



**Performance Audit in Supreme Audit Institution
of Indonesia:
A Capacity Building Analysis in the Implementation
of the Audit**

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Disclaimer:

This document represents part of the author's study programme while at the Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

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To Allah SWT and His Prophet Muhammad SAW

To my dearest mother, Hasna;

To my inspirational father, Netto Azizu, may you rest in peace;

To my beloved wife, Alisa Sri Arum Lubis;

To my brothers Dhani and Arul;

To my kind-hearted father in law and mother in law Sampesri Lubis and Hamidah;

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List of Acronyms

AIPRD	Australia-Indonesia Partnership for Reconstruction and Development
ANAO	Australian National Audit Office
Bappenas	Badan Perencanaan Pembangunan Nasional (National Agency of Development Planning)
BPK	Badan Pemeriksa Keuangan (State Audit Board)
BNI	Bank Negara Indonesia
BPKP	Badan Pengawas Keuangan dan Pembangunan (Supervisory Board of Finances and Development)
BPPN	Badan Penyehatan Perbankan Nasional (National Banking Re-structurization Agency)
GoI	Government of Indonesia
GPF	Government Partnership Fund
HRB	Human Resource Bureau
IMF	International Monetary Fund
ISSAI	International Standards of Supreme Audit Institution
INTOSAI	International Organization of Supreme Audit Institution
LoI	Letter of Intent
LTC	Learning and Training Center
MoF	Ministry of Finance
MoSAB	Ministry of State Apparatus and Bureaucracy
NCA	Netherlands Court of Audit
PARD	Performance Audit Research and Development
PDAM	Perusahaan Daerah Air Minum
SAI	Supreme Audit Institution
SFA	State Finances Auditor
SFPA	State Finances Prime Auditorates
SOE	State Owned Enterprise
TfT	Training for Trainer
TPK	Tim Pengembangan Kapasitas (Capacity Building Team)
TPP	Tim Perencana dan Pengkajian (Planning and Review Team)
US-GAO	United States Government Accountability Office

Abstract

The paper critically analyse the capacity building process that aims to enable better performance audit in BPK, the Supreme Audit Institution of Indonesia. The paper will provide different concept in auditing. It highlights the difference between performance audit and two other types of auditing namely, financial audit and compliance audit. To better understand performance audit in BPK, this paper will analyse constraints and challenges encountered by BPK.

In addition to describing policies made by the management in BPK, the paper also recommends ideal capacities needed for SAI to further develop performance audit. This consists of management involvement, external relation, and institutional issues. The paper also reveals how US-GAO and ANAO play a crucial part in influencing the implementation of performance audit in BPK. Lastly, the paper will also discuss the underlying conceptual framework of performance audit capacity building and its potential unintended consequences.

Relevance to Development Studies

This paper would focus on reform in BPK, as a Supreme Audit Institution in Indonesia, after the initiation of its new task, performance audit. It is relevant to several studies about public sector organization reform. The paper also provides analysis on issues relevant with capacity building in public sector organization, which is commonly discussed in development studies.

Keywords

Performance Audit; Capacity Building; Government Improvement; Effectiveness; Efficiency; Economy

Chapter 1

Introduction

1.1. Performance Audit: an Evolution of Oversight Mechanism

1.1.1. *Performance Audit and Supreme Audit Institution*

"In God we trust. All others we audit."

University of Vermont (1997: 79) *as cited* in Pollit and Summa (1999:1)

The quote is very popular in both public and private auditing communities as auditors worldwide repeatedly use it to demonstrate the nature of scepticism in the profession. Despite of auditor's continuity to agree on the sense of scepticism, the term "audit" has evolved overtime as it currently refers to different types of work. Traditionally, it refers to an "old-school" definition of a series of simple "check-list" procedures to ensure the fairness of ones financial statement. The term once also referred to tool used to identify irregularities in individual's transaction. However, as time passed by "audit" evolved to mean more ambitious work in providing assessment on the effectiveness and the efficiency of one's spending. As a matter of fact, the latest definition of "audit" refers to performance audit, the relatively modern definition in oversight mechanism.

In the public sector realm, Streim (1994: 185) argues that performance audit is one way to overcome asymmetric information between the elected government and bureaucrats within a legal political system. He describes that through performance audit, the principal, or in the public sector, the elected government, can properly monitor the actions of the agency (bureaucrat) in performing its duties. The development of performance audit cannot be separated from increasing demand for effectiveness and efficiency in government's programs. In the United Kingdom, Glynn (1985: 114) writes that dramatic increase in public expenditure and high inflation within 1970s and 1980s triggered the emergence of performance audit. The situation back then forced the government to improve efficiency and limit waste in the public sector by establishing laws that enable the auditors to evaluate aspects of economy, efficiency, and effectiveness of government spending.

In the perspective of Supreme Audit Institution (SAI), an organization that is in charge of conducting external audit on government spending, this ambitious work means that they need to "go the extra mile". SAI needs to build up their competency in order to be able to implement the new task. It might need to increase investment in trainings or else recruit personnel with different competencies compared to those regularly recruited. It is clearly "a tough row to hoe" for those in SAI's management. They will need to decide a conceptual framework to develop the audit. Once it possesses the framework needed, they will consider whether their resource is sufficient to further devel-

op the audit or not. Hence, a study to observe the actual transformation of one SAI to catch up with performance audit will enable us to better understand the actual consequences of the evolving definition of “audit”.

1.1.2. Problems: Issues to be analysed

This paper aims to provide relevant information to follow up issues regarding the evolution of “audit”. More specifically it will deliver insight about how the Audit Board of Indonesia (BPK¹), the Indonesian SAI, attempts to improve its capacity in regards of performance audit. It will also describe constraints and challenges that BPK encounters to develop its audit. The influences of United States Government Accountability Office (US-GAO) and Australian National Audit Office (ANAO) to BPK will be further discussed in this paper. Lastly, the paper will analyse on potential unintended consequences of the capacity building for BPK.

1.2. Justification, Objectives, Questions, Methodology, Frameworks, and Limitation

1.2.1. Justification

This paper contributes to studies about capacity building in public sector organizations. It enables the reader to understand how BPK, as a public sector organization, transforms its capacity to cope with developing new audit techniques. Moreover, it also describes how initiatives from public sector organizations in a more advanced countries influenced capacity building initiatives of similar public sector organizations in developing countries.

In addition, the paper also provides understanding about performance audit, which is implemented in SAIs worldwide. This paper also portrays complexities that other SAIs in developing countries may potentially encounter. More concretely, authoritarian regime pressures, limited budget, and limited human resources are discussed as common constraints that SAIs face.

1.2.2. Research Objectives

The paper seeks to understand how BPK develop their policy in order to enable the institution to properly implement performance audit. It will explore different circumstances and constraints that BPK has encountered over time since it began implementing audit. This paper also provides clear information about the underlying logic behind BPK’s performance audit development. Moreover, the paper identifies the relevance and the deviation of actual performance audit capacity building policies in BPK compared to INTOSAI’s guidelines on sustainable performance audit capacity building.

This paper also provides a better understanding about issues raised in BPK 2014 peer review report that was published by Supreme Audit Organiza-

¹ Translated from Badan Pemeriksa Keuangan

tion of Poland (SAOP). As an effort to maintain the quality of its work, Indonesian Law (2006) obliged a 5-yearly peer review to be conducted on BPK's work. The peer review was conducted on all aspect of BPK's work including in the implementation of performance audit.

Based on the 2014 peer review report, it can be identified that there are several findings relevant with BPK's capacity development in performance audit. Firstly, SAOP mentions that BPK needs to increase the share of performance audit compared to other types of audit (2014: 33). It also highlights improper mechanisms in the selection of audit topics. It points out that BPK should focus on cross-section and significant issues (ibid: 32). Lastly, SAOP mentions that BPK encounters potential threat to its autonomy as Government of Indonesia (GoI) still controls BPK's financing and human resources (ibid: 12). However, the peer review report was only able to deliver limited information on performance audit in BPK. It did not provide information about the conceptual framework underpinning the implementation of performance audit in BPK. It also did not give adequate information about the challenges encountered by BPK in performance audit capacity building. Therefore, this paper will provide the bigger picture of the issues mentioned by SAOP in the peer review report.

1.2.3. Research Question

Main question

How does BPK develop its capacity to enable a proper implementation of performance audit in the institution?

Sub Question

1. What is the conceptual framework underpinning performance audit in BPK?
2. What capacities does BPK need to properly implement performance audit?
3. How does BPK seek to achieve the capacities needed to properly implement performance audit?
4. Are there any unintended consequences of BPK's current conceptual framework for implementing performance audit?

1.2.4. Methodology

The research has conducted a number of semi-structured interviews, data collection, and correspondences with related actors of the implementation of performance audit. The research has obtained information from a number of key informants who are involved in the development of performance audit in BPK. Additionally, the research also uses supporting statistical data acquired from relevant units in order to support conclusions within the paper. The data then developed into a number of figures and yearly trends for better presentation.

In order to answer the first questions, the paper reviews related laws, relevant literatures, and BPK internal documents about the implementation of performance audit, such as Chairman speeches and BPK Strategic Plan had been undertaken. The researcher uses these documents to understand the conceptu-

al framework behind BPK's performance audit capacity building. The paper scrutinises the US-GAO Accountability Maturity Model, which has influenced current developments of performance audit worldwide. It also scrutinises International Standards of Supreme Audit Institution (ISSAI) 3100 "Performance Audit Guidelines: Key Principles" in order to identify ideal capacities that BPK needs to sustainably develop performance audit. Additionally, the paper includes Grindle and Hilderbrand's dimension of capacity building in order to better understand the theoretical framework of ISSAI 3100, which is more context-specific to SAI and performance audit.

In order to better understand how BPK developed its capacity, the researcher reviewed relevant laws and literatures about the development of performance audit in BPK overtime. This review has been complemented by a number of interviews, which was conducted through a one-month fieldwork in BPK Central Office in Jakarta, Indonesia. The interviews were specifically conducted on BPK leadership such as the Chairman, Vice Chairman, and Former Vice Chairman of BPK. The researcher also conducted interviews with a number of supporting executives, which includes BPK's top-level management, such as the Prime Auditor and Expert Staff. The interviews also include some auditors with extensive experience in performance audit (see detail on **Appendix 1** and organizational structure on **Figure 3.3.** in Chapter 3). The interviews were recorded and summarized in order to enable the researcher to conduct an in-depth analysis on each interviewee's argument. Lastly, the paper will provide a critical analysis on the conceptual framework of performance audit capacity building itself. In specific, it explores Maslow's hierarchy of needs, which underlies US-GAO concept of performance audit. It proposes the potential unintended consequences of BPK's capacity building in performance audit as well as alternatives to mitigate it.

1.2.5. Research Framework and Limitation

In order to provide a systematic and well-structured argument, this paper consists of 5 chapters. After brief introduction about the study in the first chapter, the second chapter provides the conceptual and analytical framework of the paper. Chapter 2 discusses the definition of performance audit based on INTOSAI and Indonesian Law. It also provides the differences of performance audit compared to other types of audit such as financial audit and compliance audit. It then elaborates Grindle and Hilderbrand's concept on capacity building and ISSAI 3100 to define the ideal capacities needed by BPK for better implementation of performance audit. Additionally, the chapter will provide a critical analysis on the conceptual framework of the capacity building to identify its potential unintended consequences.

Chapter 3 explores the development of performance audit in BPK. The chapter compares performance audit in BPK before and after Indonesian reform in early 2000s. It specifically describes how BPK developed its capacity in performance audit over time as well as how other actors, such as the executives, influenced BPK's work. Subsequently, the Chapter 4 will analyse BPK's capacity building policies based on the ideal steps mentioned in ISSAI 3100. The chapter seeks to highlight the potential unintended consequences of the

actual capacity building program. Lastly, Chapter 5 concludes the paper by answering research questions identified in Chapter 1.

The main limitation to the research is the shortage of available information about BPK's work in the past times. Studies about the work of the audit institutions prior to the Indonesian reform in 1998 are quite limited. This affected the quality of available information and cannot provide details about the circumstances that BPK administrators faced in the past. In order to overcome this limitation, the researcher conducted detailed review on past regulations related with BPK's work and major studies about general condition of Indonesian administration in the past, especially about the general character of Indonesian administration under Soekarno and Soeharto. Studies about those regimes more or less enable us to triangulated general circumstances about public sector auditing in Indonesia. Therefore, we can build plausible assumptions on how these general circumstances affected BPK's work in performance audit.

Another limitation is that the author has to properly manage the limited time for interview. Most of the key informants are active personnel of BPK with limited time. Some of the informants also regularly conduct duty outside Jakarta. This meant the researcher needed to strategically manage interviews to prevent clashing schedule. Fortunately, all interviewees were willing to allocate their time for the research and this was done without encountering any problems with scheduling.

Chapter 2 Conceptual Framework and Analytical Framework

Before proceeding with detailed analysis about performance audit capacity building in BPK, we need to understand the conceptual framework of BPK's work. Initially, this chapter will provide the description of different audits conducted by SAIs namely financial audit, compliance audit, and performance audit. Then, the chapter will describe how each audit relates in the context of US-GAO Accountability Organization Maturity Model. The chapter will also provide the concept of performance audit capacity building, which comprises ISSAI 3100 and Grindle and Hilderbrand's framework. In particular the chapter will discuss ISSAI 3100, which provides specific guidelines on performance audit and its relevance to Grindle and Hilderbrand's framework as a general concept of capacity building in public sector organization and. Lastly, this chapter will enable us to identify the potential unintended consequences of the implementation of US-GAO Model.

2.1. BPK's Different Types of Work

International Organization of Supreme Audit Institution (INTOSAI) mentions that commonly there are three types of audit implemented by SAIs worldwide. In specific, the types of the audit are financial audit, compliance audit, and performance audit. INTOSAI (2010a: 56) characterizes financial audit as:

“An independent assessment, which result in a reasonable assurance opinion of whether an entity's reported financial condition, results, and use of resources are presented fairly in accordance with the financial reporting framework”.

Then, it defines compliance audit as:

“An audit which deals with the degree to which the audited entity follows rules, laws and regulation, policies, established codes, or agreed upon terms and conditions etc.” (Ibid: 55).

