



I Kadek Suartama, Syamsul Nurdin, dan Fakhridho SBP Susilo

BPK RI, Indonesia

ikadek.suartama@bpk.go.id ,

syamsul.nurdin@bpk.go.id, fakhridho.susilo@bpk.go.id



PENGEMBANGAN DESAIN PEMERIKSAAN BPK UNTUK KESEJAHTERAAN RAKYAT: PENDEKATAN APLIKATIF DI BPK

ENHANCING BPK RI'S AUDIT DESIGN FOR PEOPLE'S WELFARE: A PRACTICAL APPROACH

ABSTRAK/ABSTRACT

Renstra BPK 2016-2020 mensyaratkan pemeriksaan-pemeriksaan BPK dilaksanakan sedemikian rupa sehingga dapat mendorong terwujudnya pembangunan untuk sebesar-besarnya kemakmuran rakyat sebagai refleksi dari peningkatan kematangan BPK. Pemeriksaan BPK diharapkan mampu menilai dan mengevaluasi apakah program-program pembangunan yang didesain atau ditetapkan dalam RPJMN telah mencapai outcome maupun dampak yang diinginkan yaitu meningkatkan kesejahteraan masyarakat. Studi ini bertujuan untuk mencari pendekatan praktis untuk memperkuat desain audit BPK agar dapat berperan untuk meningkatkan kesejahteraan rakyat seperti yang disyaratkan dalam Renstra 2016-2020. Penulis menggunakan pengalaman profesional dalam membangun formula Kebijakan Pemeriksaan BPK 2016-2020, dimana penulis terlibat aktif dalam penyusunannya. Selain itu penulis juga menggunakan revidi atas desain audit yang ada saat ini serta studi literatur dalam sebagai bahan analisa studi. Hasil studi menyimpulkan bahwa pemeriksaan BPK seharusnya di desain untuk sesuai dengan RPJMN 2015-2019 yang berhubungan langsung dengan indikator kesejahteraan.

The 2016-2020 Strategic Plan of BPK RI necessitates audits to be conducted to advance people's welfare at the greatest extent possible as a reflection of growing maturity of BPK RI as an accountability organization. This would require BPK RI to be able to examine and evaluate whether government's development programs under RPJMN have achieved the desired outcomes or impact of increasing people's welfare. This paper aimed to find a practical approach to enhance BPK RI's audit design in order to be able to contribute to the optimization of people's welfare as required under the new vision of Renstra 2016-2020. The authors use their experience on the recent formulation of 'BPK RI's Audit Policy 2016-2020' (Kebijakan Pemeriksaan 2016-2020), in which the authors are actively involved. The authors also use reviews of existing audit design and study on relevant theoretical and academic literatures that provide the overarching study framework. The study concluded that BPK audits should be designed toward national development programs in RPJMN 2015-2019 which correlate directly with or possessing great leverage in the achievement of welfare indicators.

KATA KUNCI:

Kesejahteraan, Desain Audit, Perencanaan, RPJMN

KEYWORDS:

Welfare, Audit Design, Planning, RPJMN

SEJARAH ARTIKEL:

Diterima pertama: Oktober 2015

Dinyatakan dapat dimuat : Desember 2015

INTRODUCTION

The Audit Board of the Republic of Indonesia ('BPK RI') is currently formulating its 2016-2020 Strategic Plan ('Renstra 2016-2020'). What becomes a central and important part in the formulation is the vision statement as it provides a "guiding image" (Allison & Kaye, 2005) on where BPK RI as an organization is heading to in the next five years. Indeed, according to Bryson (2004, p. 225): "... it is hard to imagine an organization surviving in the long run without some sort of vision to inspire it." The preliminary version of Renstra 2016-2020, hence, presents BPK RI's vision statement as follows: "Mendorong pengelolaan keuangan negara untuk sebesar-besar kemakmuran rakyat" (BPK RI's Directorate of Strategic Planning and Performance Management, 2015). Loosely translated: "Advancing the governance of state's finance to the greatest extent of people's welfare."

This vision statement uniquely conveys three dimensions, namely legal, organizational, and transformational. In the first dimension, the vision statement takes into account the ultimate purpose of state's finance as stipulated in Article 23 of the 1945 Constitution of the Republic of Indonesia ('UUD 1945') which is to contribute "toward people's welfare to the greatest extent possible". This relates directly with the mandate of BPK RI given under UUD 1945 (Article 23E), as well as Law No. 15 of 2006 (Article 6) and Law No. 15 of 2004 (Article 2), to perform audit on "the administration and accountability of state's finance". In this sense, it can be regarded that BPK RI also shoulders the responsibility to ensure that state's finance does contribute to the attainment of people's welfare.

From the organizational perspective, the vision statement attempts to grasp the concerns of BPK RI's top leadership and set a tone at the

top that the audits of BPK RI should be able to contribute toward the improvement of people's welfare (Putri, 2014). These concerns are expressed at internal meetings within BPK RI and various public discussions or talks attended by Chairman or Board Members of BPK RI in their respective capacity as speakers or resource persons ("Ketua BPK RI Sampaikan Kuliah Umum Kepada Mahasiswa MM USU", 2015; "Unand Menggelar Kuliah Umum Bersama Ketua BPK RI", 2015; BPK RI's Public Relations and International Cooperation Bureau, 2014; BPK RI's West Java Representative Office, 2015).

The Chairman of the Audit Board further reaffirmed this commitment during BPK RI's Coordination Meeting in 2015 in which the general goals of BPK RI's audits are outlined as follows (Azis, 2015):

1. To safeguard and assure that state's finance is utilized optimally for people's welfare;
2. Assuring transparency and accountability of state's finance;
3. Assuring that entities receiving 'unqualified' (WTP) opinions from BPK RI are corruption-free and having an increased people's welfare;
4. Evaluating the government's development efforts in mitigating the level of poverty, unemployment, income inequality, and in increasing human development index.

Lastly, in the transformational sense, the vision statement emboldens the transition of BPK RI from an organization emphasizing more on internal capacity development and infrastructure sufficiency toward one with an outward orientation that seeks to make a bigger impact on its strategic environment. This transition is pretty much evident if one compares the vision statement and focus of the two previous strategic plans ('Renstra') with Renstra 2016-2020. This would consequently, shift the role of BPK RI from the traditional

