014) that states about role of SAI in collaboration with the community will be mutually beneficial to both parties by focusing on the areas that received great attention from the public and reacting well. Both instrumental and normative benefits of citizen participation directly apply to collaboration between SAIs and citizens, perhaps more so than to other government agencies since these two have important complementarities. They are both accountability watchdogs aiming to increase the quality of governance from within and outside the government respectively. Both use and depend on good quality information to expose problems and identify areas for improvement. More importantly, SAIs are citizens' agents entrusted with keeping the government and governance process accountable. In UNDESA's words, “as the ultimate beneficiaries of a better use of public funds, citizens are the most important stakeholders of supreme audit institutions” (UNDESA 2013). Collaboration between auditors and civil society can take variety of forms. INTOSAI's Survey of its members reveal three main types of interactions in SAI's engagement with citizens, as reported in United Nations Department of Economics and Social/UNDESA's “Citizen Engagement Practices by Supreme Audit Institutions: Compendium of Innovative Practices of Citizen Engagement by Supreme Audit Institutions for Public Accountability” (2013). This typology largely resembles Arnstein's (1969) in Baimyrzaeva and Kose (2014) that ladder of participation even though SAIs typology is much more basic.

Level one: Information Provision to Citizens The most basic form of engagement between SAIs and citizens is one way communication from SAIs to public. Common means of providing information to public include distribution of audit reports through respective SAIs' official websites, media, and conferences. SAIs also use their websites

as well as electronic and postal mail to respond to citizens' inquiries and provide requested information. Most SAIs' practices fall in this category.

Level two: Consultation with Citizens. The intermediary level of engagement includes relationships where SAIs consult with citizens to collect and solicit information and vice versa. This type of engagement is becoming more common although it is not yet widespread among most SAIs. Select SAIs have been using various channels to solicit information from them. Among the most common and more passive forms of receiving citizen input are official websites, as well as postal and electronic mails. More active forms of consultation include using various surveys, focus groups, specialized forums, and advisory boards of citizens or professional organizations to solicit information from citizens.

Level Three: Joint Decision Making at Various Stages of the Auditing Process The highest level of engagement is partnership in decision-making between SAIs and citizens at one or all stages of audit including planning, field work and data collection, reporting, and monitoring of the extent to which audit recommendations are implemented.

Most SAIs around the world are yet to develop strong links to society. While most SAIs disseminate information to public, fewer engage in soliciting information from citizens and even fewer engage them at one or more stages of the audit process. Consultation and joint decision-making at various stages of the audit process are even less popular. According to the same IBP survey, in 57 countries out of 94 surveyed, SAIs have few formal communication mechanisms for public to submit complaints or suggestions.

RESEARCH METHODOLOGY

This paper uses the data obtained from secondary data from the summary of semester's audit report, interview with BPK's expert staff related to water management audit to obtain details of the audit.

RESULTS AND DISCUSSIONS

This paper results show that the quantity of performance audits of local governments continue to rise. The United Nation (UN) developed a model of democratic governance was in third world countries to overcome poverty, food crisis, water crisis and energy crisis. However, most of the audit they are stand-alone and need to led to the outcome-oriented for the communities in local government. This paper discusses the case of performance audit of the provision of water as a performance audit that tend give more impact on society in local government. The explanation as follows:

1. Performance audit considering external issues

IHPS II/2014 stated that provision of clean water is a national program that received great attention. The government has set a target achievement of clean water supply through National Medium Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional/RPJMN) with due regard to the achievement of the Millennium Development Goals (MDGs) agreed upon the Government of Indonesia. In the MDGs, government targets protected access to drinking water in 2015 amounted to 68.87% of which 41.03% is piped drinking water nationwide. In harmony with the MDG targets, the Government in RPJMN for 2010-2014 assign 67% of Indonesia's population has access to drinking water quality. Performance check on the water supply in general, aims to assess the achievement of local governments in the provision of clean water through the taps.

Providing clean water is not only related to the Regional Water Company (Perusahaan Daerah Air Minum/PDAM), but is also related to the Local Government where the taps are, the Interior Ministry who advises the use of funds or investment to the taps, and the Ministry of Public Works and Housing People who provide infrastructure. For example in public sector performance audit provision of clean water, along outcomes associated with the objectives of the national Indonesia in improving the health aspect that is consistent also with the set in the Millennium Development Goals as well as in the Sustainable Development Goals (SDGs). One informant, Novy G.A. Pelenkahu, expert staff in BPK, mention it in the interview as follows:

"Well, at the time of audit related to clean water. BPK members at the time, Mr. Agung Firman (BPK's board member), correcting and see what aspects of the BPK-related water needs to be investigated. Well, the issue already associated RPJMN old, new RPJMN, both discussed related to clean water. And then if we look at the MDGs, it also exists. Then on the continuation of the MDGs is SDGs, the problem was still there. All the problems were definitely there. Then, how BPK sees a priority in the planning? What priority should be seen BPK? Priorities should be selected by the BPK is what matters, which is still be on public complaints." (Interviews with Pelenkahu, 7 October 2015)

2. Performance audit searching benchmark from external entities that applicable

Pelenkahu in the interview also said that performance audit searching benchmark from external entities that applicable as follows:

"The terms of the Good Management Model (GMM) and Best Management Practice (BMP) was actually going to trap us. Why do I say trap is because the term BMP it means that when we audit, we must have a good example. Yesterday when we conduct an audit of water, we get an idea of which model is best. We obtain the best model at the time of PDAM Tirta Musi because it was one of the best taps in the Republic of Indonesia. We mix it with a model of Palembang no extra from Banjarmasin and Surabaya. That we can make a model." (Interviews with Pelenkahu, 7 October 2015)