Lastly, it describes performance audit as:

“An audit of the economy, efficiency, and effectiveness with which the audited entity uses its resources in carrying out its responsibilities, also known as Value for Money audit.” (ibid: 58)

In the context of Indonesia, Indonesian Law (2004) defines BPK's work into three types of audit namely financial audit, performance audit, and special purpose audit. It explains that financial audit is an audit that conducted in order to enable BPK to provide reasonable assurance about the fairness of information, which is presented in the government financial reports. Then, it defines performance audit as an audit on state finance administration, which comprises economy (spending less), efficiency (spending well), and effectiveness (spending wisely). The Law further explains that the audit aimed to identifying things that the legislature should be concerned with. For the government, the audit intended to ensure the economy, efficiency, and effectiveness of its

activities². Lastly, it describes special purpose audit as an audit that is executed in order to clarify issues other than financial and performance audit. The most common type of the audit is investigative and compliance audit.

Hasan Bisri³, former Vice Chairman of BPK, explains that financial audit, performance audit, and special purpose audit are arranged sequentially in Indonesian Law (2004) due to the relevance of each audit. Firstly, financial audit aimed to deliver general information about auditee's finances management. With this audit, BPK is able to clarify information about the auditee's programs alongside with how much money is spent on each program. Based on this general information, BPK is able to recognize which program is prioritized and costs the biggest proportion of auditee's budget. Then, in order to properly assess the effectiveness or the efficiency of the prioritized program, performance audit should be conducted by BPK. Such measurement is important in order to enable the auditee to understand whether its program is successful or not and provide recommendations for improvement with similar programs in the future.

In regards to special purpose audit, Bisri explains that financial audit helps BPK to detect any fraud as the audit verify the completeness and the validity of each auditee's transaction. Through such verification, financial audit can provide a reasonable assurance of the fairness of the information provided in the financial statement. However, due to the time limitations of the audit and common complexities in fraud audit, financial audit cannot provide complete information about the fraud. Thus, a special purpose audit should be undertaken specifically on suspicious transaction documents. This audit is aimed to provide comprehensive information about the fraud. In particular, detailed comparison of these audits can be identified in **table 2.1**.

Table 2.1. Comparison of BPK's Financial Audit, Performance Audit, and Special Purpose Audit

Characteristic	Financial Audit	Performance Audit	Special Purpose Audit
Objective/Focus	Assessment on the fairness of information which presented in government financial report	Assessment on Economy, efficiency, and effectiveness of government spending	Special other than two types of audit, commonly investigative audit on fraud detected activities
Result	Audit Opinion	Recommendation	Conclusion
Auditor's Competency	Accountant	Public Policy	Accounting and Law
Audit Time Period	One Fiscal Year	Depends on the Audit Scope	Depends on the Audit Scope
Audit Standard	Government Accounting Standard (SAP4)	Audit Criteria which determined in the audit process	Audit Criteria which determined in the audit process
Orientation	Retrospective	Towards the Future	Retrospective

Source: compiled and developed based on:

1. Indonesian Law (2004)

² explanation of the Law point B.2.

³ Former Vice Chairman of BPK in the period of 2011-2014 and Member of the Board of BPK in the period of 2004-2011. Before joining the leadership, he was an active auditor in BPK since 1981.

2. BPK (2011a)
3. Internal document in Research and Development Unit of BPK
4. Interviews with key informants

2.2. Accountability Organization Maturity Model

Although it is clear that performance audit had been developed since 1970s and 1980s (Glynn 1985), the audit began to be systematically implemented in Indonesia after the inauguration of US-GAO Accountability Organization Maturity Model in 2006 (INTOSAI 2007: 13). This model visualizes the hierarchy of SAI's role in government oversight into a six-level pyramid (See details in **Figure 2.1**). David M. Walker, former Comptroller General of the United States, explains that the model borrows Maslow's hierarchy of needs concept in which one needs to fulfil his basic needs first before being able to meet his higher needs (2007:3).

The Model posits combating corruption, enhancing transparency, and assuring accountability in the bottom layer of the pyramid. Specifically, combating corruption is *"the most basic mission of every government SAI should hope to achieve"* in the bottom of the pyramid (ibid). In the second level of the pyramid, improvement in transparency should be aimed by SAIs, as it would enable further development in the next level. Then, the need to assure the accountability of government is placed in the third level of the pyramid. In this level, SAI needs to conduct compliance and regularity reviews in the light of government's accountability to taxpayers who have given their resources to the government. Additionally, Walker (ibid) mentions that each SAI at any given budget and expertise should be able to conduct these three lower levels of SAI's role hierarchy.

Figure 2.1. US-GAO Accountability Maturity Model



Source: Walker (ibid: 6)

Subsequently, SAI should be able to provide assistance to the government to improve their performance in the sense of economy, efficiency, ethics, equi-

ty, and effectiveness. Practically, performance audit is relevant with this role as it specifically aimed for government improvement (Pollit and Summa 1999; Leeuw 1996: 54; Daujotait & Mačerinskien 2008: 178). Competencies in the fourth level then enable SAI to provide insight for the government about better ways to implement programs, integrate redundancies, and apply best practices.

In the top of the pyramid, Walker posits that a more mature and experienced SAI should be able to provide policy makers with foresight about the future (2007:4). In this level, SAI with its independence, professionalism, and reliability is expected to inform the government about emerging trends and future challenges. Through this initiative, SAI will be able to assist the policy makers to prevent crises as well as educate them about the long-term costs of different policy alternatives. In addition, growing long-range fiscal imbalance, demand for social insurance program reform, and national tax policy are mentioned as issues that are already provided by US-GAO as a matured SAI.

2.3. Performance Audit Capacity Building Framework

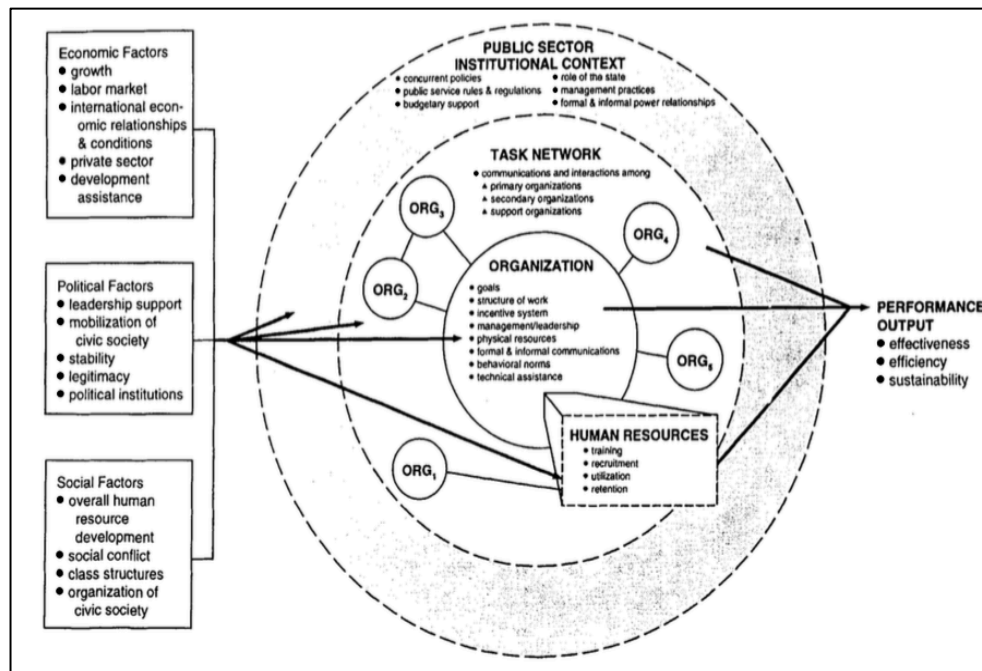
2.3.1. Defining Capacity Building

It is clear that each layers of the model above requires different sets of capacity, hence, without a doubt, capacity building is needed. However, we need to clearly define what does the term “capacity building” mean. In fact, the term is widely used to encompass a broad range of development intervention from the simple trainings exercises (Bower. 2000 as cited in Potter & Brough. 2004: 337) to organization’s linkage with global economic trends and regional history legacy (Morgan. 2006: 18).

Grindle and Hilderbrand (1995: 445) attempts to put a definition in between those contrasting concepts by defining capacity building as the ability, which is possessed by organizations to improve themselves either independently or in cooperation with another organization. This concept is relevant with this study as it specifically focus on public sector organization. Furthermore, they mentions that there are 5 dimensions of capacity building namely the action environment, the institutional context of the public sector, the task network, organizations, and human resources as illustrated in **Figure 2.2.** (ibid: 445-447).

Specifically, the action environment refers to the economic, political, and social conditions, which are able to significantly affect the organization. The institutional context of the public sector is the rules and regulation either formal or informal which are relevant to the implementation of given mandates of the organizations. Then, task network refers to the setting of how the organization and other organizations seek to achieve joint objectives. Organization level addresses how the structures, processes, resources, and management style within an organization affect its output and shape individual behaviour within it. Lastly, human resource level provides insights about how personal training and career promotion trajectories might affect the effective operation of the organization. These 5 dimensions will enable us to better understand the concept of capacity building in INTOSAI’s guidelines on establishing sustainable performance audit function, which further described in the next subsection.

Figure 2.2. Illustration of Grindle and Hilderbrand's Dimensions of Capacity Building



Source: Taken from Grindle and Hilderbrand (1995: 446)

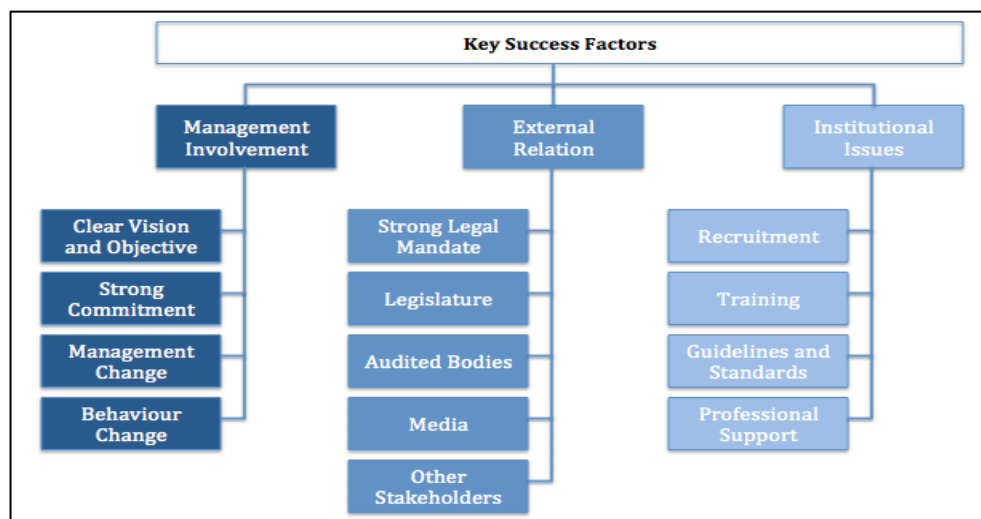
2.3.2. INTOSAI's Key Success Factors in Performance Audit Capacity Building

Based on US-GAO Model, it can be inferred that SAI needs capacity in financial and compliance audit to effectively implement its roles in lower three layers. Needed for both types of audits are the auditors with a background in accounting and law (INTOSAI. 2010b: 4). Meanwhile, the upper layers require a more diverse of skills and capabilities (Walker n.d.: 3). In this level, SAI needs to further develop its capacity in performance audit.

Although each layer of the pyramid is highly relevant to each other, this paper will limit its focus to capacity building in performance audit. The paper will provide analysis on how BPK develops its capacity to attain the intended objective of the implementation of performance audit. In order to develop a more relevant and systematic argument, ISSAI 3100, a guideline on sustainable capacity building in performance audit developed by INTOSAI (2010b) will be used as the theoretical framework of this paper. Additionally, the analysis will be complemented by Grindle and Hilderbrand's dimension of capacity building.

INTOSAI (2010b: 10) describes that each SAI needs to obtain "key success factors" of management involvement, external relations, and institutional issues to sustainably develop performance audit. Illustration of the key success factors can be seen in **Figure 2.3**. At certain extent, these key factors are consistent with Grindle and Hilderbrand's framework as it encompasses all 5 dimensions of the capacity building framework. Detail discussion about each factors and its relevance to Grindle and Hilderbrand's framework will be described in paragraphs below.

Figure 2.3. Key Success Factors in Performance Audit Capacity Building



Source: Author's own elaboration based on INTOSAI (ibid: 6-10)

2.3.2.1 Management Involvement

Top-level management in SAI needs to define a clear vision of the implementation of performance audit along with its objectives. As described earlier, performance audit is aimed at government's improvement, therefore this objective need to be established clearly by the leadership in the early implementation of the audit. Besides useful for the government, performance audit also have benefits to SAI as it increase the potential of SAI to be more visible in the media and receive greater allocation of human and financial resources from the legislature and the government.

Management in SAI also needs to understand that performance audit is challenging, requires time to implement, and uses a different approach compared to financial and compliance audit. Therefore, strong commitment from the leaderships to develop the audit is important. Besides, it is important that executives and management in SAIs are actively involved and professionally trained to better manage the implementation of the audit.

Performance audit might calls for the change in management style and organizational behaviour. After being established and conducted regularly, performance audit requires an establishment of an operational manager that is in charge to develop and oversee the implementation of performance audit. Ideally, the established manager should be accountable for their work as well as able to promote the benefits of performance audit through their work. Additionally, the implementation of performance audit requires a more critical perspective of SAI's management of ineffective or inefficient government programs or services. The concern on management involvement in this model is relevant with organization dimension in Grindle and Hilderbrand's framework. Grindle and Hilderbrand (1995: 447) mentions that process and management style of the organization influence the way of an organization establish goals and structure work.

2.3.2.2. External Relation

INTOSAI suggests that SAI needs to maintain effective external relation with its stakeholders (2010b: 10). External relations include how SAI publicizes its report to contribute to transparency and improvement in government policies. Firstly, through this management of external relation, SAI should be able to gain political support and an adequate legal mandate, which enables the institution to independently access all relevant information about the audit and then publish the audit report in public domain. The importance of this legal mandate is consistent with Grindle and Hilderbrand's institutional context, which emphasizes the necessity of rules and procedures in promoting better performance of a public sector organization (1995: 447).