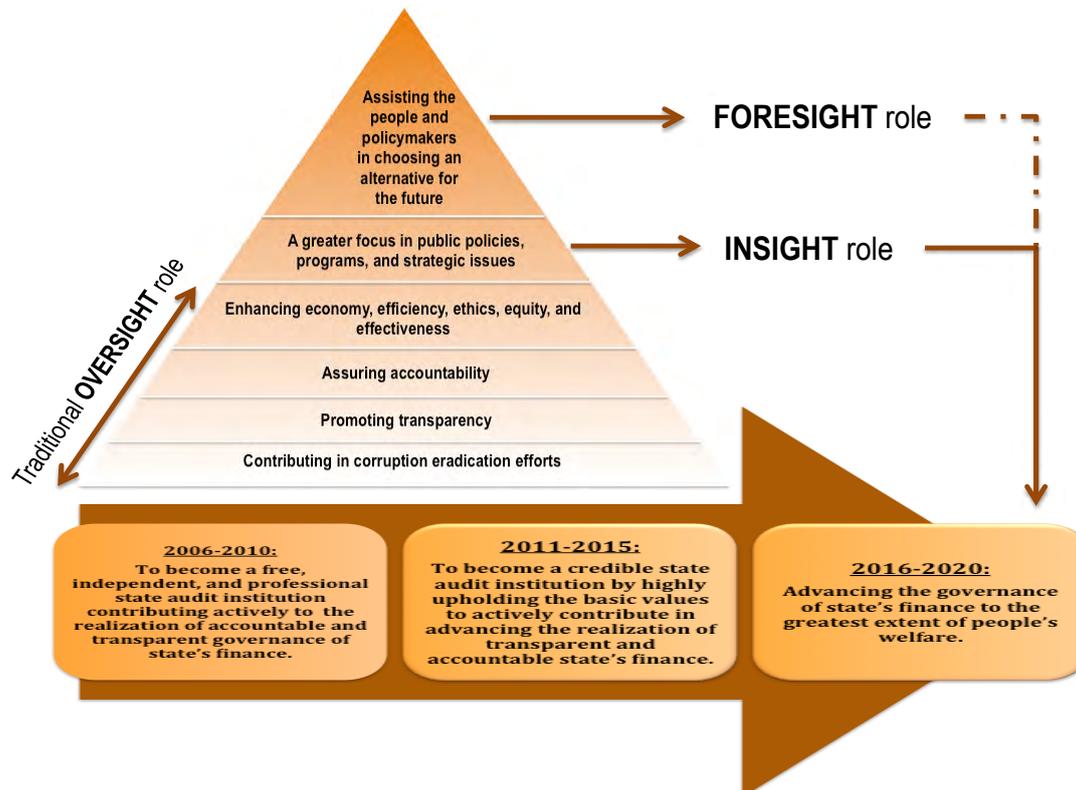


Figure 1 An Higher Role Under AOMM in synergy with BPK RI's Evolved Vision

Source: modified from Walker, 2006

‘oversight’ where the concerns traditionally lie in combating corruption and ensuring transparency and accountability to the more advanced ‘insight’ (and even foresight’) in accordance with the ‘Accountability Organization Maturity Model (AOMM)’ as shown below (Walker, 2006).

To cope with the newly founded vision and expected role, BPK RI must enhance its capacities; of which the most crucial is audit capacity being the core business of BPK RI. This paper is thus devoted to discuss this issue more thoroughly. It will firstly begin by examining the sufficiency of existing audit design framework to live up to the expectation of the new Renstra 2016-2020 and any potential gaps found. In the attempt to propose a way forward in the next sections, this paper draws upon recent experience of the authors in formulating ‘BPK RI’s Audit Policy 2016-2020’ which will be an integral part of Renstra 2016-2020. This will be complemented with a range of theoretical foundations from the field of auditing, development studies, and other

relevant literatures. In the concluding section, it summarizes the discussion and maps a way for future agenda.

Based on the above, the main research question in the present paper is: How can BPK RI, through its auditing power, contribute to the efforts in optimizing people’s welfare? This research question is further broken down into several sub-research questions:

1. Is the current BPK RI’s audit design already aligned with the new vision statement under Renstra 2016-2020? Are there any identifiable gaps?
2. How can BPK RI’s audit design be enhanced and operationalized?

This paper aimed to find a practical approach to enhance BPK RI’s audit design in order to be able to contribute to the optimization of people’s welfare as required under the new vision of Renstra 2016-2020.

This paper will be beneficial for the BPK’s

ongoing efforts to redevelop its audit capacity in order to be able to make bigger impacts toward its strategic environment and thus play a more advanced role under the AOMM. Specifically, it will be a tribute to the perfection of BPK RI's Audit Policy 2016-2020 which is an integral part of Renstra 2016-2020. Moreover, this paper also serves as an effort of the authors to document and communicate the method employed in the formulation of the Audit Policy above.

As such, the following discussions will be based mainly upon the experience of the authors, particularly the recent formulation of 'BPK RI's Audit Policy 2016-2020' (Kebijakan Pemeriksaan 2016-2020) in which the authors are actively involved; reviews of existing audit design; and study on relevant theoretical and academic literatures that provide the overarching framework as stated above.

THEORETICAL FRAMEWORK

Welfare and national development

The concept of welfare is particularly relevant to discuss in the present paper as it relates to the vision of BPK RI's Renstra 2016-2020 and will thereby affect the audit design framework. A look at the etymological definition of the word 'welfare' brings one to face two dimensions of 'welfare'; namely that of a condition and that of an effort. Merriam-Webster online dictionary (n.d.), for example, defines 'welfare' both as "the state of doing well especially in respect to good fortune, happiness, well-being, or prosperity" and "aid in the form of money or necessities for those in need". Similarly, 'welfare' can also be defined as "the health, happiness, and fortunes of a person or group" and "statutory procedure or social effort designed to promote the basic physical and material well-being of people in need" (Oxford online dictionary, n.d.).

These two dimensions of 'welfare' form the basic

understanding to the conception of 'welfare state', which is defined by Encyclopaedia Britannica (n.d) as a:

"...concept of government in which the state or a well-established network of social institutions plays a key role in the protection and promotion of the economic and social well-being of citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life."

Although different countries have their own distinctive calling for such concept, such as Sozialstaat in Germany, l'etat providence in France, and Folkhemmet in Sweden, the 'welfare state' in the broadest sense is defined by Leibfried and Obinger (2001, p. 1) as "higher degree of legitimate state intervention aimed at increasing public welfare." According to Barr (2004) the role of the state is most apparent in areas such as cash benefits; health care; education; and food, housing, and other welfare services. In the mean time, Marcuzzo (2010, p. 191) outlines four interrelated objectives of the 'welfare state', namely to "support living standards and reduce inequality, and in so doing it should avoid costs explosion and deter behaviour conducive to moral hazard and adverse selection." All these should be accomplished at the lowest administrative cost and abuse of power.

From the above, it can be conceived that the concept of 'welfare state' is intertwined with the idea of development, which, according to the World Bank incorporates all aspects of individuals' well-being from health to economic and political freedom, as captured in the notion of 'human development', and even extends to socio-environmental factors under 'sustainable development' (Soubbotina, 2000). In this respect, social welfare can be regarded as a part of or one of the aims of development. Furthermore, according to Sumner and Tribe (2008, p. 13) development can also be looked

upon from three different angles, one of which is “development as a short-to-medium term outcome of desirable targets.” This pertains to development as policies or programs which are time-bound and involve evaluation thereof based on certain criteria or values.

The conception of development conveyed by Sumner and Tribe (2008) is particularly relevant in the national, Indonesian context where national development is held based on long-term and medium-term plan in accordance with Law No. 25 of 2004 on National Development Planning System. The latter is known as Rencana Pembangunan Jangka Menengah Nasional or National Medium-Term Development Plan (‘RPJMN’), which is a 5-year cycle development plan as stipulated in Article 1 point 5 of the Law. In this respect, RPJMN can be regarded as a guiding document in the advancement of Indonesia’s social welfare as part of national development efforts. In the context of formulating BPK RI’s Audit Policy 2016-2020, the applicable RPJMN to discuss is ‘RPJMN 2015-2019’.

The Measurement of Welfare

Considering the breadth of scope in the definition of welfare, which includes physical and non-physical aspects as stated above, it is important to be able to account for its success or the outcomes of social welfare policies or programs as part of national development. Hence, the measurement of welfare becomes an important topic. Indeed, it was the concern of scholars on the initial vagueness of the concept of development which triggers the assignment of indicators and indices according to Sumner and Tribe (2008) and the emergence of the view of development as time-bound policies or programs with certain targets.