3. Performance audit involves external opinion in the dissemination of recommendation.

Pelenkahu also reports that the audit of the water supply involves many parties and stakeholders include in dissemination of recommendation. Interview excerpts as follows:

"So if you want to know, the early stages of the audit we tried to find the director of PDAM Tirta Musi and invite discussion. Then we invite discussion with experts on water from Australia, experts from the National Development Planning Agency, Ministry of Health, Local Government, all of whom we invite discussion. Once we are able, we are planning the audit. Each plan, I always say: I'll want BPK say this, this, this. Search for it, I say. If you can not get it, then you are wrong. We can last after all, grabs the whole, the whole Conclusions, the whole findings, everything. Our joint recommendation, we ask again to all of them, the ministry of finance, ministry of Public Works, Ministry of Health, the interior ministry, and also of BPP-SPAM (Agency referring to the provision of drinking water). Then, PERPAMSI (Association of All Indonesian PDAM). Everything is collected and BPK

said that these audit results, this recommendation, if there is input again. Ah, they become happy.” (Interviews with Pelenkahu, 7 October 2015)

4. Performance audit revisited the importance of leadership from local government's leader

IHPS II / 2014 states that the terms of the planning of water supply by the local government and PDAM, the local government is responsible for formulating policies and strategies (Kebijakan dan Strategi/Jakstra) of development of Water Supply System (Sistem Penyediaan Air Minum/SPAM) area and the Master Plan for SPAM as the development direction of SPAM by local governments and PDAM. BPK discovered that examined 95 local governments have not set Jakstra of SPAM development area in the form of documents set out in the regulation of regional head. In addition, 90 local governments have not set the Master Plan of SPAM. It mainly resulted in local governments do not have the direction, strategies, and guidelines for conducting water supply and the development of appropriate SPAM. Then how the results of a performance audit on the management of clean water that returns the awareness of the importance role of head of local government, Pelenkahu expresses as follows:

“The effect of the audit of the water supply was very large. Then we return to the most basic things, that the responsibility for the provision of clean water is in the heads of local governments. Then it's in the audit procedure, the head of the local government must explain the Master Plan for Water Supply (Rencana Induk Sistem Penyediaan Air Minum/RISPAM) in their respective regions. Yes they are forced to explain, and the effect was good. Many heads of local governments do not know that they have task in water management. At that time there was a dialogue between the Chairman of BPK with several heads of regions in West Java, Bandung Regent, Chairman of BPK talk that we will audit for the welfare of the people, we will point to it. Bandung Regent, said something like this, I think BPK has been conducting audits for public welfare. For example, he said, previously BPK conducts an audit of the hotel and restaurant local taxes. With the recommendation BPK, now the local government revenue (Pendapatan asli daerah/PAD) rises. The rising of PAD funds contributes for the development of community. Now, BPK audit related to clean water, drinking water, I just found out, it was my responsibility. I just know that we have a target. Well, Thank God I hit the target. It's important for my people, providing clean water.” (Interviews with Pelenkahu, 7 October 2015)

From the interview, we can find that the benefits obtained by the BPK are as follows:

1. Obtain valuable input in planning the audit. Input can be the theme of the examination as well as the expectations of the public examination.
2. Obtain valuable input in both field inspection and detailed preliminary stage. In determining the key areas and criteria, the auditor may obtain input from external parties to acquire the key areas and more precise criteria to answer the problems that occur in the community.
3. Obtain valuable input to the follow-up examination. The auditor may determine whether the recommendations made to the government executed well and provide benefits to the government.

The benefits derived by the public, especially local governments are as follows:

1. The community can express its wishes related to perceived issues related to public services.
2. People can make an assessment on the level of satisfaction in public service, including after the BPK conducted performance audits.
3. Public can obtain the information they need from the performance audit results of BPK.

Mutualism relationship between the auditor and the community will bring people's expectations and audit implementation to assess the fulfillment of expectations of the people by the government. Symbiosis will be more effective to spur the government to serve the community well, outside of the oversight function performed by parliament.

Thus the provision of clean water audit conducted BPK has entered at level 1 (information) on the participation of the community. Level 2 (consultation) and 3 (joint decision making) have not been as evident from performance audit by BPK. Prove of implementation of level 1 (information) shown from the dissemination of that performance audit result. BPK's speaker informs about the lack of clean water distribution in 83 local governments from 102 local governments that BPK has audited. BPK gives information about the problems that occurs and recommendation especially to recover the management of clean water distribution company (bpk.go.id, 2015). The real of mutualism from BPK audit can be seen whether the results of the audit have been on target in providing benefits to the citizens so that BPK can perform the job better.

CONCLUSION

A performance audit of the provision of clean water become an example of how a performance audit conducted because of the sensitivity of the problems that exist at the community level about the needs of drinking water. The audit also an example of how the results of the audit at least be applied by local governments. However, the effectiveness of the performance audit is not directly handled by the auditor and still needs the contribution of the public oversight other than parliament. This paper proposes that the BPK's performance audit perspective towards the mutualism relationship with people in local government. To be more impactful performance audit, this paper proposes the model of participatory audit, especially when BPK planning the audit in many sector that close related with community. A limitation of this paper is prioritizing information from secondary data that IHPS and website of BPK then crossed with an interview with the expert staff BPK. In the future, extending the data source should be taken to strengthen study.

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