SAI also needs to implement a proper communication strategy with the parliament. Proper communication with the parliament will result in at least two benefits. Firstly, it will promote a more effective performance audit, as the parliament will actively involve in ensuring relevant government officials to follow up audit findings or recommendation. Then, a proper communication strategy might also help SAI to obtain a sustainable budget support needed in the implementation of the audit.

The implementation of the audit also required government officials understanding of the key requirements of performance auditing. Hence, SAI has to be able to communicate the benefits of performance audit to government officials so that long-term and constructive relations between both parties can be maintained. In specific, SAI needs to develop a proper communication strategy with Ministry of Finance (MoF) as the institution that is often influential in public sector finance management. Besides, SAI also needs to maintain relations with audited bodies in order to preserve the objectivity of the implementation of the audit. It is important to bear in mind that this communication strategy does not mean that SAI should compromise its independency. Instead, this strategy needs to be taken, as a more open and constructive manner of communication between SAI and government officials is substantial for a more effective performance audit.

Apart from relation with political actors and the government officials, SAI also needs to maintain effective relationship with another stakeholders such as academics, non-government organizations, and other stakeholders. In that sense, a decent communication strategy with the media, auditees, citizens, and other stakeholders is needed. Those actors are significant in the implementation of the audit as their concern will be the sources of ideas in the audit. A communication strategy with these different actors is helpful in the early implementation of the audit. In that stage, stakeholders' concern on one or two significant issues will be helpful for SAI's initial performance audit topic selection (INTOSAI. 2010b: 11). In further development, communication with academics, who are experienced with evaluating policy and social research, will enable SAI to better conduct the performance audit. Additionally, collaboration with other SAIs which are more experienced will prevent the SAI from "reinventing the wheel" in the implementation of performance audit.

External relations also includes SAI's audit reporting and its follow up procedures. Specifically, SAI needs to possess proper mechanisms to follow up its audit recommendations. The mechanisms will enable SAI to monitor auditee's action to follow up its audit findings and recommendations. Follow up of

audit recommendations is important to ensure whether performance audit is able to enhance improvement in government activities or not. Lastly, SAI should be able to deliver attractive, demanding, defensible, and reader-focused reports, which add value, enhance efficiency and effectiveness, and also are broadly appreciated.

In particular, external relation factors, which described above emphasizes the importance of action environment and task network dimensions of Grindle and Hilderbrand's framework. In regards of action environment, SAI's necessity to communicate with the parliament, government, and wider society can be perceived as the way to actively engaged with its action environment. Moreover, in terms of task network, Grindle and Hilderbrand (1995: 447) mentions that the performance of one organization to carry out its duty is rely on the effectiveness of other organizations' work. In this sense, we can understand that the external relation factors points out that the effectiveness of SAI's performance audit rely on the effectiveness of other organization such as NGO and the academics to promote government improvement. Therefore, a subtle way to communicate with those actors is necessary.

2.3.2.3. Institutional Issues

SAI ought to be able to address institutional issues in order to properly implement performance audit. In its early implementation, SAI should implement a performance audit with a theme that is not too complex and too broad but still has an added value. It is important to notice that the audited problems are still manageable by existing capacity of the SAI. If SAI want to develop the audit through a more "tolerant-to-mistakes" approach, a pilot project audit would be plausible. In this stage, SAI should also conduct the audit without initially possessing a detailed supporting system. It is better that SAI spend its resources on several pilot projects rather than developing audit manuals, toolkits, and quality assurance system. Such initial "try out" will enable SAI to understand things that need to be learned, such as problem identification method, as well as its mistakes that could be possibly made.

SAI also need to consider how it manages its resources in the early implementation of the audit. In regards to financial resources, SAI should be able to estimate the cost of the audit with proper budgeting mechanism through which different type of audit costs such as personnel's overhead, travel, and printing can be monitored separately. Next concern on resources is the people involved in the early implementation of the audit. Initial implementation of the performance audit might involve staffs who are currently working on financial and compliance audit. However, if it were possible, it would be useful to involve staffs with the competencies in evaluation, social sciences or management consultancy in the early implementation of the audit, as the audit itself requires a variety of academic disciplines.

After being regularly conducted for years, SAI needs to increase the quality of its performance audit through recruitment of competent auditors. SAI needs to recruit auditors with academic backgrounds that encompass the whole range of public administration. Auditors with decent academic qualifications in social science or wider investigative and evaluation work will help SAIs to further develop the performance audit. Besides that, a proper training, which consists of relevant methodological, analytical, and professional areas, should complement the recruitment mechanism. Additionally, the knowledge man-

agement can also be obtained through subtle communication with academics researchers in social and economic fields.

Once SAI has conducted performance audit on regular basis, it should develop a framework for the implementation of the audit (INTOSAI. 2010b: 15-17). It includes manuals, quality assurance, and planning processes that explains the whole process of the audit from the concept to delivery of the output. Audit manuals, policies, and procedures are important in consolidating and institutionalising long-term implementation of performance audit. It will provide a more objective, more consistent process, and more efficient work of the audit. After being established, these documents should be revised periodically following evolving work of SAI in performance audit.

Along with the development of the manuals, a set of Quality Assurance (QA) mechanisms should be in place to safeguard the quality intended to achieve in performance audit. QA should be conducted by senior management through a set of “check-list” that are developed on agreed criteria about performance audit implementation. Involvement of external senior academic researchers would be helpful for SAI to increase its accountability.

A suitable planning mechanism is important in the framework of performance audit implementation. SAI should be able to develop an integrated plan about performance audit in regards to another type of audit undertaken by SAI including resource allocation on each SAI’s work. SAI can choose to limit its performance audit either on simpler or more complex issues. Lastly, the implementation of the audit also calls for institutional support on statistics, information technology, editorial work, and public relations.

Institutional issues, which mentioned above are relevant with at least two dimensions of Grindle and Hilderbrand’s framework, namely human resources and task network. In particular, the importance of personnel recruitment and training undoubtedly relevant with human resources dimension. Then, SAI’s effort to institutionalize the performance audit through audit manuals and professional supports are relevant with task network, which mentions that organization performance also rely on the effectiveness of not only actors outside organization as mentioned in external relation factors, but also the actors inside the organization.

2.4. Identifying Potential Unintended Consequences of the Conceptual Framework of the Capacity Building

As mentioned earlier, the US-GAO model was developed based on Maslow’s hierarchy of needs, therefore it is plausible to better understand the conceptual framework of the theory. Maslow (1943: 370-396) posits that there are 5 basic needs of humans, namely psychological needs, safety needs, love needs, esteem needs, and need for self-actualization. He mentions that each need is “*organized into a hierarchy of relative prepotency*” through which a higher needs began to emerge after the lower needs are being satisfied (ibid:375).

Specifically, he mentions that psychological needs which refers to the the need for foods, sex, and other basic needs of humans as the starting point of human motivation. Once it is satisfied, humans will seek for safety needs or the

need to avoid danger of any kind such as health and outsider assault. Then, love needs which refers to the need of an affectionate relations with other people will emerge after both needs gratified. Subsequently, esteem needs of human will come out. It refers to human needs to be recognized firmly by others in society. In the top of the hierarchy, the need of self-actualization will emerged as one keep *“doing what he is fitted for”* such as a musician making music and a poet writing poetry if he is *“ultimately happy”* (ibid: 382).

Although the theory seems convincing as it highlights human motivation clearly and logically, the critic of the underlying logic of the hierarchy remain evident. Among of the critics, Neher (1991: 109) points out that Maslow was unable to clearly explains about the hierarchy in the long run. Specifically, he criticises the logic by questioning wheter the urgency of the lower needs will be diminished after the satisfaction of the higher needs or not.

If we apply the critique to performance audit capacity building in the framework of US-GAO Model, we can identify the long term consequences of the model. This entails questioning on how SAI will deal with its lower needs namely combating corruption and enhancing accountability and transparency once it attempt to provide insight and foresight on the improvement of government performance. The question calls for an explanation on how will SAI deal with financial and compliance audit, which are relevant with the lower needs, once it seek to develop its capacity on performance audit, which is relevant with the upper needs. The explanation is even more critical due to the SAI's limited resources, as any increase in resources allocated to performance audit means the decrease of the resources allocated to other types of audit.

What can be inferred from the critique is that SAI's policies to be more more focus on performance audit might led to an unintended consequences, which is the abandonment of financial audit and compliance audit. Therefore, SAI needs to find a sufficient way to safeguard its lower needs before or at the same time as it attempts to satisfy its higher needs. More concretely, while developing its capacity to implement performance audit, SAI needs to ensure that the impact of its financial audit and compliance audit is not diminished. In fact, utilizing government internal auditor to ensure those SAI's basic needs remain satisfied is an option that need to be considered by SAI's management. Another option is using private auditors to conduct financial or compliance audit. Hence, SAI's management need to properly consider those options as they seek to further develop performance audit.

Chapter 3 Performance Audit Development in BPK

3.1. Early Development of Performance Audit

Although formally introduced in 2004, performance audit concept was actually established in BPK since 1963. Dwi Sabardiana⁴, current Head of Performance Audit Research and Development (PARD), confirms the fact as he refers to Government Regulation in Lieu of Law (1963) as initial mandate for BPK to conduct the audit. Review on the Government Regulation in Lieu of Law (1963) validates the claim as it includes “usefulness” and “benefit” of public spending as the focus of BPK’s audit⁵. However, the law also indicates GoI superiority over BPK as it mentions that BPK is obliged to deliver its report to the president yearly. Indonesian Law (1965) emphasizes that the Chairman of BPK in performing his duty under the President’s name.

BPK’s initial step to implement performance audits started about a decade later. I Gusti Agung Made Rai, former BPK’s Member of the Board, posits that management audit course by US-GAO in 1976 is the first training on performance audit in Indonesia (2008: 39). Hendri Syukri⁶, a senior auditor, who has worked in BPK since 1993, describes that “management audit” and “operational audit” are two terms that are the embryo of current performance audit. Additionally, Novy Palenkahu⁷, expert staff on State Owned Enterprises (SOEs) Audit, confirmed the statement as he mentions that both terms were prone to be used in the past to describe audits of an entity’s performance.

The fluctuating socio-political situation in Indonesia in the 1960s and early 1970s can be a reason for the stagnant development of auditing processes. The situation pushed the Indonesian Government to allocate more resources to the defence and military sector and less resources to public sector auditing. At that period Indonesia faced political and economic crisis as the newly independent nation experienced both domestic and international disputes such as the “Crush Malaysia” campaign in 1963 (Sutter 1966: 523-546), West Papua conflict with the Dutch Government (Scott and Tebey 2005: 600), and “The September 30th Movement”, a failed coup which led to regime transition (Sutter: 541-542).

Performance audit development in BPK was influenced by the worldwide boom of management studies in the 1980s. One experienced auditor in BPK narrates that in that time BPK began to recognize the importance of the entity’s management function. In addition, the Head of PARD mentions that

⁴ Mr. Dwi Sabardiana began his career in BPK since 1990 as a junior auditor in BPK. He was involved in a number of performance audit implementations and trainings since 1993, including a secondment period in US GAO

⁵ See Article 9 (3)

⁶ Mr. Hendri Syukri is a senior auditor and began his career in BPK in 1993. Besides an active team leader, he is also involved in a number of capacity building initiatives including internships and fellowships in US-GAO

⁷ Mr. N. G. A. Palenkahu is a BPK top level manager (echelon 1) who has worked in BPK since 1990

knowledge obtained from management studies precipitated BPK to conduct performance assessments on its auditees in early 1990s.

Although already being established and regularly conducted since a long time ago, systematic management of performance audits only began after the enactment of Indonesian Law (2004). The Head of PARD points out that even if BPK had regularly sent its auditors to enrol in trainings about operational audits, standardization of audit work remained lacking. He further emphasizes that the institution did not systematically develop performance audits .

3.2. Political Interference and Stagnant Development of the Audit

The main reason that prevented performance audits to be properly implemented in BPK in the past was political interference from GoI. In between 1967 and 1998, Indonesia was ruled by Soeharto's regime which was largely known for its poor administration and "franchised" corruption (Robertson-Snape 1999: 589; McLeod 2000: 101). Under Soeharto, BPK's independence was limited as Indonesian Law (1973) mentions that BPK Leadership is appointed by the President, based on the recommendation of the parliament.

BPK's position in Indonesian public sector auditing was further diminished after Soeharto established the Financial and Development Supervisory Board (BPKP⁸). BPKP is an internal government oversight body which is in charge to conduct almost identical duties with BPK in supervising government spending. The only difference is that BPK reports its work to the parliament whereas BPKP reports its work to the president. Under Soeharto, BPK's role was minimized as the central bank and SOEs was the subject of BPKP's audit (Nasution 2007: 6). Dwiputrianti (2011: 92) mentions that the power and operational capability of BPK in Indonesian public sector auditing reduced as BPKP possessed greater auditing resources to do the audit. **Table 3.1.** displays the contrasting resources of BPK and BPKP, as human resources of BPKP outnumbered BPK by almost one-third. The table also pictures that BPKP has better facilities and infrastructure. The dominant role of BPKP over BPK in the past is vividly demonstrated by the fact that BPK's operational budget was regularly audited by BPKP (Nasution 2007: 6). Additionally, the Head of PARD implicitly confirmed BPKP's domination over BPK in the past as he mentions that in early 1990s, BPK's prospective auditors, were obliged to join audit trainings, which were held by BPKP.

⁸ translated from Badan Pengawasan Keuangan dan Pembangunan

Table 3.1. Comparison of Auditing Resources of BPK and BPKP (July 2005)

No.	Resources	BPK	BPKP
1.	Human Resources	2,850	7,600
	Administrative Staffs	418	2,200
	Auditors	2,382	5,000
2.	Education Background		
	High School	644	376
	3 year Diploma	132	1,102
	Bachelor	1,754	5,110
	Master	319	602
	PhD	1	10
3.	Regional Offices	9	25
4.	Computers	1,202	2,400
5.	4 – wheel Vehicles	136	210
6.	Budget	Rp273bn*	Rp421bn

*includes foreign aid of Rp18bn

Source: Nasution (2005: 16-17)

3.3. BPK Institutional Strengthening and Performance Audit Development

The position of BPK in public sector auditing was dramatically strengthened after the amendment of Indonesian Constitution of 1945. Specifically, the third amendment of the Constitution in 2001 emphasizes the role of BPK as the only state external auditor (Dwiputrianti 2001: 83). The amendment itself results from a drastic change in the Indonesian political situation after the 1997 economic crisis, which led to the fall of Soeharto (Mishra 2002:1). Subsequently, Indonesian Law (2004), which authorized BPK to perform audits on Central Bank, SOEs, Local Governments, and all the institutions that manage state funds, was enacted in 2004 as the consequences of the amendment. Besides enlarging BPK's scope of auditing, the law also eliminated the dominant role of BPKP in public sector auditing. Although the overlapping duty between BPK and BPKP still remained (Praseno 2011:13), a more clear segregation of duties was managed to be established by the law. In particular, the law also enabled BPK to work more systematically as it specialized BPK's work into financial audits, performance audits, and special purpose audits.