The measurement of welfare must firstly take into account Drewnowski’s three aspects of welfare, which include (as cited in Roos, 1973): level of physical development (somatic status) such as nutrition, health, and life expectancy; level of mental development (cultural status)

such as education and employment; and level of social standing (social status). Despite the many indicators and indices used to measure level of welfare known to date, this paper considers several measurements to be most relevant as they emphasize more on human aspect as subject – instead of object – of development and better reflects Drewnowski’s three aspects of welfare.

These measurement include Human Development Index (HDI) or the similar Indonesian version Indeks Pembangunan Manusia (IPM); Indeks Kesejahteraan Rakyat (IKRaR); and Indeks Kesejahteraan Rakyat Nasional (IKRN). HDI, as well as IPM, has three main criteria that form the basis of measurement, namely “a long and healthy life”, “being knowledgeable”, and “have a decent standard of living (UNDP, 2014). Meanwhile, IKRAR consist of 3 measurement dimension namely economic, social and politic (Indonesia’s Coordinating Ministry for People’s Welfare, 2014) whereas IKRN has 4 measurement dimension namely poverty, health, education and basic infrastructure. Common indicators among these measurements include poverty level, average school years, and mortality rate.

Public Sector Auditing and Welfare

“Making a difference to the lives of citizens” is the highest purpose that a supreme audit institution can attain through its public sector auditing mandate. Such purpose is espoused in the International Standards of Supreme Audit Institutions (ISSAI) 12, which outlines the value and benefit of a supreme audit institution (INTOSAI, n.d.). ISSAI 12 further highlights three core principles as prerequisites for a supreme audit institution in realizing such purpose, namely:

1. Strengthening the accountability, transparency and integrity of government and public sector entities;
2. Demonstrating ongoing relevance to citizens, parliament and other

stakeholders; and

3. Being a model organization through leading by example.

The first principle deals with assuring the efficiency, accountability, effectiveness and transparency of government/public agencies for the use of public resources entrusted upon them by the people. In this sense, supreme audit institutions are acting in the public interest to ensure that accountability, transparency and integrity of government are maintained which is essential for a working and stable democracy. In the second principle, supreme audit institution as bearer of public interest should be able to respond to the expectations

a difference to the lives of citizens by seeking to contribute to the optimization of people's welfare through its audit function which will be directed toward assessing and examining the effectiveness of national development programs that affect the lives of many Indonesians. This actually reflects a broader effort by BPK RI to strengthen the accountability, transparency and integrity of public agencies by assuring that the state budget manifested through such programs reaches its intended objective of optimizing the welfare of the people. BPK RI's concern with assessing and examining the effectiveness of national development programs also reflect an ongoing relevance with

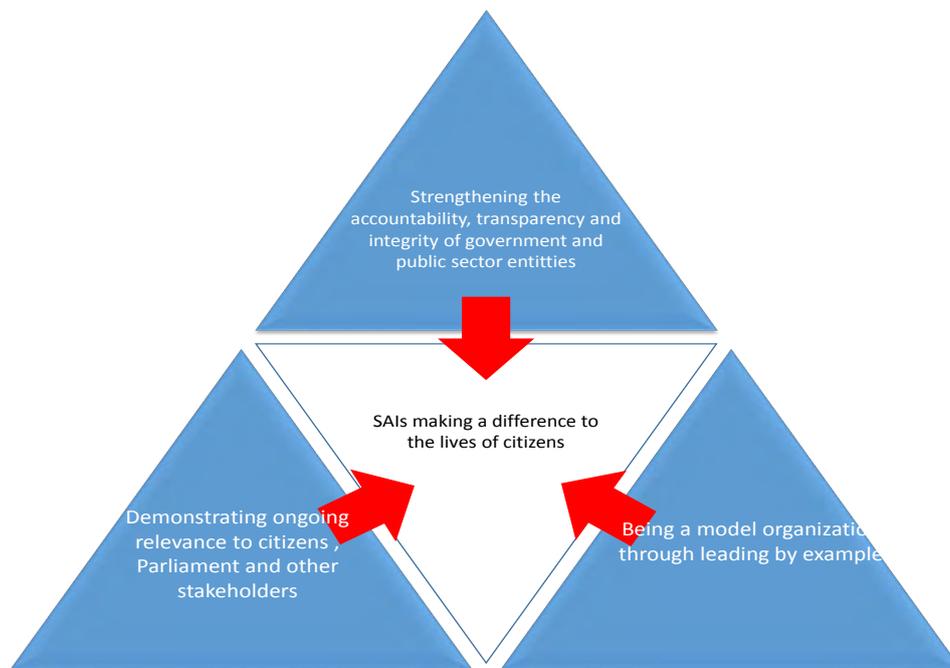


Figure 2 The Framework of ISSAI 12

Source: adopted from IDI, n.d.

of and emerging challenges felt by the citizens and other relevant stakeholders through their audits and provision of objective insights. Finally, to maintain public trust upon them, supreme audit institutions need to be a model institution which workings reflect all the values that they stand up for.

Taking into account these principles, BPK RI strives to realize the ultimate purpose of making

citizens' needs and challenges as Indonesia as a developing country still ranks in the lower end of many welfare measurements. Finally, the shift toward a bigger emphasis on assessing and examining the effectiveness of national development programs necessitates BPK RI to improve itself in every operational aspect, refining methods and perfecting its audits, and thereby serves as model organization for other public agencies.

Public Sector Audit and Audit Planning

The International Standards of Supreme Audit Institutions (ISSAI) 100 describes the range or types of public sector audit that a supreme audit institution can conduct, namely (INTOSAI, n.d.):

- a. Financial Audit which focuses on determining whether an entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework;
- b. Performance Audit which focuses on whether interventions, programmes, and institutions are performing in accordance with the principles economy, efficiency and effectiveness and whether there is room for improvement; and
- c. Compliance Audit which focuses on whether a particular subject matter is in compliance with authorities identified as criteria.

Moreover, ISSAI 100 describes the fundamental and necessary considerations in the planning phase of audit, which can be broadly classified into two, namely strategic and operational planning. As stated in ISSAI 100 (INTOSAI, n.d.):

“Strategically, planning should define the audit scope, objectives and approach. The objectives refer to what the audit is intended to accomplish. The scope relates to the subject matter and the criteria which the auditors will use to assess and report on the subject matter, and is directly related to the objectives. The approach will describe the nature and extent of the procedures to be used for gathering audit evidence.”

Whereas operationally, “planning entails setting a timetable for the audit and defining the nature, timing and extent of the audit procedures. During planning, auditors should assign the members of their team as appropriate and identify other resources that may be required, such as subject experts.”

(INTOSAI, n.d.)

It is the former, planning in the strategic sense, that is the emphasis of this paper as it relates directly to the ability of BPK RI to fulfill the new focus and expected role espoused in Renstra 2016-2020. Accordingly, ISSAI 100 asserts that one of the most important thing in planning is that auditors need to clarify the terms of audit which include information on “the subject, scope and objectives of the audit, access to data, the report that will result from the audit, the audit process, contact persons, and the roles and responsibilities of the different parties to the engagement” (INTOSAI, n.d.). Further, it is also necessary to obtain an understanding of the nature of the entity or programme to be audited, which include “understanding the relevant objectives, operations, regulatory environment, internal controls, financial and other systems and business processes, and researching the potential sources of audit evidence” (INTOSAI, n.d.).