The amendment also led to the enactment of Indonesian Law (2006), which strengthened BPK's institutional standing as it increased BPK leader-

ships from 7 to 9 persons. The law also enabled BPK to gain independence from GoI as it removed the President's right to appoint the Chairman of BPK and gave the chairmanships selection to BPK's leadership themselves. Additionally, the law also enables BPK to open representative offices in all provinces in order to provide sufficient supervision to the decentralization process.

Besides the amendment, International Monetary Fund (IMF) conditionalities in the post-crisis program of the GoI played a crucial role in enabling BPK to strengthen its institution. In October 31, 1997, IMF provided USD10.5 billion of loans to GoI as a financial support to overcome the crisis (Djiwandono, 2000:58). Observation of the IMF Program for Indonesia in 1997-2003 (IMF n.d.) reveals that among 24 Letter of Intents⁹ (LoIs) sent by GoI to IMF, there are LoIs which discussed institutional strengthening of BPK. Specifically, the 11th LoI¹⁰ mentioned that BPK was already permitted to conduct an audit of the Central Bank. Besides that, the 17th LoI¹¹ mentioned that drafting of New State Financial Laws, which includes State Audit Law, was already in progress.

BPK began to progressively develop performance audits after the economic crisis. In fact, it conducted a performance audit on National Bank Restructuring Agency (BPPN¹²) in 2003-2004 as a response to public concern about the financial sector, which was considered as the major cause of the crisis. One experienced auditor in BPK mentions that the audit can be considered as a watershed of further development of performance audit in BPK.

3.4. The Establishment of Long Term Vision and Comprehensive Plan to Develop Performance Audit in BPK

After the enactment of the Indonesian Law (2006), BPK had a more supportive capability to develop its capacity in performance audits. Initiated by the establishment of BPK Triangle role in 2007, performance audits in BPK was later developed with the technical assistance from ANAO and capacity building plan that followed afterwards.

3.4.1. BPK Triangle Role and US-GAO Accountability Organization Maturity Model

Anwar Nasution, former Chairman of BPK (2004 – 2009) adopted US-GAO Accountability Organization Maturity Model as the basis of BPK current and future roles (2007: 10). He posits a BPK long-term role in the BPK Triangle roles, which visualizes 6 levels of pyramid similar with the US-GAO model (see **Figure 3.1**). Specifically, Nasution (ibid) puts the lower three levels of the pyramid as the role of BPK in 2007 and the higher three levels as the long term role of BPK. He mentions that since 2005 until

⁹ LoI is a letter which sent to describes policies intended to be implemented in the context financial support request

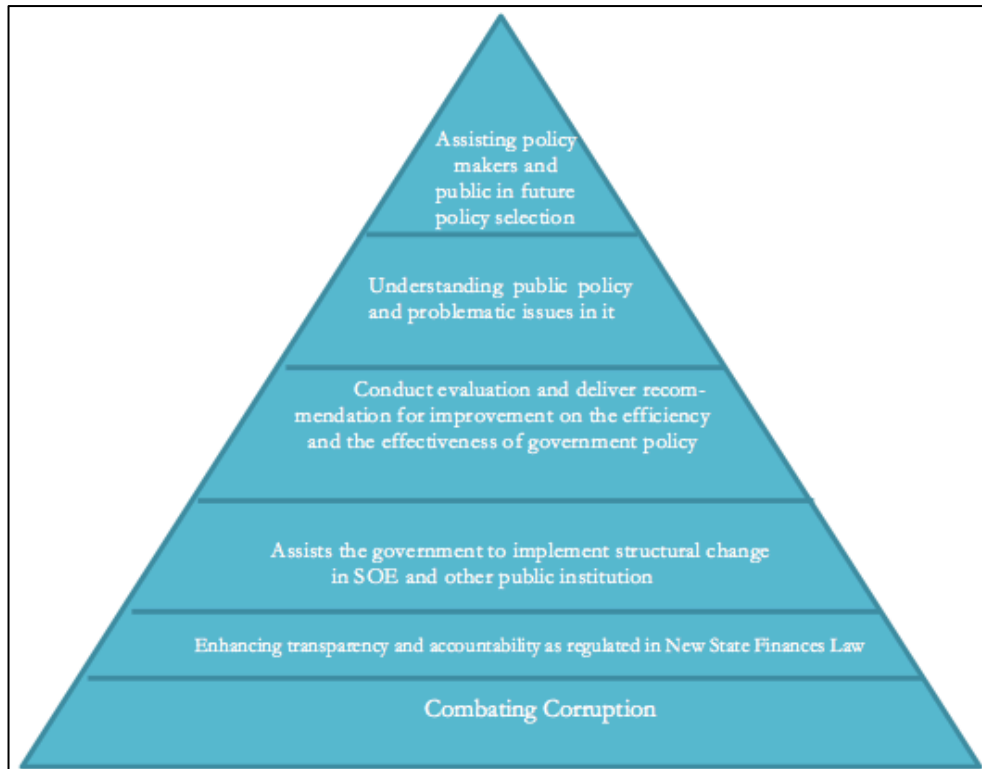
¹⁰ The Letter of Intent was sent in July 22, 1999

¹¹ The LoI was sent in December 13, 2001

¹² Translated from Badan Penyehatan Perbankan Nasional

2007 BPK has contributed to the lower three levels of the pyramid, namely combating corruption, transparency and accountability enhancement and improvement, and structural change assistance to the Government in State Owned Enterprises and other public institutions. He further explains that in the future BPK's role will be mainly dominated by providing recommendations for government program improvement, and providing assistance to the policy makers. Until now, BPK still uses the model as the basis of its future development plan (BPK 2014c: 8).

Figure 3.1. Current and Long Term Role of BPK



Source: Nasution (ibid)

3.4.2. ANAO's Technical Assistance

Performance audit development in BPK was also influenced by technical assistance from ANAO. In 2006, BPK and ANAO joined a cooperation program called the Government Partnership Fund (GPF). The program was established as a part of the Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) after a tsunami disaster, which happened in Indonesia in 2004. Within the program, USD50 million was allocated to strategic partnership of Australian and Indonesian government agencies, which includes BPK-ANAO partnership (BPK 2013c: 16). Details of the BPK-ANAO GPF program can be found in **Table 3.2**.

Table 3.2. Details of BPK-ANAO GPF Program

No.	Description	Time Period	Budget Disbursed	Activities
1	Phase 1	July 1, 2006 – June 30, 2009 (extended to June 30, 2010)	AUD4,3 million	<ol style="list-style-type: none"> 1. Audit pilot project; 2. Secondment; 3. Supervisory visit; 4. In depth financial and performance audit development
2	Phase 2	January 1, 2011 – December 31, 2013	AUD3,75 million	<ol style="list-style-type: none"> 1. Managerial and technical development on performance audit; 2. Quality assurance development on financial audit; 3. BPK and parliament relations strengthening; 4. Human Resources Management

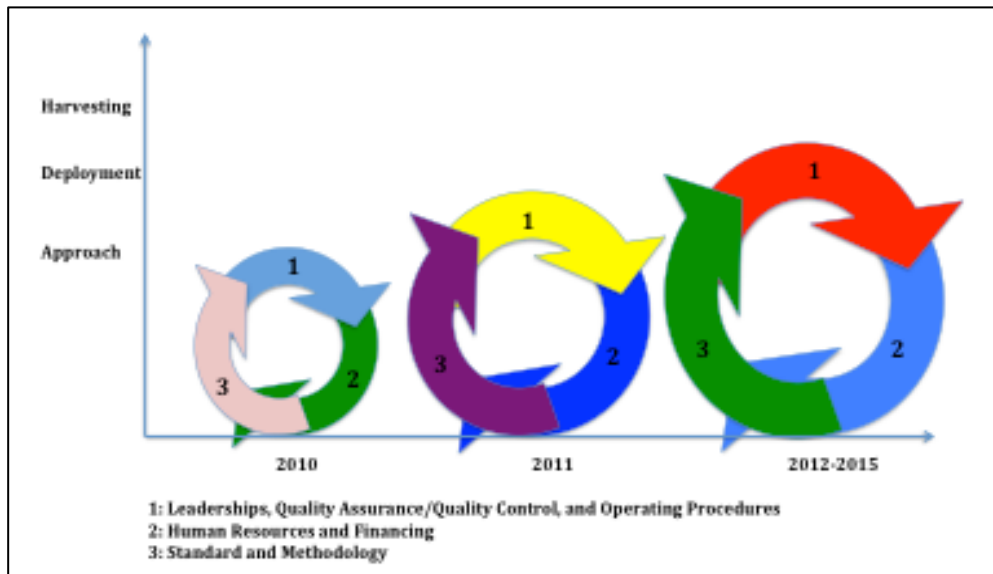
Source: BPK (2013c)

The program consists of workshops, pilot projects, secondment, and deployment that was intended to develop performance auditing in BPK. Workshops were the initial stage of GPF. They were conducted simultaneously with pilot project audits that were implemented in 2006. The workshops were conducted prior to the audit planning, implementation, and reporting phase of each pilot project audit. In the workshops, ANAO’s personnel explained about the basic concept and methodology of performance audits, which was used in ANAO. Besides training for the auditors, ANAO also conducted two workshops for BPK’s top-level management. In addition to the training, BPK had sent a number of its auditors to enrol in an 11-month long secondment program in ANAO to understand how ANAO actually conducts performance audits. Additionally, since 2009 ANAO has deployed its performance audit experts to improve performance audit expertise in BPK (ibid: 77).

3.4.3. The Establishment of Comprehensive Capacity Building Plan

BPK managed to establish a comprehensive capacity building plan for performance audit in 2008. Sandra Gusman, a former staff the in research and development unit, explains that prior to 2008, performance audit was developed sporadically without a subtle design for capacity building. She mentions that after 2 years of preparation, BPK developed a capacity development project in 2010. The project consists of an approach phase in 2010, deployment phase in 2011 and learning and harvesting phase in 2012 - 2015. In the project, BPK aimed for gradual development in leadership and operating procedures, human resources and financing, and audit standards and methodology. Additionally, BPK called the method “*tropical snowball*” as each aspect mutually reinforced each other over time (see **Figure 3.2.**).

Figure 3.2. BPK Performance Audit Capacity Building Development Plan



Source: Adapted from Internal Document of Directorate of Research and Development

The project is a part of BPK strategic initiatives for capacity building of performance auditing (BPK 2014c: 27). In the aspects of leadership and audit management, the program is aimed to generate a strategic plan to meet the intended objective of performance audit. In terms of human resources and financing, adequate support and efficient use of resources are mentioned among the intended objectives of the program. Lastly, the program also sought to achieve strengthening of the methodology and standards in the form of establishing proper audit guidelines along with its implementation assistance. Detailed information about the capacity program plan is described in **Appendix 2**. Additionally, in its strategic plan BPK had also determined the target of performance audit reporting it needed to publish for 2011-2015 (see **table 3.3**).

Table 3.3. Target of Performance Audit Report Published

2011	2012	2013	2014	2015
149	214	242	235	250

Source: BPK (2014c: 58)

3.5. The Implementation of the Long Term Vision and Capacity Building Comprehensive Plan

In the implementation phase, BPK had established a Planning and Review Team (TPP¹³) in 2010 and a Capacity Building Team (TPK¹⁴) in 2011. As described in the plan, TPP and TPK have implemented the capacity building plan in three aspects: leadership and management; human resources and financing; and audit methodology. Despite the sophisticated and quite advanced design,

¹³ translated from Tim Perencana dan Pengkajian

¹⁴ translated from Tim Pengembangan Kapasitas

interviews with relevant key informants reveal a number of implementation gaps. Detailed discussion about each capacity building initiative will be described in the following paragraphs.

3.5.1. Leadership and Management

TPP and TPK promulgated research on relevant issues that needed to be audited, including discussion about GoI's future policies, and came out with the suggestion to focus the audit on 5 areas. These are bureaucracy reform, education, health service, infrastructure, and poverty elimination. TPK, with the assistance of ANAO, then set to initiate a pilot project audit on the Corruption Control System. However, due to the excessive workload of SFAs, the pilot project failed to be implemented. Detailed information about the program in this aspect is identified in **Table 3.4**.

Table 3.4. Details on Capacity Building on Leadership and Management

Activities and output			
2010	2011	2012	2013
Workshops: Recommendation in audit guidelines revision and future capacity building plan	Corruption control system audit determined as pilot project audit with the assistance of ANAO	Research on relevant issues on corruption control system audit	Research on strategic steps need to be taken in order to satisfy stakeholders needs
Discussion with Development Planning National Agency (Bappenas ¹⁶): Government focus on development policy identified	Review on national development plan in the context of BPK strategic planning preparation	Pilot project audit on fraud control system in 4 audited entities	Benefits of performance audit identified from auditee such as: better internal control, mindset change, and more discipline
Review on National Development Plan: Audit theme priorities identified		Corruption Control Audit Failed to Implemented due to SFAs excessive workloads	Suggestion from auditee identified: auditors need to improve competencies in order to identify root causes of auditee's problem

Source: Internal Document of Research and Development Directorate

In spite of those efforts, BPK still encounters complexities in developing performance audits in regards to management. B. Dwita Pranada¹⁵, current Director of the Research and Development Unit, posits that there are three points that need to be addressed in performance audit management. Those aspects are *change management*, which is related with the transformation of compliance audit to performance audit. Then, *knowledge management* related to how BPK manage the knowledge it has obtained either from internal or external BPK. Lastly, BPK need *strategic communication* about its audit from planning

¹⁵ Mr. B. D. Pradana joined BPK since 1990 as a junior auditor He actively involved in INTOSAI programs including performance audit development.

phase until follow up phase. Besides those complexities, one interviewee mentions that BPK also encounters complexity in performance audit planning. Those complexities will be described in paragraphs below.

3.5.1.1. Change Management from “Compliance” to “Performance” Audit

BPK find it difficult to transform most of its auditors’ mindsets from compliance audit to performance audit. In fact, most of the interviewees acknowledge that performance audit requires a more complex analysis and problem verification compared to the compliance audit. Former Vice Chairman of BPK explains that some auditors often work in a supervisory manner instead of being critical to the existing regulation. In his perspective, a performance auditor is an auditor who able to “*think big*” and be aware of the conceptual framework of each auditee’s business process.

A more concrete story can be obtained from one interviewee’s experience in supervising clean water management audit. In particular, he gives a case of the split-up of PDAM, a Locally Owned Enterprises that is in charge in water service, due to local government split up. He mentions that prior to the audit he had already developed a hypothesis that the split up would led to worse service delivery for the people. However, he encountered tough discussion within the audit team as some auditors failed to recognize the split up as a problem. He adds that the auditors argue that existing regulation is permissive for such split up so that BPK should not provide recommendation to prevent the split up.

One thing that underpins the difficulty to transform auditor mindset is that the BPK organizational structure itself does not sufficiently support the transformation. In fact, BPK structures its organization based on 7 audit portfolios of each of its member of the board (see details in **Table 3.5.**) instead of based on different types of audits it needs to undertake. Each of the audit portfolio is managed by a State Prime Finances Auditor (SFPA), a first echelon official. In the lower managerial level, the organizational structure divides the organizational unit in BPK into smaller units in charge of some government agencies or SOEs and ignores the importance of audit specialization in each unit (see organizational structure in **Figure 3.3.**). It is different with ANAO’s structural organization, which arranges its organization based on the different audit types it conducts (BPK 2013c: 44).

In addition, almost all respondents acknowledge that auditor specialization is necessary. Former Vice Chairman of BPK posits that it is impossible for an auditor to be able to conduct all types of audit due to the different nature of each audit. A similar opinion was also given by Rochmadi Saptogiri¹⁶, an SFPA, as he puts forward limited capacity of auditee's business process understanding and critical path as the consequences of the lack of auditor specialization. In response to the issues, the Chairman of BPK, Harry Azhar Aziz, admits that it is a problem needs to be solved.

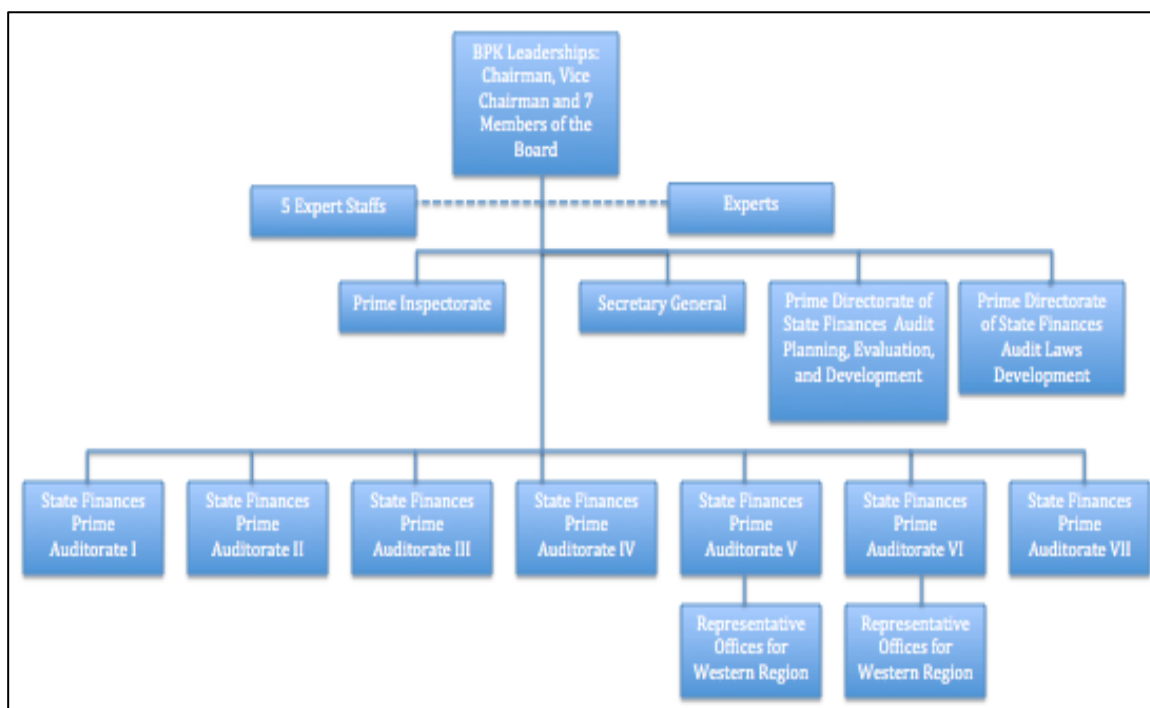
Table 3.5. Audit Portfolio of BPK Leaderships

Roles	Job Description
Area 1	Politic, Law, Defense, and Security
Area 2	Economy and National Development Planning
Area 3	State Institution, Public Welfare, State Secretariat, State Apparatus, Research and Technology
Area 4	Environment, Natural Resources Management, and Infrastructures
Area 5	Ministry of Internal Affairs, Religion, Board of Surabaya-Madura Area Development, National Board of Borderline Management, Board of Batam Trade Area and Free Port, Board of Sabang Trade Area and Free Port, and Local Finances Administration on Java and Sumatra
Area 6	Health Affairs, Ministry of Underdeveloped Regions, Ministry of Culture and Education, and Local Finances Administration on Bali, Nusa Tenggara, Kalimantan, Sulawesi, Maluku, and Papua
Area 7	State Assets Set Aside (State Owned Enterprises)

Source: BPK (2010b)

¹⁶ Mr. Rochmadi Saptogiri is top level manager (first echelon) which began his career in BPK since 1989 as a junior auditor.

Figure 3.3. Organizational Structure of BPK



Source: BPK (2014d)

3.5.1.2. Knowledge Management

In terms of knowledge management, some of auditors in BPK encounter difficulties to obtain the needed knowledge in their audit. Wira Alamsyah¹⁷, an auditor who is conducting a performance audit on upstream oil management in Pertamina Hulu Energi¹⁸, posits that although a number of discussions with relevant actors was already conducted in the audit, his team still encountered reliance on experts (engineers) due to the complexity of the audit. He further mentioned that his team needed to consider two aspects in utilizing experts' skills, namely time availability of the experts and the potential conflict of interest of the experts with the auditee. Different responses were obtained from Edy Witono¹⁹ who experienced a performance audit on the Ministry of Defence (MoD) and National Army financial management. He describes that although none of his team had a military background, he does not feel that his team met with difficulties in performing the audit. Additionally, he claims that a number of discussions with experts and related agencies in the planning and implementation phase of the audit enable the audit team to work properly.

3.5.1.3. Strategic Communication

In its strategic communication, BPK is still unable to properly communicate its performance audit results due to a number of difficulties it has encountered. The Director of the Research and Development Unit explains that currently

¹⁷ Mr. Andi Wira Alamsyah is the leader of the team. He began his career in BPK as junior auditor in 2008.

¹⁸ State Owned Enterprises in charge of national oil management

¹⁹ Mr. Edy Witono is the leader of the team. He began his career in BPK in 1993 as a junior auditor.

BPK already conducts a number of public hearings, however it mainly consists of general information about BPK's work rather than specifically communicating the result of a particular performance audit. He further explains that BPK should better communicate its audits from audit planning until reporting phase. It is important in raising public awareness of the benefits of the audit itself. Some respondents mention that some top-level management in government agencies have already recognized the benefits of BPK's performance audit. They describe that some majors, regents, and other high level officials in local governments have told them that BPK's audit is useful to make them better understand about issues they're dealing with such as clean water management and health issues. Some majors even highly appreciate BPK's performance audit report as his local tax drastically increased after BPK conducted performance audit on its local tax management. However, BPK rarely raises these benefits in its strategic public communication.

Another issue that needs to be resolved is BPK's difficulty in gathering needed information due to limited human resources in public relations. The former Head of BPK Representative Office in Lampung mentions that once in his office there was only one staff in charge of public relations. Actually BPK already attempted to fill the gap in their communication strategy by recruiting 89 personnel with a background of communications in the last 10 years. However, the number is still limited as it only makes up 3.01% of the total 2,952 personnel recruited in last 10 years.

In regards to communication with the parliament, BPK's work is supported by the Public Account Committee (BAKN²⁰), an arm of the parliament established in 2009, which in charge of analysing BPK's audit report and delivering inputs to for BPK's audit report. However, communication between BPK and parliament is not effective. Irawan (2014: 4) posits that the parliament is not paying attention to BPK's audit reports. Specifically, the parliament posits that the parliament is more interested in corruption and fraud issues instead of issues raised in performance audits which are considered "not a sexy topic" by the parliament (ibid: 6).

The last issue in strategic communication is that BPK does not actively involved citizens and Civil Society Organizations (CSO) in performance audits. Irawan & McIntyre-Mills (2014:16) posit that citizen and society have not yet being involved in the process of performance audits. It has even worsened as BPK audit reports cannot be accessed directly in the website. Instead of providing detailed reports, BPK only provides 6-monthly summaries of audit reports, which does not specifically describe both existing problems in the auditee and recommendations generated in each audit. One reason underlying the restriction is that BPK officials are worried that the information in their reports can be misused ('BPK_buka' 2011). It is totally different with the NCA website which enable its visitor to download each of its audit reports even for relatively sensitive affairs such as tax avoidance (NCA 2014a).

²⁰ translated from Badan Akuntabilitas Keuangan Negara (BAKN)

3.5.1.4. Audit Planning

BPK encounters difficulties in performance audit planning, as it has not possessed a sufficient mechanism to determine an audit topic. Although SFPA III of BPK mentions that it is clear that BPK decides audit topic by considering BPK leadership's policies, strategic issues, and stakeholders' expectations, a number of issues in the planning phase still need to be addressed. Expert staff on audits of SOEs point out the negative effect of target quantification of the number of published performance audit reports. He points out that it has triggered some units to conduct performance audits only for target fulfilment without proper research on the relevance of its audit theme. By emphasizing the importance of the usefulness of the audit, he states that each performance audit should be initiated by problem verification through research on public needs based on developing discourse in mass media, legislative opinion, or government leadership's opinion.

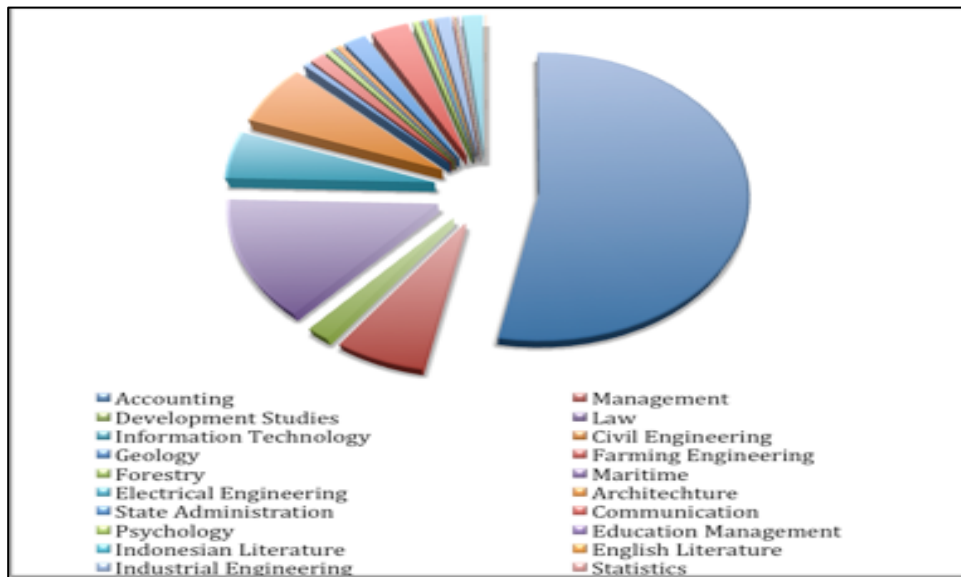
Besides complexity in verification of audit problems, lack of comprehensive audit design can be detected in the audit planning phase. Audits on health care validate the notion, as different audit themes, audit objectives, and audit conclusions came from a relatively similar topic. In fact, since 2008 to 2015 audit health care has always focused on inpatient and pharmacy services in hospitals (BPK 2008; BPK 2015). Despite the relatively similar topics, BPK find difficulties to summarize its audit findings. Monica Nito, the Head of Performance Audit Evaluation and Reporting Section, claims that she has to do extra work to prepare 6 monthly regular audit summaries due to the differences in each audit report with relatively similar topics. She emphasizes that the relevance of each audit report is necessary to enable the stakeholders, including the parliament, to recognize the significance of BPK's work.

3.5.2. Resources Management

3.5.2.1. Human Resources

An initial step of human resources is personnel recruitment, which is managed by Human Resources Bureau. In the last 10 years, BPK had recruited 2,952 employees of which 1,569 and 410 of them come from Accounting and Law backgrounds respectively. At the same time, recruitment for staff with development studies and management backgrounds, which are relevant with performance audits, is 198 and 51 staffs respectively (see **Figure 3.4.** and detail information in **Appendix 3**). Currently, BPK employs over 6,136 people and about 3,900 of them are auditors (SAOP 2014: 4).