The planning process is particularly important in performance audit where the degree of complexity is greater and there is an ever-increasing demand of responsiveness (van der Knaap, 2012). As such, INTOSAI Development Initiative (IDI) in its handbook on performance audit emphasizes on the need for strategic planning in performance audit (IDI, n.d.). The process of strategic planning itself is preceded by identification and filtering of potential topics. External reports, documents, news, research as well as internal documents can be used to scan a range of potential topics. Once selected, the topic goes into official audit plan and is programmed to be audited in the respective year. The process is illustrated in Figure 3 below.

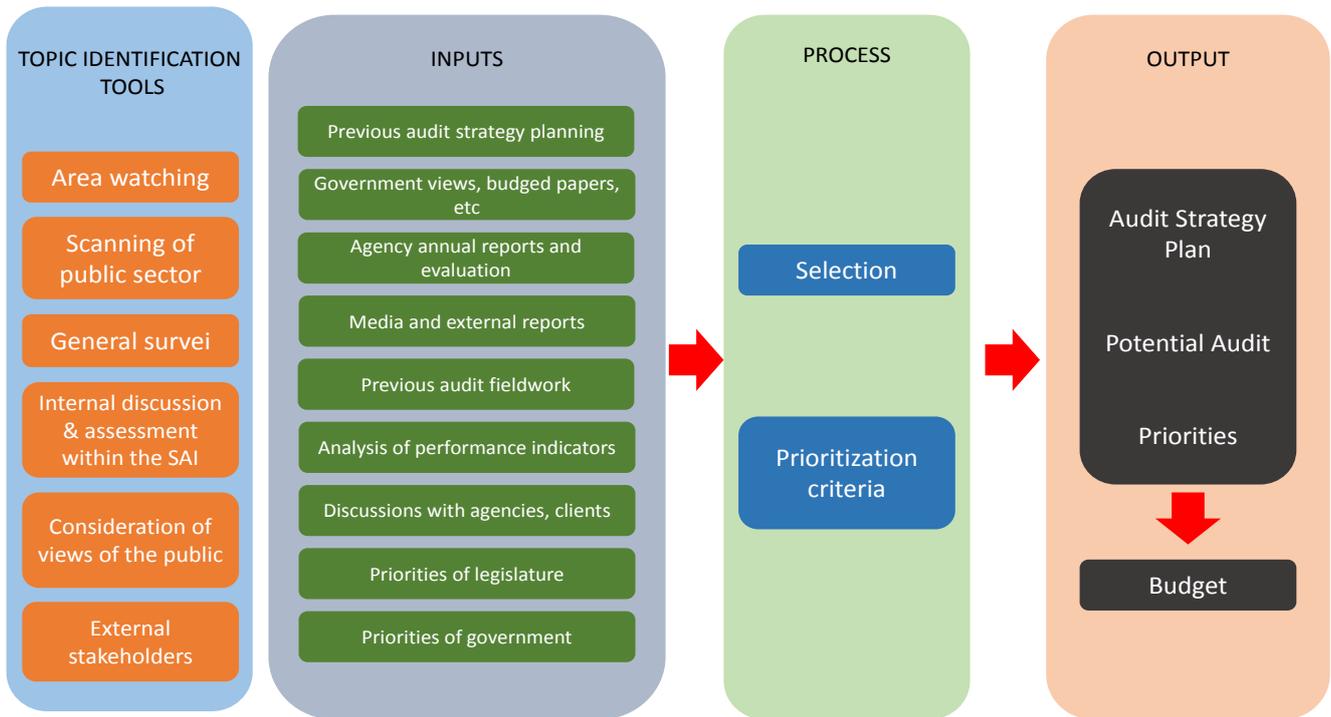


Figure 3. Strategic planning process of performance audit

Source: adopted from IDI, n.d.

ENHANCING BPK RI'S AUDIT DESIGN: BETTER ALIGNMENT OF AUDIT AND RPJMN

Current Audit Design and the Need for Improvement

As a supreme audit institution, the authority of BPK RI to perform audits is governed under Law No. 15 of 2004 and Law No. 15 of 2006. The types of audit that BPK RI can conduct based on these laws include: financial audit; performance audit; and specific purpose audit. Law No. 25 of 2004 under Article 4 elaborates that Financial Audit is audit conducted toward the financial report of entities, whereas Performance Audit is audit on the governance of state's finance consisting of audit toward the economic and efficiency aspects and audit toward the effectiveness aspect, and Specific Purpose Audit

is audit which scope falls outside Financial or Performance Audit.

In the context of advancing people's welfare, the audits conducted by BPK RI can be regarded as serving two overarching purposes. The first one deals with assuring that development programs financed using state's finance as contained in RPJMN are planned, implemented, and reported in a transparent and accountable manner in compliance with the relevant laws and regulations. Looking at the types of audit within BPK RI's authority above, this purpose is best served using Financial and Specific Purpose Audit. The second purpose, on the other hand, relates with examining and evaluating whether government's development programs under RPJMN have achieved the desired outcomes or impact of increased people's welfare. Hence, it is best answered using Performance Audit.

A look at the current audit design of BPK RI informs one that such design has not yet

been optimally directed to comprehensively evaluate government’s development programs in increasing people’s welfare as it still places greater focus on the transparency and accountability aspect of state’s finance. This can be seen from the proportion of financial and specific purpose audits which are still bigger compared to performance audit.

This stands to be an issue because Financial Audit cannot be directly connected with the level of welfare in certain region as it is based on strict and well-defined accounting standards and principles, whereas the measurement of welfare requires one to look at completely different indicators and indices of welfare as

of state’s finance administratively and its recommendations have helped the government in improving the accountability and transparency of state’s finance. This can be seen in Figure 5 and Figure 6 where the percentage of central government entities as well as local governments receiving ‘unqualified’ opinion (WTP) has risen throughout the period 2011 to 2014. BPK RI has also successfully recovered (save) a great deal of state’s financial loss due to fraud or mismanagement amounting to more than 500 billion Rupiah as of 2014 (BPK RI, 2014). Gradual improvements in financial reporting and budgeting has also allowed a smoother transition from ‘cash-based

accounting’ to ‘accrual-based accounting’ by the government (Negara, 2015) which will further improve the management of state’s finance.

Nevertheless, on the more substantial question of whether the use of state’s finance has truly increased people’s welfare and successfully tackled the most pressing challenges of Indonesia, there has not yet been a concerted/holistic effort by BPK RI to answer such question since audits

conducted to evaluate and answer this question is still performed disparately, at the very micro level, or even worse, accidentally. It is thus a challenge for BPK RI to design audits that can provide assurance both on the administrative and substantive aspect of state’s finance. BPK RI is expected to be able to comprehensively and holistically evaluate that development programs planned and implemented by the government are really directed toward increasing people’s welfare and tackling the most pressing challenges that Indonesia as a country faces.

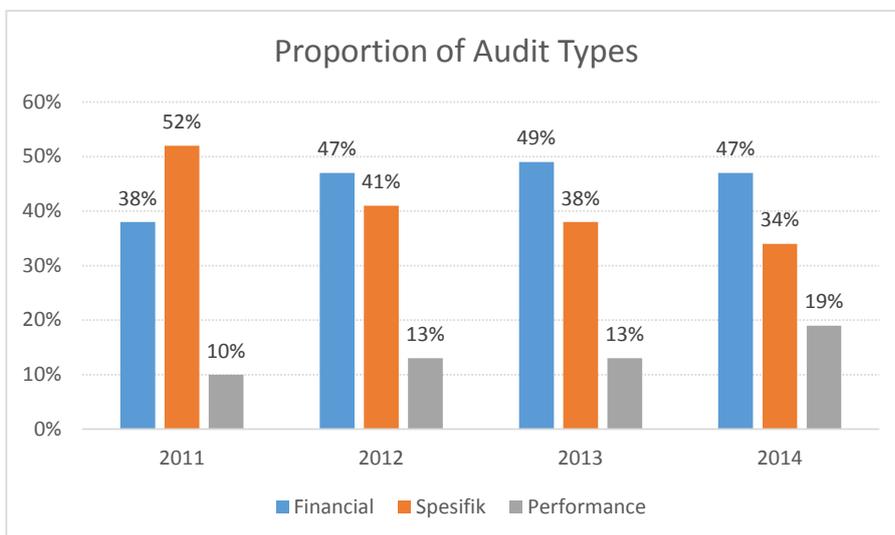


Figure 4. Proportion of BPK RI’s Audit Types 2011-2014

explained previously. However, Additionally, even though there have been Performance Audits conducted to measure the effectiveness of development programs, such audits are done disparately and often not in synergy with other audits, thus rendering it difficult to provide a comprehensive assessment and conclusion on whether the desired outcome and impacts of government’s development program in increasing people’s welfare have been achieved. The explanation above does not mean in any way to belittle the contribution of BPK RI toward the governance of Indonesia. Thus far, BPK RI has contributed toward the assurance

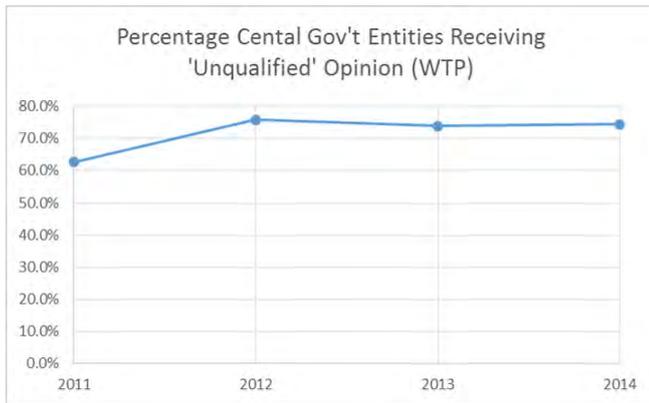


Figure 5. Percentage of Central Governments Receiving 'Unqualified' Opinion (WTP), 2011-2014.

Source: modified from BPK RI, 2011; 2012; 2013; 2014

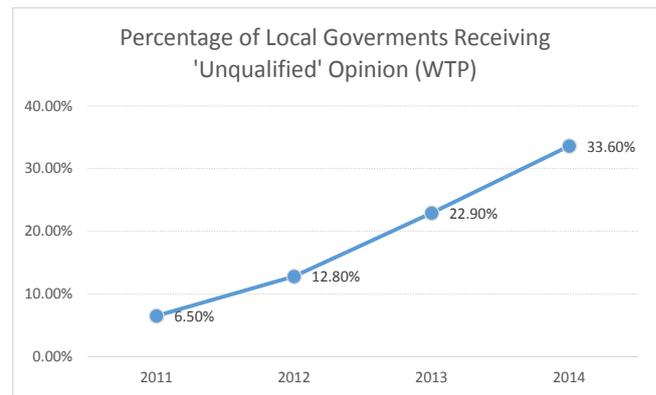


Figure 6. Percentage of Local Governments Receiving 'Unqualified' Opinion (WTP), 2011-2014.

Source: modified from BPK RI, 2011; 2012; 2013; 2014

The Relevance of RPJMN 2015-2019 in Audit Design

Before embarking on the discussion on the improvement of the current audit design of BPK RI, it is pertinent to provide a bird's eye view of RPJMN 2015-2019 and its relevance as a central document in the new audit design framework. As a planning document, RPJMN 2015-2019 contains 'Primary Development Goals' ('sasaran pokok pembangunan') to account for the success (outcome and impact) of overall development efforts at the end of the 5-year period. Primary Development Goals contains welfare indicators as measurement which sees welfare holistically from the social, economic, and political point of view. As a matter of fact such Primary Development Goals correlates directly with many of the previously mentioned welfare indicators, for example HDI, IKRaR and IKRN, which can be seen on the Table 1.

It can be seen from the above that national development programs under RPJMN 2015-2019 are basically directed toward achieving the development goals reflecting the welfare indicator or measurement. Even though, there are programs which do not directly correlate with the welfare indicators, such programs still have great leverage toward the achievement of the development goals. Hence, it makes sense

for BPK RI to align its audit design with RPJMN 2015-2019 in order to be able to contribute toward the advancement of people's welfare.

Improved Planning for an Enhanced Audit Design

Improving BPK RI's audit design to be able to comprehensively and holistically evaluate government's development programs would require better alignment between BPK RI's audit and RPJMN as the guiding document in the advancement of Indonesia's social welfare. Such alignment applies most importantly at the planning phase of audit for at least two reasons. First, audit planning is where the audit objective and scope are determined and thus will greatly affect the implementation and the ability of BPK RI to, in the end, conclude (menyimpulkan) on the success (or failure) of RPJMN's development programs as explained earlier. Second, information obtained during the planning can be used to determine the scale of audits, and weigh the commitment on resources and other supports necessary for success.

The strategic audit plan of BPK RI is formulated for a 5-year term and is manifested in 'BPK RI's Audit Policy 2016-2020' which highlights BPK RI's focus (topic) of audit and respective

Table 1 Correlation of Sasaran Pokok Pembangunan in RPJMN and IKRaR and IKRN

Primary Development Goals of RPJMN	IKRaR	IKRN	HDI
Poverty level	Per capita income Use of social insurance	Total number of people below poverty line Percentage of people living below poverty line	GDP per kapita Population in multidimensional poverty
Average years in school of people above 15 years of age Average literacy rate of people above 15 years of age	Years in school of people above 15 years of age	Average school years Percentage of literacy rate	Men Years of Scholling Adult Literacy Rate Population at least some secondary education
Mortality rate of mother Mortality rate of infant	Access to Healthcare	Infant Mortality	Life expetancy at birth Infant mortality rate
Electrification ratio Access to drinkable water Access to proper sanitation	Access to electricity Access to clean water Akses to sanitation	Accessibility to energy	

Source: *modified from Bappenas, 2015*

strategy for the next five years, including key areas that are deemed important to be evaluated in each audit focus. The strategic planning will be further broken down into yearly planning (Rencana Kerja Pemeriksaan or ‘RKP’) in which the audit objectives (tujuan penugasan) are put into more detail and the entities or objects of audit (obyek pemeriksaan) specified. Greater alignment with RPJMN 2015-2019 in the new audit policy was conducted in several respects which is highlighted below.