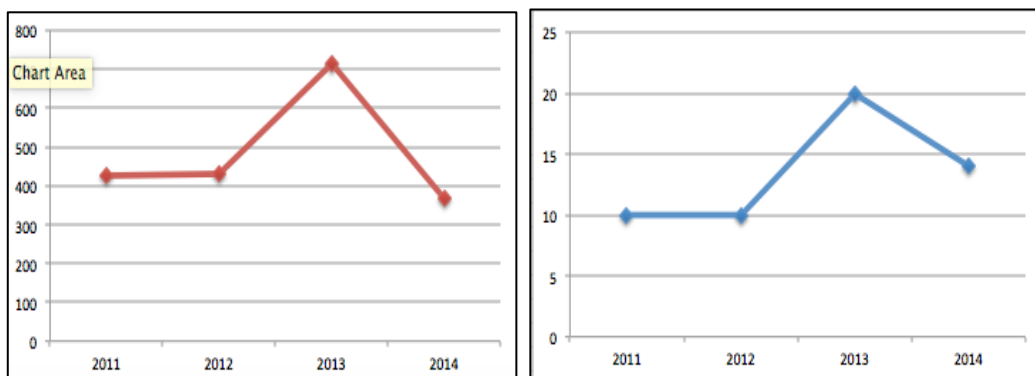
Figure 3.4. Proportion of Employee Recruited by BPK (2006-2014)



Source: Own elaboration developed from yearly statistical data obtained From HRB Staff (August 2015)

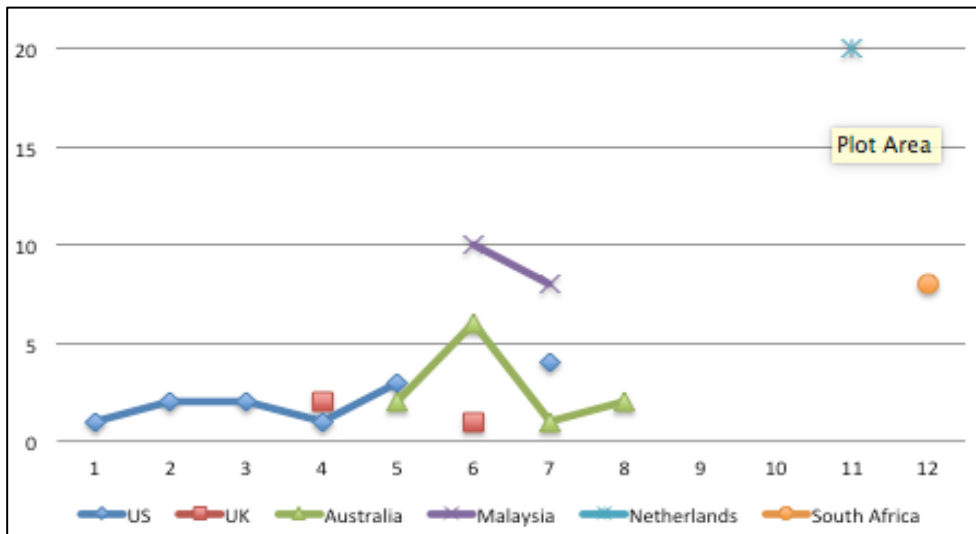
After being recruited, a routine Basic Training for Auditors is organized by the Learning and Training Centre. Sapto Amal Damanhari, Vice Chairman of BPK posits that the performance audit training is important, as it will increase auditor’s competencies that are significant for the implementation of audits. He explains that BPK has conducted regular training both internally and externally to enable the auditor to gain competencies needed. In fact, BPK had executed 54 trainings for 1,951 personnel with detailed yearly trends displayed in **Figure 3.5 and 3.6**. Additionally, since 2003, BPK had sent 73 of its personnel to gain knowledge about performance auditing worldwide, mostly in United States, Australia, and the Netherlands (see details in **Appendix 4** and yearly trend in **Figure 3.7**). In accordance with the increasing trend of the performance audit training, TPP and TPK claims that they have conducted a series of trainings and workshops as part of the implementation of the capacity building plan. The team also managed to organize Training for Trainers (TfT) in order to harmonize different perspectives on the concept of performance audit. Detailed information about the program in this aspect is identified in **Appendix 5**.

Figure 3.5. Number of Personnel Trained Figure 3.6. Number of Training Conducted



Source: Own elaboration developed from yearly statistic given by LTC staff (August 2015)

Figure 3.7. Trend of BPK's Personnel Sent Abroad in the Context of Capacity Building



Source: Own elaboration based on “BPK RI Performance Audit Sustainable Capacity Building”. Internal document obtained from Directorate of Research and Development”

Despite the enormous recruitment, domestic trainings, and international trainings conducted by BPK, there are still challenges that need to be resolved in human resources management. The first challenge is the urgency to develop a sustainable and consistent recruitment mechanism to support the development of performance audit. Hary Haryanto, the Head of Human Resources Planning and Recruitment Unit, describes that currently BPK does not have a grand design for human resources recruitment in the context of performance audit development. He explains that minimum share performance audit compared other types of audit mentioned as one of the consideration why HRB does not specify the recruitment mechanism for performance auditor. He points out that the number of audits undertaken is important for the career development of an auditor. Thus, auditor specialization since recruitment would potentially caused difficulties for the career development of the auditor in the future.

Another problem in the recruitment phase is the dependency of BPK to GoI because the BPK’s staff status is public servant, which is under the authority of the Ministry of State Apparatus and Bureaucracy (MoSAB). BPK yearly recruitment is based on the request of each auditorates. The Human Resources Bureau (HRB) then compiles the request and forwards it to the Ministry of State Apparatus and Bureaucracy (MoSAB). Afterwards, MoSAB decides how many staffs can be recruited. In fact, the Head of Human Resources Planning and Recruitment Unit mentions that in 2014, BPK requested for 1,200 auditors and only 254 were approved by MoSAB. However, BPK is in charge of determining the required educational background of its staff candidates.

Besides recruitment, BPK also encountered a limited number of personnel to support the implementation of performance audits. As mentioned earlier, BPK encounters a limited number of personnel competent in public relations, which in charge to assist auditors in updating public affairs issues. In the Evaluation and Reporting Unit, one interviewee posits that she needs more staff in

order to enable her unit to evaluate thousands of published audit reports. A slightly different problem is mentioned in Research and Development Unit as the Head of PARD faces challenges in providing technical assistance to auditors because some of his staff have never conducted a performance audit.

Another challenge in human resources management is implementation of performance audit trainings. Current training mechanisms are not effective to enable staff to adequately implement performance audits. Chairil Anwar, a trainer in LTC argues that despite the increased number of performance audit trainings, it has failed to change auditor mentalities from compliance auditing. Additionally, Dwi Setiawan, current Head of LTC, mentions that currently the trainings are conducted partially and less inclusively as a comprehensive evaluation mechanism for the auditors is lacking. LTC also encounters time constraint as some auditors find it difficult to be enrolled in the training. SFAs sometimes send auditor, who are less relevant for performance auditing to enrol in the training. Mario Wibowo, a junior auditor, confirms the notion as he was once involved in audit training in which the participants are not the auditors who will be involved in performance audits. In order to address these issues, he proposes a more inclusive and sustainable program called “Excellent Learning Centre”. Nevertheless, the success of the implementation of the program still needs to be questioned, as it would only be effective in 2017.

3.5.2.2. Financing

As an integral part of capacity building, BPK has enjoyed a sufficient allocation of budget from the government. In fact, in the last 5 years GoI has already allocated on average Rp2,5 trillion for BPK’s budget. It is clearly much higher than BPK’s budget before its institutional strengthening, which was Rp273 billion in 2005 (see **table 3.6**). From the total amount, on average Rp1,2 trillion is allocated to operational costs that includes audit fees for the auditor, during last 5 years.

Table 3.6. Detail Budget Allocated to BPK overtime

2005 (Rp)	2010 (Rp)	2011 (Rp)	2012 (Rp)	2013 (Rp)
273,000,000,000	2,305,958,213,000	2,820,097,896,000	2,674,785,807,000	2,831,594,415,000

Source:

1. Nasution (2005: 16-17)
2. BPK (2011d; 2012c; 2013d; 2014e)

Although already receiving a sufficient budget, BPK still needs to figure out how much of the resources are used for the implementation of performance audits. The share of performance audits increased from 5.31 % in 2008 to 18.85% in 2014, reflecting the fact that BPK (see **table 3.7**.) began to gradually prioritize the audit in the cost of other type of audits. Most of the interviewees agree that BPK should prioritise performance audits in its work. A top level management in BPK points out that the development of US GAO, which changed its name from General Accounting Office to Government Accountability Office in 2004, should be considered as shifting focus of SAI from accounting towards accountability, which is closer to performance measurement. The Director of Research and Development unit adds that BPK currently has

the momentum to develop performance audits properly due to sufficient public support.

Table 3.7 Performance Audit Share Compared to Total Audit Report in 2008-2014

No.	Years	Performance Audit Report	Total Audit Report	%
1	2008	61	1,148	5.31
2	2009	80	1,260	6.35
3	2010	154	1,262	12.20
4	2011	157	1,609	9.76
5	2012	168	1,331	12.62
6	2013	167	1,259	13.26
7	2014	249	1,321	18.85
	Total	1,036	9,190	11.27

Source: BPK (2008; 2009a; 2009b; 2010a; 2010c; 2011b; 2011c; 2012a; 2012b; 2013a; 2013b; 2014a; 2014b; 2015)

The Chairman of BPK recognizes the importance of performance audits as he mentions audits as one of his main concerns. However, BPK's requirement to implement other types of audit, such as regular financial audit on 120 central government agencies, 538 local governments, 148 state owned enterprises, with more or less 3000 auditors need to be considered. In average, a financial audit requires at least 6 months which means the performance audit can only be conducted 180 days at most, which is far less than up to 635 days spent in Netherlands Audit Court (NCA) (NCA. 2014: 21). The situation is even worsened by BPK's budgeting mechanism that classifies audit fees as a operational expenditure which forbids an audit to be implemented more than one fiscal year (365 days).

Therefore, the Chairman proposed two approaches namely *audit opinion - based* and *redundancy spending - based*. The former refers to an approach of which performance audits would be implemented on those agencies with unqualified opinion²¹, whereas the latter refers to an approach that focuses on government functions which are handled by many agencies. He adds that with the first approach, a performance audit would be conducted on 30 % of local governments which already have an unqualified opinion on financial audit. Meanwhile, the second approach focuses on the transaction cost of a program that is implemented by overlapping institutions, for instances, the Chairman mentions poverty eradication program that involves 18 institutions as a program implemented by overlapping institution.

3.5.3. Standard and Methodology

In the light of standards and methodology, the capacity building teams posit that revision of audit guidelines had been conducted which resulted in new performance audit guidelines (BPK, 2011a). The team also claims that they already provided technical assistance for a number of audit teams. Detailed information about the program in this aspect is identified in **Table 3.8**.

²¹ a statement that audited financial statement discloses all information fairly and in accordance to Government Accounting Standard (BPK 2015: 214)

Table 3.8. Capacity Building Implementation in Standard and Methodology

Activities and output			
2010	2011	2012	2013
Limited Hearing on audit guidelines revision	Assistance on performance audit implemented by SFAs	Transfer of Knowledge and assistance on Performance Audit (helpdesk, direct assistance, etc.)	Helpdesk and direct assistance on 4 audits and 1 SFAs and 2 representative offices
Accommodate inputs on audit guidelines revision from performance audit trainees		Reporting guidelines drafting	Identifying and documenting problem encountered by auditors in performance audit implementation
Audit guidelines feasibility test in 4 representative offices: Batam, Denpasar, Kupang, Jayapura (Oct-Nov). The guidelines considered feasible			Review on ISSAI in order to synchronize audit guidelines to worldwide standards
Guidelines drafting, including performance audit, key area setting, and criteria determination guidelines			

Source: “BPK RI Performance Audit Sustainable Capacity Building”. Internal document obtained from Directorate of Research and Development”

Review of the content of the guidelines reveals that the guidelines classify performance audit processes into three major steps: planning, implementation, and reporting (see details in **Figure 3.8.**). Head of PARD, the unit in charge for the development of the guidelines, explains that the guidelines refer to ISSAI 3000, international performance audit guidelines which were developed by INTOSAI in 2004.

Figure 3.8. Sequence of Performance Audit Steps



Source: Own elaboration based on BPK (2011a)

However, scrutiny of the guidelines reveals a difference between BPK guidelines and ISSAI 3000. Both guidelines similarly mention a “result-oriented” approach as the first approach in performance audits. However, the guidelines differ in the second approach as BPK uses a “process-oriented” approach (BPK 2011a: 18), whereas ISSAI 3000 uses a “problem-oriented” approach. In fact, “problem-oriented” and “process-oriented” differs significantly in terms of audit procedures. Former approaches enable the auditor to be more flexible as it states that the audit normally without reference to predefined audit criteria (INTOSAI 2004: 26) whereas the latter relies on audit criteria. In particular, the “process-oriented” approach remains confined in the sequential process, which is displayed in **Figure 3.8**. Comparison between those approaches can be seen in **Table 3.9**.

Table 3.9. Comparison of Result Oriented, Problem Oriented, and Process Oriented Approach

Description	Result Oriented	Problem Oriented	Process Oriented
Audit Question	<ol style="list-style-type: none"> 1. What is the performance? 2. What result has been achieved? 3. Have the requirement or the objectives been met? 	<ol style="list-style-type: none"> 1. Do the stated problem really exist? 2. What are the causes of the problem 	Is there any problem in identified process?
Rely on	<ol style="list-style-type: none"> 1. Given norm (goals, objective, regulations) or 2. Audit criteria which precisely defined before main study begin 3. If it is hard to define, collaboration with expert is possible 	Problem verification and analysis, normally without reference to predetermined audit criteria	<ol style="list-style-type: none"> 1. Problem verification in identified process. 2. Will resulted in an audit criteria which further established as the basis of the audit
Starting Point	Criteria	Problem	Entity's Business Process
Findings	Deviation from norm or criteria	Updated information about the stated problems	Deviation from audit criteria
Recommendation	Eliminating the deviation	How to deal with the updated problem	Performance improvement on problematic aspects
Perspective	Normative	<ol style="list-style-type: none"> 1. Analytical and instrumental 2. No restriction on analysis so that it is acceptable to criticize the existing norms and regulations 	Procedural analytic

Source: Own elaboration based on INTOSAI (2010b) and BPK (2011a)

Despite INTOSAI's negligence of predefined audit criteria in the problem audit approach, BPK developed guidelines on criteria setting that should be complied with by the auditors. Such rigidity potentially prevents the auditor to be detached from compliance mindset, which limits the flexibility of the audit. By interpreting some interviewee's opinions about the complexity of changing management from compliance audits to performance audits, it is plausible to assume that the rigidity in BPK's guidelines led to such difficulties. In addition, some interviewees posit that the absence of the "problem-oriented" approach is problematic as such a method is widely used. In response to this, the Head of PARD assumes²² that BPK was not firm in using a "problem-oriented" approach as such method rarely known in BPK. He further clarifies that BPK's work always relies on law or regulation that normally regulates the output or

²² Current head of PARD was not involved in the compilation of the guidelines as he was deployed to the unit after the establishment of the guidelines

the process within government activities. Thus, the audit approaches introduced in the guidelines were the “result-oriented” approach and “process-oriented” approach. Nevertheless, he explains that a revision on the guidelines is being prepared, and the “problem-oriented” approach will be included in the guidelines.