Identification of Audit Focus

In formulating strategic audit plan based on ISSAI 100 as mentioned above, the first step is clarifying the terms of audit which include identification of the ‘subject matter’ of audit. Subject matter can basically be identified at the strategic and assignment level. In the context of the formulation of ‘BPK RI’s Audit Policy 2016-2020’, subject matter at the strategic level will be termed as ‘Audit Focus’ (Fokus Pemeriksaan) whereas at the assignment level it is known as

‘Audit Object’ (Obyek Pemeriksaan) and will be discussed later on. As the selection of Audit Focus is based primarily on RPJMN 2015-2019 as reference, it can be defined as national development programs chosen to be audited by BPK RI at the strategic level for the next five years.

In the selection of Audit Focus, the authors initially deal with identifying at which level of RPJMN 2015-2019 (i.e. National Priorities, Cross Program, Program, or Activities) will Audit Focus be chosen from. Based on the analysis on the construction of RPJMN 2015-2019 and initial discussion with the Indonesian National Development Planning Board (Bappenas), it is decided that Audit Focus will be chosen from Cross-Program (Program Lintas) since it is considered more concrete than the upper layers yet strategic enough to be made as Audit Focus. Cross-Program itself is designed to tackle strategic issues of development in RPJMN 2015-2019 as illustrated above.

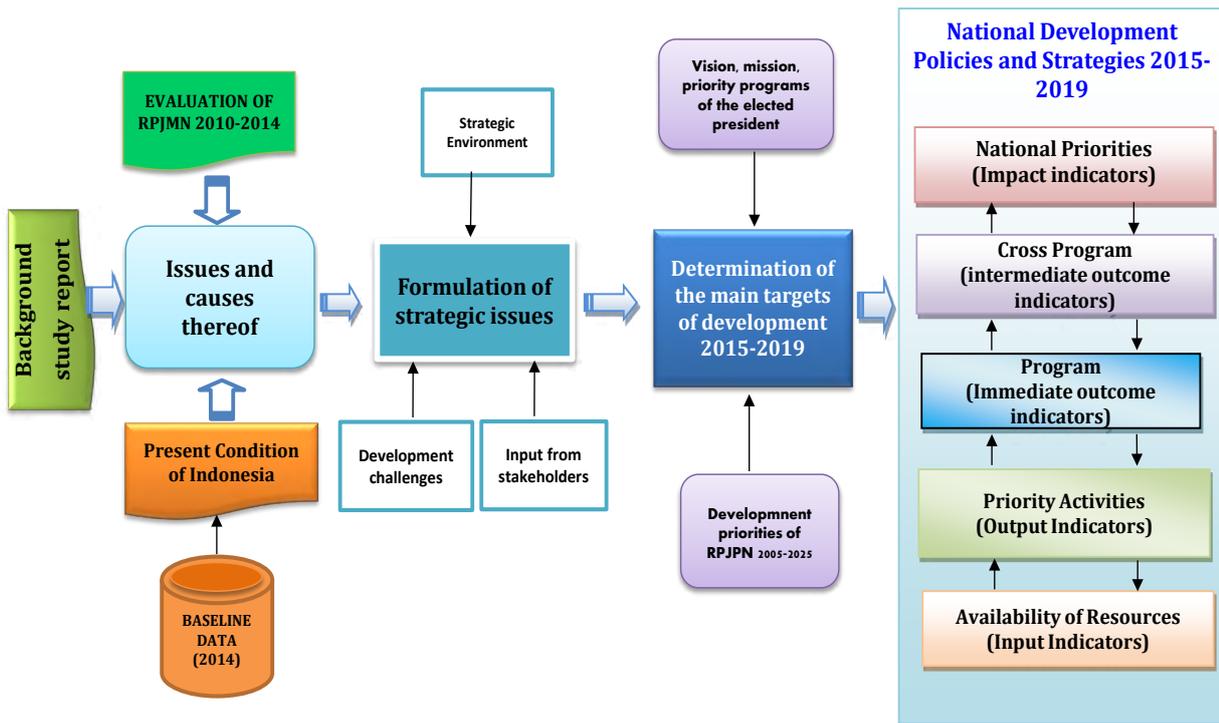


Figure 7 Formulation of RPJMN 2015-2019 and Levelling of National Development Programs

(Source: Bappenas, 2015)

Further analysis on the various Cross-Program contained in RPJMN 2015-2019 resulted in the identification of 87 potential Audit Focus. Due to the extensive scope of all the 87 Cross-Programs, comprehensive audits toward all Cross-Programs are virtually impossible. Hence, BPK RI must select from among the 87 that will be audited for the next 5 years.

The selection must be based on sound methodology to maintain its accountability and ownership by auditors. As such, there are ten selection criteria that can be used to assist in scoring and prioritizing of relevant Cross-Programs to be chosen as Audit Focus, namely: 1) Financial materiality; 2) Public interest; 3) Political interest; 4) Program's significance; 5) Auditability; 6) Environmental impact; 7) Multiplier Effects; 8) Risk; 9) Participation of AKN and BPK RI's regional offices; and 10) Sustainability. Based on the result of such scoring, there are 18 Cross-Programs that are chosen as BPK RI's Audit Focus for the next five years.

Having determined the Audit Focuses above,

BPK RI will be able to concentrate its audit (and naturally resources) on assessing only the 18 national development programs which have the biggest impact or leverage in improving people's welfare. The new design clearly marks an improvement from the old paradigm where audits are conducted dispersedly and not focused on a limited number of development programs. This way, it is believed that BPK RI will be able to provide a more holistic and comprehensive assessment on national development programs chosen as Audit Focus. This is illustrated in Figure 8.