Besides affecting the auditors, the negligence of the audit guidelines of the “problem-oriented” approach also potentially affects the quality assurance mechanism. Besides quality assurance through peer review from other SAIs which were already mentioned in the beginning of the paper, BPK also has an Inspectorate General (IG) which is in charge of internal quality assurance. In fact, the guidelines are the basis of the quality assurance mechanism conducted by IG. Hence, strict implementation of criteria setting in the guidelines prevents the IG to recognize the problem-oriented approach, which in turn further hindered the flexibility of the audit. In short, the guidelines led to a conclusion that an audit taking the problem-oriented approach, which does not determine its criteria prior to the audit, is less qualified than an audit that has predetermined criteria.

Chapter 4 BPK's Performance Audit Capacity Building Analysis

This chapter will provide analysis on the extent of BPK's performance audit capacity building. It began with an analysis based on INTOSAI's manual on performance audit capacity building and its relevance with Grindle and Hilderbrand's framework. It will reflect BPK's systematic and transformative effort to develop the audit in each aspect. Lastly, the chapter attempts to put forward the potential unintended consequence need to be concerned by the policy makers in BPK for further development of performance audit.

4.1. Management Involvement

In the management involvement, we can understand that BPK had developed its management the better fit the performance audit. BPK started to develop the audit with a partial and less comprehensive approach. Then, since 2007, the management in BPK had established a conceptual framework of the development of performance audit in the long run. Additionally, the management in the audit board had also develop a comprehensive capacity building plan in order to properly implement the performance audit.

4.1.1. Long-Term Vision

Based on the information in the earlier chapter, we can understand that prior to 2007, BPK did not possess a long-term vision to develop the performance audit, as the audit and capacity building to support it conducted partially. BPK then began to draw its long-term vision by adopting US-GAO Accountability Organization Maturity Model in 2007. In concrete, BPK had put forward "BPK Role Triangle", which explains that performance audit will be developed gradually as a tool to support BPK's role in providing insight and foresight for the policy makers in the future. The model adopted by BPK until currently, as the board's current strategic plan still mention the model as the basis of BPK's development. The establishment of the "Triangle Role" is relevant with INTOSAI's guideline, which required SAI to determine a distinct vision of the implementation of performance audit in the long run in order to sustainably develop the audit (INTOSAI 2010b: 6).

4.1.2. Leadership's Commitment

Strong commitment from the leadership is needed in the development of performance audit, as INTOSAI mentions that the audit is a demanding task, which might require large investment both in human resources and financing. The audit calls for a completely different approach compared to financial and compliance audit of which SAI accustomed to practice. Additionally, the audit also takes time to implement, as the benefit of the audit can be identified long time after its implementation.

Build on the importance of the commitment above, we can understand that BPK leadership overtime had displayed a strong commitment for the de-

velopment of the audit. It began with the support for establishment of management audit course in 1976, which later subsequently followed by a number of international courses for the auditors afterwards. However, the leaderships experienced political interference with the ruling regime, which stagnated the development of the audit until early 2000s.

After 2007, leadership commitment became more apparent as the leadership explicitly targeted an increase in the number of performance audit report it needs to be published from 149 reports in 2011 to 250 reports in 2015. The commitment then became more concrete as the number of performance audit report published increased from only 61 reports in 2008 (5.31% of total report) to 249 audit reports in 2014 (18.85% of total report). The current Chairman and the Vice Chairman of BPK also confirm it, as they explicitly stated that they intend to further develop the audit in the future.

4.1.3. Management Practices and Organizational Behaviour

BPK had attempted to adapt its management practices to better fit the implementation of performance audit. It began with co-operation with ANAO in which a number of top-level management actively involved in the training on performance audit management. Then, since 2008 BPK had established a comprehensive capacity building plan to develop performance. The capacity building plan consists of capacity development in leaderships and management, human resources and financing, and audit methodology. It is in accordance with INTOSAI's guideline, which emphasizes that management active involvement is necessary for the development of performance audit.

However, it can be inferred that BPK still encounters a number of managerial challenges that need to be considered in the long run. Firstly, although BPK had regularly conducted performance audit, the development in audit board's management style seems to be stagnated, as it considered less supportive for the implementation of performance audit. Grindle and Hilderbrand (1995:447) emphasize the importance of management style as it determines the goals, work structure, authority relations, and incentive structures within an organization. In fact, BPK organizational structure still confined in its old pattern, which divides organization unit based on BPK's audit portfolios on government function. It is less relevant with INTOSAI's guidelines, which requires change in management style and the establishment of special operational manager in charge of whole activities in performance audit (ibid: 14). The audit specialization issue itself also raised by a number of interviewees, as most of the interviewees including the Chairman of BPK perceive that the audit specialization is crucial due to the different nature of performance audit and other types of audit namely financial and compliance audit.

Besides the organizational structure, BPK also deals with complexities in audit planning. BPK find it difficult to develop a proper mechanism to determine a comprehensive audit topic. Some of BPK's audit report, for instances in health care issues, tends to be conducted partially despite of a relatively similar issue they deal with. Some audits also conducted without proper problem verification. At some extent, strict target quantification on performance audit report needs to be published caused these phenomena. Such target quantification at some cases led some units to be hasty in its audit planning.

In regards of organizational behaviour, it is clear that BPK, as an oversight body, always had the sense of critic on the problematic government program. In early 2000s, some audit in financial sector, indicated that BPK had responded to poorly functioning financial institution which unable to prevent the economic crisis. It is become more evident currently, as the Chairman of BPK rigorously criticizes inefficient government policies in poverty eradication program, which involved 18 institutions. INTOSAI acknowledges the importance of such critical behaviour in the development of performance audit, as it will stimulate the institution to conduct more performance audit.

4.2. External Relation

The sub section will enable us to understand that BPK had conducted an effective communication with actors in charge in public sector management. It managed to safeguard a strong legal mandate and sufficient budget from the government and the parliament. However, it still encounters difficulties, especially in raising public awareness about the benefit of performance audit. BPK also tends to limit access to its report, which is not helpful for further development of performance audit.

4.2.1. *Legal Mandate*

INTOSAI mentions that sufficient legal mandate is required by SAI in order to enable it to conduct performance audit effectively. It explains that SAI should be equipped with a subtle legal mandate, which enable it to carry out performance audit independently and such mandate can only be obtained by an effective communication with those in charge in the law-making process (2010b: 6). In specific, SAI's independence comprises the right to select its audit topic, right to widely publish its report in public sphere, the right to access all information needed, and the right to recruit competent staffs. This requirement is relevant with Grindle and Hilderbrand's (1995: 445) institutional context of public sector which mentions that rules and regulation which set for public sector operation can impede or encourage the accomplishment of particular task.

Earlier chapter had described that BPK had experienced a fluctuating relationship with GoI in regards of its independence and authority. In 1960s, BPK already had given the mandate to do the assessment on the usefulness of public spending which is the substance of performance audit. However, the mandate does not guarantee BPK's independence over GoI as BPK's Chairman act under the President's name. GoI even further limit BPK's independence in the period of Soeharto, as Indonesian Law (1973) eliminates BPK's role as it restrict BPK to open any representative offices. Soeharto even further minimized BPK's authority as he prohibit BPK to conduct audit on SOEs and Local Government and transferred the authority to BPKP.

Completely different story experienced by BPK after the fall of Soeharto. Internal political pressure and IMF's conditionalities forced GoI to strengthen BPK's role in the administration. Although it is hard to decide whether BPK leaderships actively involved in the making of Indonesian Law (2004), it is clear that the law ultimately strengthen BPK's position in the administration. The law explicitly established performance audit as one of BPK's work. It also

guarantees BPK to access all relevant information in its audit. BPK's independence further strengthened after the enactment of Indonesian Law (2006), which enable BPK to independently select its Chairmanship. However, GoI still retain a certain control over human resources that BPK need to recruit, as BPK's staffs are public servants under the authority of MoSAB. Despite of the control of GoI, BPK still managed to conduct a massive recruitment of almost 3 thousands staffs in last 10 years.

4.2.2. Relationship with Legislature and Executive

Effective communication between SAI and the parliament and government are mentioned by INTOSAI as critical for the sustainability of performance audit. In specific, it explains that SAI need to properly communicate the benefits of the implementation of the audit to the parliament and the government. Through the effective communication about the benefit, SAI will be able to obtain the expectation of the government and the parliament, which in turn assist BPK to be more focus on high-demanding issues. Besides, the effective communication will enable SAI to sustain the sufficient budget needed (2010b: 7-8).

In regards of communication with those in charge in the government, it can be understood that BPK had established an effective communication with the executive. In last 5 years BPK had managed to safeguard a sufficient amount of budget, which ranged in Rp2,5 trillion or equivalent to EUR170 million. It is dramatically increased compared to Rp273 billion or equivalent to EUR18.5 million in 2005. Besides, BPK also already conducted a number of discussions with relevant actors in the government such as National Development Plan Agency and Ministry of Finance. Additionally, BPK had managed to communicate the benefit of the audit with the audited bodies, as a number of top-level management in government had already recognized the benefits of performance audit in public service improvement such as the increase in local tax and improvement in clean water management.

However, BPK still encounter difficulties to communicate its audit to the legislature. Although the parliament already established a Public Accountability Committee to correctly deal with audit reports, parliament responsiveness to the reports remained low. One study even reveals that the parliament members have no interest in performance audit as they more interested in corruption and fraud (Irawan 2014:4). The fact confirms the importance of action environment, which includes political factors as one aspect that might promote or constraint the effectiveness of the performance of one public sector organization (Grindle and Hilderbrand 1995: 445).

4.2.3. Relationship with Other Stakeholders

Besides relationship the parliament and the government, INTOSAI also posits that SAI needs to communicate actively with other stakeholders, which includes citizens, the media, the academics, and also other SAI (2010b: 8-9). In specific, SAI need to be more responsive and pro-active in obtaining expectation of wider society. All these actors are the source of knowledge through which SAI able to gather relevant information for the improvement of government program. Communications with those actors also enable BPK to gain input needed for the improvement of its audit process or audit report. Grindle

and Hilderbrand (1995: 447) also mention the importance of external relationship as they mention that organization performance affected by the effectiveness of other relevant actors in carrying out their duty. By put those relevant actors as a essential part of government improvement, it can be understood that BPK's performance audit effectiveness is rely on the effectiveness of other actors in conducting their duty for instances academics in providing supporting research and citizen in criticizing government's service.

Prior to the formal initiation of performance audit in 2004, BPK only conduct minimal communication with stakeholder other than the government and the parliament. BPK's awareness for the importance of the communication with other stakeholder such as citizens, the media, and the academics began to develop after the initiation of the capacity building plan. The plan emphasizes the necessity of these relevant stakeholders in the implementation of the audit, as it points out that they are potential source of knowledge in the implementation of the audit.

More concretely, BPK had communicated effectively with a number of more advanced SAIs and technical expertise to gain knowledge on "how-to" do the audit. The audit board had continuously sent its auditor to a number of more advanced SAIs to join trainings, secondments, and fellowship programs. It even had enjoyed years of comprehensive and sustainable technical assistance from ANAO in 2006 - 2013. In regards of specific knowledge needed in audit, BPK managed to obtain expertise knowledge, as mentioned in the upstream oil management in which BPK involved oil engineers as a source of knowledge in the audit process. However, in terms of obtaining knowledge from the wider society, BPK still find it difficult to involved wider society in the audit. The fact that performance audit report cannot be accessed online is detrimental to BPK's communication strategy to the wider society. It prevents discussion of possible improvement in government program and limit possible input for improvement in the quality of BPK's audit report.

4.3. Institutional Issues

As an effort to better institutionalize performance audit, BPK had already conducted a large number of recruitment and trainings. Besides, it also has developed audit guidelines for performance audit to safeguard the consistency of audit procedures. However, despite of the virtuous objective of the initiatives, there are a number of issues need to be resolved for better implementation of performance audit.

4.3.1. Recruitment

Personnel recruitment is essential in performance audit capacity building as auditor is the main source of the development of the audit. INTOSAI recognizes it, as it mentions that personnel recruited for the implementation of performance audit must "better fit" the audit procedures. It further explains that in the first implementation of the audit, the auditor with the background of accounting is allowed to be involved in the audit. However, over time performance auditor will require its own competencies such as social science and wider public administration studies (INTOSAI 2010b: 14).

In its development, BPK had suffered limitation of human resources in the era of Soeharto as it only had 2,850 staffs in 2005, which is largely outnumbered by BPKP, an internal government oversight body. The situation much improved afterwards, as BPK currently employed 6,136 staffs. In fact, BPK managed to recruit 2,952 staffs in last 10 years. However, the proportion of recruited staffs dominated by those with the qualification of accounting and law with the number of 1,569 and 410 respectively. Meanwhile, staffs with the competency needed for performance audit is quite limited, as only 198 staffs with management background and 51 staffs with development studies background had been recruited in last 10 years. Moreover, it can be identified that BPK have not yet possess a comprehensive grand design on personnel recruitment in regards of performance audit. In particular, the recruitment conducted partially based on each unit yearly request without any certainty whether the recruitment will better fit the performance audit in the future or not.

4.3.2. Training

Apart from staffs recruitment, institutional issues also includes the training of the auditors involved in performance audit. INTOSAI highlights the importance of training as it will increase the skills of the auditor and further enhance the capability of the SAI in performance audit (ibid: 15). Besides, the training will promulgate better knowledge sharing across the SAI. Grindle and Hilderbrand (1995: 447) also recognize the importance of trainings as it mentions that how human resources educated is influential in capacity building.