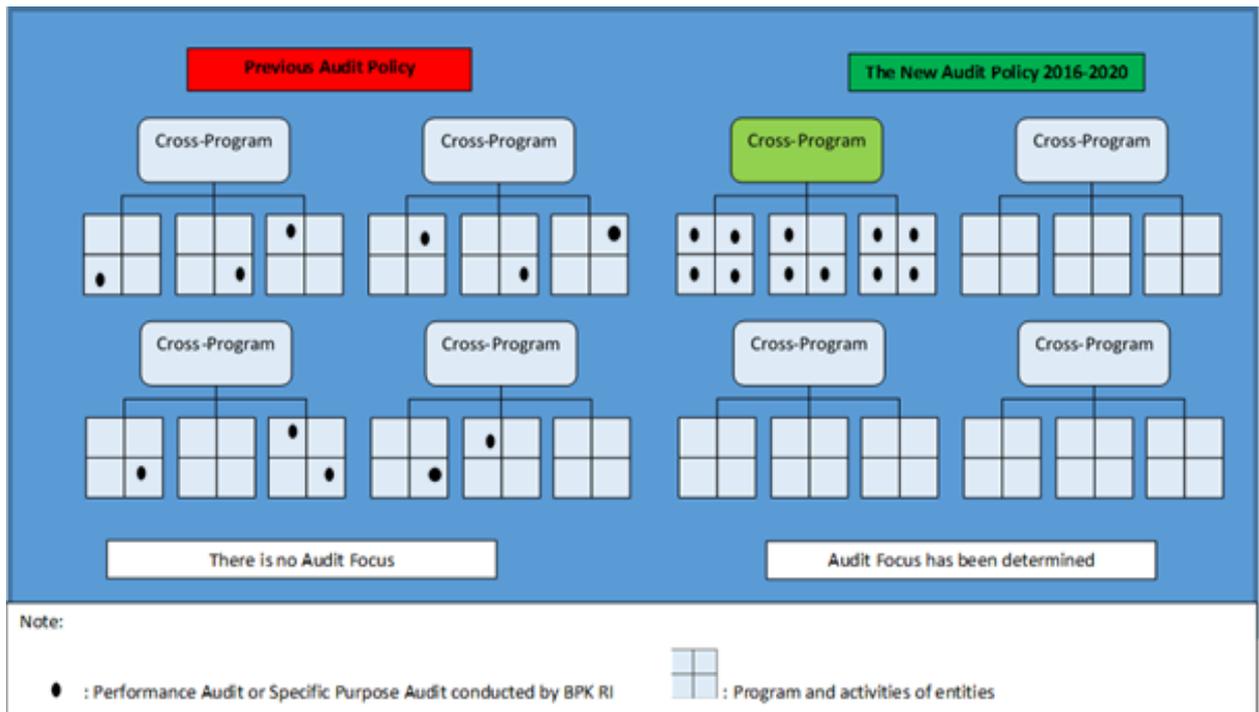


Figure 8 Illustration of the New Paradigm under Audit Policy 2016-2020

Source: authors' own assessment

Table 2 BPK RI's Audit Focus 2016-2020

No	Audit Focus	No	Audit Focus
1	Maritime connectivity-the governance and provision of maritime transportation	10	The securing of food products for food independence and diversification
2	The increase of Defence Capacity and National Security Stability	11	Strengthening of data and information on demographic development
3	The implementation of State's Finance Reform	12	Improvement on the quality of <i>Haji</i> and <i>Umrah</i>
4	The increase of Public Service Quality	13	Development of border area
5	The development of villages and rural areas	14	The increase in National Social Insurance System (SJSN) which consists of National Health Insurance (JKN) for the benefit of those receiving Installment Assitance (PBI) through <i>Kartu Indonesia Sehat</i> (KIS), or JKN for Non-PBI
6	The increase of access, quality, and relevance of higher education institution	15	The Implementation of Indonesia smart program for high quality of compulsory 12 years education
7	The increase of water resilience to support national resilience	16	Improvement of the management of teachers, teacher's training and reform of LPTK
8	Provision of energy and electricity in neighborhoods	17	Improvement in the Implementation of National Social Insurance System including Employment of Social Insurance
9	Building of Roads	18	Improvement of efficiency, productivity, and competitiveness of BUMN

Formulation of 'Strategic' Audit Objectives

The next step after having constructed Audit Focus is to set the 'Audit Objective' (tujuan pemeriksaan) for each Audit Focus. As the Audit Focus is determined at the strategic level, the Audit Objective consequently follows. An important consideration in setting the Audit Objective at the strategic level is that such objective must be able to delve into the administrative and substantive aspect of state's finance in order for BPK RI to be able to evaluate development programs comprehensively/holistically and provide the correct conclusion on the success or failure of such programs at the end of the 5-year period. Hence, the Audit Objectives in BPK RI's Audit Policy 2016-2020 are designed to delve into the three phases of development as follows:

a. Planning; which deals with how policies, strategies, and programs in RPJMN are translated into the plans and budgeting documents of entities. Specifically, it aims to look at whether such policies, strategies, and programs have been consistently adopted by the said entities and budget allocated properly to guarantee their success.

Audit conducted on this phase is intended to assure that state's finance is directed toward the achievement of primary development goals. Through audits conducted on the planning stage, BPK RI is expected to provide

recommendation to the government or entities on the design of policies, strategies, and programs in relation with its budgeting so that development goals can be realized and waste of resources averted.

b. Implementation; which is concerned with how the implementation of development programs in RPJMN 2015-2019 is able to achieve their respective outcomes and impacts, especially in the context of advancing people's welfare.

Illustration 1

Strategic audit planning on the government's efforts in realizing "Food Sovereignty" (*Kedaulatan Pangan*)

The 'Cross-Programs' to realize Food Sovereignty under RPJMN 2015-2019 are:

1. Increasing water resilience to support National Resilience: a) Management and conservation of rivers, dams, reservoir and other water containment buildings; b) Development and rehabilitation of irrigation network, ground water, and fishponds; c) The provision and management of clean raw water; Securing production for independent and diversified food consumption;
2. Development of agribusiness, sustainable farming, and farmer's welfare;
3. Increasing of the production of forestry products and environmental services;
4. Increasing of conservation and management of forest and watershed (DAS);
5. Increasing of the production and value-added fishery and fishermen's welfare/fish farmer/fishery products' processor and distributor/ salt farmer.

The AUDIT FOCUS selected by BPK RI include:

- Securing production for an independent and diversified food consumption; and
- Increasing water resilience to support National Resilience: a) Management and conservation of rivers, dams, reservoir and other water containment buildings; b) Development and rehabilitation of irrigation network, ground water, and fishponds;

The STRATEGIC AUDIT OBJECTIVES for the Audit Focus: "Securing production for an independent and diversified food consumption", are:

1. Evaluating the planning and budgeting of the government's efforts to secure production for an independent and diversified food consumption;
2. Assessing the increase in the provision and utilization of agricultural fields to secure food production;
3. Assessing the provision of farming tools and machines and technological application;
4. Assessing the provision and distribution of seeds and fertilizer to increase food productivity;
5. Assessing the management of irrigation for farming in securing food production;
6. Evaluating the performance achievements of ministries and related institutions in securing food production for an independent and diversified food consumption.

This is where the degree of complexity in an audit is actually at the greatest as each program has its own distinctive ‘elements’ which affect the success (or failure) of the program in question, so the identification of such unique elements is crucial.

In identifying the unique elements of certain programs, auditors may look at the strategic issues described in RPJMN 2015-2019; previous audit results; the business process of such program; external reports or documents; and other relevant information and tool. Audit performed on this phase must take into account these elements in order to provide a comprehensive conclusion and workable recommendations, including, for example, best practices to be shared and area of improvements.

c. Reporting; which deals with whether the reporting accurately reflects the performance of entities in the implementation of programs, including its success or failure. In other words, audit on this level specifically aims to assess the actual achievement of certain outcomes or impacts of programs vis-à-vis the government’s report on such programs in order to spot any discrepancies and provide recommendations accordingly. Audit on the reporting stage can be conducted through attestation on the performance report (laporan kinerja) or other relevant documents which portray the performance of programs of the said entity.

By conducting audits on the above stages or phases of development as espoused above, BPK RI is expected to be able to safeguard and assure that the impacts of development programs are truly felt by the people. Thus, the vision of Renstra 2016-2020 to

advance the governance of state’s finance to the greatest extent of people’s welfare will be well served.

Identifying the Audit Objects and Relevant Types of Audit

The next task in audit planning is the more detailed selection of ‘Audit Object’ (obyek pemeriksaan). Currently, there has not been a single consensus on what Audit Object truly means in BPK RI. Some define it as the entity toward which audit will be performed, while others define it as the account (expenditure, income, etc.) that will be verified by the auditors. It has been stressed in the preceding section that in BPK RI’s Audit Policy 2016-2020, Audit Object is defined as subject matter at the assignment level, which corresponds to Audit Focus as subject matter at the strategic level. Hence, Audit Object may vary or change

Illustration 2

Identifying Audit Objects and Relevant Types of Audit on Audit Focus: “Securing production for an independent and diversified food consumption”

The **AUDIT OBJECTS** and entities sampled are:

1. The provision of agricultural field in West Nusa Tenggara, West Kalimantan, Aceh, and Central Sulawesi. The entities sampled may include: a) Ministry of Agriculture; b) Ministry of Agrarian and Spatial Affairs; and c) Regional Governments.
2. Seed and Fertilizer Subsidy in East Java, West Java, West Sulawesi, South Sumatera, and Central Java. The entities sampled may include: a) Ministry of Agriculture; b) Ministry of Finance; c) Regional Governments; and d) State-owned Companies.
3. Procurement of farming tools and machines in West Java, Maluku, and North Sumatera. The entities sampled may include: a) Ministry of Agriculture; and b) Regional Governments;

The **TYPES of AUDIT** for each Audit Objects above may include:

1. Performance Audit; for the provision of agricultural field since the aim is to assess the effectiveness of the provision of agricultural field to increase food production.
2. Specific Purpose Audit; for seed and fertilizer subsidy and the procurement of farming tools and machines since the aim is to assess their compliance with relevant laws and regulations and assure the internal control of the implementation of such activities are conducted properly.

every year while Audit Focus is set for the duration of 5 year.

Furthermore, whereas Audit Focus is chosen from the strategic Cross-Program, Audit Object is sorted out from the more operational level such as programs, projects, or activities under RPJMN 2015-2019 and budgeting documents of the entities. Considering the variety of Audit Objects that may arise during the identification, auditors need to make a prioritization in order to refine the Audit Objects. This can be performed using the ten selection factors as previously explained.

Once Audit Objects have been identified, the final step is to choose the most appropriate types of audit within BPK RI's authority consisting of financial audit; performance audit; and specific purpose audit. As stated in the preceding section, financial and specific purpose audit can best serve the purpose of assuring that development programs financed using state's finance as contained in RPJMN are planned, implemented, and reported in a transparent and accountable manner in compliance with the relevant laws and regulations, whereas performance audit is best used to examine and evaluate whether government's development programs under RPJMN have achieved the desired outcomes or impact of increased people's welfare.

CONCLUDING REMARKS AND FURTHER AGENDA

BPK RI's audit has thus far still been dominated by Financial Audit and conducted disparately, not in synergy with each other, which pose a big challenge for BPK RI to be able to provide a comprehensive assessment and conclusion on whether the desired outcomes and impacts of government's development program in increasing people's welfare have been achieved. This would also consequently affect BPK RI's ability to answer

the new vision and expected role under Renstra 2016-2020 which is to advance audit on the governance of state's finance to the greatest extent of people's welfare.

This paper has gone at great length in elaborating one of the ways to tackle such challenge by focusing on enhancing BPK RI's audit design, particularly its audit planning, through greater alignment with RPJMN 2015-2019. In the next 5 years, BPK RI should expand its performance audit while keeping all its audits in synergy with each other. Such audits should be directed toward national development programs in RPJMN 2015-2019 which correlate directly with or possessing great leverage in the achievement of welfare indicators.

In order to allow BPK RI to provide assessment and examination at the more strategic level, Audit Focuses for the next 5 years, along with the strategic audit objectives are defined. These are derived from the Cross-Program level of RPJMN 2015-2019. These Audit Focuses, along with the respective strategic audit objectives, are contained in Audit Policy 2016-2020 which will be integrated with Renstra 2016-2020. This Audit Policy will become a guiding document in the audit planning process so that in the future, audits are conducted more comprehensively and able to contribute to the greatest extent of people's welfare.

A further agenda lies in ensuring that there will be a smooth transition to the new audit design and full support is obtained from BPK RI's stakeholders so that BPK RI can play an even bigger role in its contribution to the nation. As such, BPK RI needs to: prepare guidelines for the coordination of audit; refine the project management for each Audit Focus; and formulate methodology on the implementation of each Audit Focus including minimum sampling requirement for each Audit Focus, techniques for obtaining audit evidence to assess the effectiveness of programs and the achievement of development outcomes and impacts.

REFERENCES

- Allison, M., & Kaye, J. (2005). *Strategic Planning For Nonprofit Organizations: A Practical Guide And Workbook*. New Jersey: John Wiley & Sons, Inc.
- Azis, H. A. (2015). *Sambutan Ketua BPK RI Dalam Pembukaan Rapat Kerja Pelaksana BPK*. Presentation at BPK RI's Coordination Meeting, 10 August 2015.
- BPK RI's Directorate of Strategic Planning and Performance Management. (2015). *Konsep Rencana Strategis 2016-2020*.
- Bryson, J. M. (2004). *Strategic Planning For Public And Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement*. 3rd Edition. San Francisco: Jossey-Bass.
- Indonesia's Coordinating Ministry for People's Welfare. (2014). *Indeks Kesejahteraan Rakyat (IKRAR)*, Buku 1. Jakarta: Indonesia's Coordinating Ministry for People's Welfare.
- INTOSAI Development Initiative. (n.d.). *ISSAI Implementation Handbook: Performance Audit*.
- INTOSAI. (n.d.-a). ISSAI 12: The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens. Vienna: INTOSAI.
- INTOSAI. (n.d.-b). *Fundamentals of Public Sector Auditing*. Vienna: INTOSAI.
- Leibfried, S., & Obinger, H. (2001). Welfare state futures: an introduction, in Stephen Leibfried (ed.), *Welfare State Futures*. Cambridge: Cambridge University Press.
- Marcuzzo, M. C. (2010). Whose Welfare State? Beveridge Versus Keynes in *No Wealth but Life: Welfare Economics and the Welfare State in Britain, 1880-1945*, Roger Backhouse and Tamotsu Nishizawa (eds.). New York: Cambridge University Press.
- Negara, I. G. B. S. (2015). "Toward Implementation of Accrual Basis in Indonesia Government: Key Success Factors". *GSTF Journal on Business Review*, 4 (1).
- Putri, T. A. (2014). *BPK: Tak Ada Hubungan Opini WTP dan Kesejahteraan*. Retrieved from <http://bisnis.tempo.co/read/news/2014/12/15/087628607/bpk-tak-ada-hubungan-opini-wtp-dan-kesejahteraan> (10 October 2015).
- Roos, J.P. (1973). *Welfare theory and Social Policy: A Study in Policy Science*. Helsinki: Societas Scientiarum Fennica.
- Soubbotina, T. P. (2000). *Beyond economic growth: meeting the challenges of global development*. Washington: The World Bank.
- Sumner, A., & Tribe, M. (2008). *International Development Studies: Theories and Methods in Research and Practice*. London: SAGE Publications.
- UNDP. (2014). Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience, in *Human Development Report 2014*.
- Van der Knaap, P. (2012). Making Performance Audits More Responsive in *International Journal of Government Auditing*, January 2012.
- Walker, D. M. (2006). *Modernizing Accountability Organizations in Times of Fiscal Constraint*. Presentation at the National Intergovernmental Audit Forum, 1 December 2006.
- Welfare. (n.d.). in *Merriam-Webster's online dictionary*. Retrieved 1 October 2015, from <http://www.merriam-webster.com/dictionary/welfare>.
- Welfare. (n.d.). in *Oxford online dictionary*. Retrieved 1 October 2015, from <http://www.oxforddictionaries.com/>

[definition/english/welfare](#).

Welfare State. (n.d.) in Encyclopaedia
Brittanica. Retrieved 1 October 2015,
from [http://www.britannica.com/
topic/welfare-state](http://www.britannica.com/topic/welfare-state).