The findings in Chapter 3 enable us to understand that BPK had already conducted trainings on performance audit since 1976. However, due to resource limitation from GoI, the training was quite limited and even some of the trainings for BPK's auditors conducted by BPKP. Progressive movement in trainings in BPK developed since 2011, as the audit board had organized 54 performance audit trainings for 1,951 auditors in last four years. However, the audit board still has to deal with a number of issues in the implementation of the audit. Currently, the trainings were conducted partially without any evaluation of the impact of the training to the auditors. Then, the availability of the auditors themselves is another issue need to be addressed, as they rarely have the time to enrol in performance audit training.

4.3.3. Guidelines and Standard

INTOSAI mentions that audit guidelines and standards establishment is important in consolidating and institutionalising the practice of performance audit (INTOSAI. 2010b: 15). It explains that once the performance audit established and regularly conducted by SAI, standardization is required to safeguard the intended objective of the implementation of the audit. More concretely, the standard can be in the form a set of document or a series of policies encompasses the concept of the audit until the delivery of the audit report.

In order to achieve those benefits above, BPK had developed a number of guidelines. After began with a poorly institutionalized work in the era of 1970s until early 2000s, BPK then gradually institutionalized its audit since the formal introduction of the performance audit itself in Indonesian Law (2004). Then, BPK established an audit guideline for performance audit in 2008, which later revised in 2011. Subsequently, the audit board also had established a guideline

on audit criteria setting in 2011. Those guidelines used as tools to maintain the consistency of audit procedures so that the intended objective of the audit can be achieved. Despite of the positive outcome, a potential limitation in the flexibility of the audit can be identified in the establishment of the guidelines. Scrutiny over BPK guideline in the previous chapter reveals that the performance audit guideline is less sufficient to safeguard the intended objective of performance audit, as it does not include “problem-oriented” approach as one of BPK’s audit approach. In specific, “problem-oriented” approach is an approach, which emphasizes the importance of problem verification and creativity without necessarily confined in predetermined criteria. The failure of the guidelines to facilitate this approach in turn limit the potential benefit such as flexibility and creativity in the audit process.

It can be inferred that BPK’s effort to institutionalize the audit is a way to sustain the effectiveness of its internal actors. It is consistent with Grindle and Hilderbrand’s task network dimension, which emphasizes that the performance of an organization depends on how effective actors inside the organization work (Grindle and Hilderbrand 1995:447). Hence, we can perceive that the audit guideline and standards is the tool to sustain BPK’s task network.

4.3.4. Professional Support

INTOSAI mentions that it is necessary for SAI to obtain professional support in several areas to support the implementation of performance audit (ibid: 10). More concretely, it describes that performance audit does not only rely on auditor skills. Instead, it points out that decent support in statistic, editorial, and public relations is also important for the development of the audit.

In the past, BPK had very limited number of supporting staffs, as only 418 staffs available to deal with administrative issues. Progressive development in professional support had been done in last 10 years as 156, 89, and 5 staffs with the background of Information Technology, Public Relations, and Statistics managed to be recruited. Additionally, another 9 and 11 staffs with the background of Indonesian Literature and English Literature also being recruited within the same period. Those numbers indicated a subtle development in supporting staff. However, BPK seems to need more supporting staff such as in public relations to conduct analysis on developing discourse in public affairs. Additionally, the audit board also encounters complexities in editorial work in summarizing thousands of audit report in order to publish its 6-monthly audit summary. At a certain extent, professional support is relevant with Grindle and Hilderbrand’s task network dimension, which mentioned above as its effectiveness also influential to the effectiveness of BPK’s performance audit.

4.4. US-GAO Maturity Model Revisited

The capacity building initiatives undertaken by BPK as provided in analysis above shows that BPK had developed performance audit progressively in last 10 years. Despite of the limitation it encountered by the institution in the implementation phase, BPK had indicated a substantial transformation of the institution in the future. After being triggered by US-GAO Model, the leaderships in BPK gradually raised the target of performance audit share compared

to other types of audit. It can be sensed that performance audit currently is a “trending topic” in BPK.

However, as we understood from the discussion about the logic of the adopted mode, a potential unintended consequence needs to be addressed. As mentioned by Walker (2007:3), US-GAO model influenced by Maslow’s “hierarchy of needs” concept in which lower needs of the SAI need to be satisfied in order to proceed to the next level of needs. In concrete, he mentions that providing insight and foresight for policy makers is the ultimate goal of each SAI whereas combating corruption and enhancing accountability and transparency are the current and basic needs of each SAI. He further posits that each SAI should gradually embark from its basic needs and aimed for providing insight and foresight for the policy makers. Nevertheless, Neher (1991:109) points out the uncertainty of the relationship of each needs in Maslow’s “hierarchy of needs” which is also relevant for for BPK capacity building in performance audit. In particular he questions whether the importance of the lower needs will be diminishes after the satisfaction of higher needs or not.

By reflecting the critics to the performance audit capacity building, we can recognize that the question about the concern of BPK on the three lower levels of US-GAO model will be emerged. It is clear that those lower three level related to other types of audit namely financial audit and special purpose audit. BPK leaderships need to understand the risk of the capacity building policies itself as an increase on resources allocated to performance audit actually means a decrease on resources allocated to financial audit and special purpose audit. In concrete, it is evident that an increase of performance audit share from 5.31% in 2008 to 18.85% in 2014 means a decrease from 94.68% in 2008 to 81.15% in 2014 of both financial and special purpose audit.

The trends points out that the unintended consequence of capacity building on performance audit is the diminishing proportion financial audit and special purpose audit. It is important for the policy makers in BPK to consider the unintended consequences as Indonesian public finances management actually relatively far from “mature”. In fact, the fairness of information disclosed in government financial statement is still need to be concerned as only 30% of local government financial statement met the highest standard of unqualified opinion whereas the other 70% is still unable to provide sufficient financial statements (BPK 2015:82). Indonesian Corruption Perceptions index also remain low as Indonesian still ranked at 107 out of 175 countries in terms of government “cleanness” from corruption (Transparency International 2014). Parliament’s preference on corruption issues instead of government improvement also another issues, which need to be concerned by the policy makers in BPK.

Indonesian Law (2004) actually provides alternatives, which enable BPK to further, develop performance audit without neglecting the importance of the other two types of audit. The law explicitly states that BPK authorized to utilize government internal oversight body, which includes BPKP and internal inspectorate in the ministries and local government. However, this option is stagnated, as BPK tends to centralize its operation in audit rather than cooperating with internal audit institution (Praseno 2015: 20). Another alternative mentioned by the law is the possibility of BPK to outsource its audits to public accounting firms. In the past, former Chairman of BPK actually had planned to began outsource the implementation of financial audits to public accounting

firms in order to gradually focus on performance audit (Nasution 2007: 15). However, until currently, no significant development managed to done by BPK in this alternative. In regards of the potential unintended consequence of performance audit further development, thus, it is important for the policy makers in BPK to reconsider these alternative policies before proceed further to satisfying the higher needs of the institution.

Chapter 5 Conclusion

This paper argues that BPK has tremendously developed its capacities in order to catch up with the requirements of properly implementing performance audit. After stagnation during the 1960s until late 1990s, BPK managed to come up with a comprehensive capacity building plan in the late 2000s. Currently, performance audit development is a “hot” issue that is regularly discussed in BPK. Nevertheless, expected in any public sector reform, BPK still encounters a number of challenges in transforming its institution to better cope with changing demands.

In regards to the conceptual framework underpinning capacity building, the paper discovered that BPK has adopted US-GAO Accountability Organization Maturity Model since 2007. The model visualizes SAI’s role in government oversight into a 6-layered pyramid of hierarchical roles. It puts combating corruption, enhancing transparency and accountability in the lower three layers of the pyramid. Meanwhile, the upper three levels of the pyramid consist of promoting economy, efficiency, and effectiveness in government program, providing insight for government improvement, and offering foresight about emerging issues for the policy makers. Conceptually, the model borrows Maslow’s “hierarchy of needs” in which SAI needs to initially satisfy the lower needs before proceeding to the higher needs. Performance audit stands as a tool underpinning SAI’s functioning in the upper-three layers of the pyramid.

The paper also identified specific capacities needed by BPK to implement the performance audit properly in INTOSAI’s guideline, which is relevant with Grindle and Hilderbrand capacity building framework. The guideline specifically mentions that SAI should develop its capacity in three major aspects, namely management involvement, external relation, and institutional issues in order to better implement the audit. Management involvement is mainly related with leaderships’ commitment to develop the audit. Subsequently, external relation refers to SAI’s ability to communicate effectively with its stakeholders such as the parliament, executives, and the society. Lastly, in regards to institutional issues, INTOSAI states that SAI need to institutionalize the audit through a set of recruitment, manual or policies to safeguard the intended objective of the implementation of the audit. All those factors are consistent with 5 dimensions of Grindle and Hilderbrand capacity building framework, which includes action environment, institutional context, task network, organization, and human resources.

By analysing the performance audit development in BPK, the paper reveals that BPK management has managed to progressively develop the audit board’s capacities in conducting performance audit. In terms of management involvement, BPK leaderships have shown strong commitment to develop the audit. This can be seen in the leadership’s continued support for capacity building since the first management audit course in 1976 and international courses afterwards. BPK leadership’s strong commitment has resulted in concrete development of audit capacities in the last seven years. The audit board has successfully increased its publications of performance audit reports from 5.31% in 2008 to 18.85% in 2014.

Executive managements in BPK, such as the SFPAs and lower level manager in SFAs and Research and Development Unit, are actively involved developing the audit. They have managed to develop a comprehensive capacity building plan, which consists of gradual development in BPK's leadership and management, human resources and financing, and audit methodology to improve the implementation of performance audit. However, BPK still encounters challenges in its current organizational structure that is considered less relevant to audit specialization even though it is necessary for the development of audit in the long run.

In regards of external relation, BPK already made a number of significant developments. The most significant development is that it managed to possess a strong legal mandate to carry out its duty effectively. As mentioned earlier, political interference from GoI in the past is the main impediment of BPK's development. Therefore, the enactment of Indonesian Law (2004), which authorizes the audit board to access all information on public finance management, is essential to strengthening of BPK's capacity. The audit board also guaranteed a sustainable budget and recruitment of necessary human resources in last 10 years, which reflect its effective communication with GoI.

Nevertheless, the audit board had a number of challenges in communicating its audit to wider stakeholders. In fact, BPK still finds it difficult to raise public awareness about the benefits of performance audit. It is more problematic as the parliament members prefer issues about corruption rather than government improvement. Another challenge is that BPK still limits public access to its report due to a number of considerations, which challenges the efforts to raise public awareness about the benefits of audit.

Furthermore, the paper revealed that BPK has attempted to institutionalise performance audit in order to safeguard the benefits of audit. It recruited auditors with the competencies beyond accounting and law. The audit board also facilitated a lot of domestic and international trainings for its auditors, including secondment, fellowship, and benchmarking on several more advanced SAIs. Moreover, BPK has established a number of guidelines to maintain consistency of the audit procedures. Additionally, BPK also recruited supporting personnel to fill the institutional gap needed in public relations, statistic, and information technology.

However, the board is still strongly influenced by compliance as most of the recruited personnel consist of people with competencies in accounting and law. Moreover, the audit guidelines, which emphasize the importance of predetermined audit criteria further signifies the compliance mindset in the institution. In regards to training, BPK still encounters challenges since trainings are incomplete and conducted without any impact evaluation.

In order to reflect on the progress made so far, this paper points out that there is an unintended consequence in BPK's current strategy. Apart from any effort to further develop the audit, BPK needs to understand the implicit point underpinning US-GAO model of which it adopts. By critically analyse the model, we can understand that further development of performance audit might affect BPK's ability to deal with its lower needs such as combating corruption and promoting accountability. Therefore, it is important that BPK provide a sufficient safeguard to prevent BPK's impact on the lower needs from being diminished. Additionally, the paper also suggests that BPK should

not only look up for the maturity of the organization as the basis of capacity management. It should also consider that BPK situated in Indonesia, which blessed with a high rate of corruption. Hence, the management does need to put the maturity of the environment in which BPK situated into account as a basis of further development in its capacity.

As a closing remark, the narrative and analysis provided in this paper enable us to understand that BPK has responded quite well to the transformation of “audit”. It will be interesting to explore similar issues, which might also occur in other SAIs, especially those in the developing countries. Additionally, studies on how SAIs in more advanced countries deal with the potential unintended consequences raised above can also be helpful to complement our understanding on the evolution of “audit”.

Appendix 1. Details of Interviews

No.	Name	Position	Location	Date
1.	Hendri Syukri	Senior Team Leader and Team Leader on Clean Water Management Audit	BPK Central Office, Jakarta	28 July 2015
2.	Sandra W. Gusman	Senior Team Member and Former Staff in Research and Development Directorate	BPK Central Office, Jakarta	28 July 2015
3.	Edy Witono	Head of Sub Auditorate 1.A.1 and Team Leader on Military Finances Management Audit	BPK Central Office, Jakarta	29 July 2015
4.	Novy G. A. Palenkahu	Expert Staff on Audit on S/LOE and Audit Supervisor on Clean Water Management Audit	BPK Central Office, Jakarta	30 July 2015
5.	Dwi Sabardiana	Head of PARD Sub Directorate	BPK Central Office, Jakarta	30 July 2015
6.	Hary Haryanto	Head of HRPR Section	BPK Central Office, Jakarta	30 July 2015
7.	Dwi Setiawan	Head of ETC	BPK ETC Office, Jakarta	31 July 2015
8.	Chairil Anwar	Trainer in ETC	BPK ETC Office, Jakarta	31 July 2015
9.	Mario Anton Wibowo	Senior Team Member and Participant in Performance Audit Training	Correspondence via Phone	31 July 2015
10.	B. Dwita Pradana	Head of RD Directorate	BPK Central Office, Jakarta	4 August 2015
11.	Monica Eliza Nito	Head of PAER Section	BPK Representative Office, Jakarta	5 August 2015
12.	Harry Azhar Aziz	Chairman of BPK	BPK Central Office, Jakarta	6 August 2015
13.	Sapto Amal D.	Vice Chairman of BPK	BPK Central Office, Jakarta	11 August 2015

			Jakarta			
14.	Hasan Bisri	Former Vice Chairman of BPK	PLN ²³ Central Office, Jakarta	Of-		12 August 2015
15.	Rochmadi Saptogiri	Prime Auditor III	Correspondence Email	via		13 August 2015
16.	Andi Wira Alamsyah	Senior Team Member and Team Leader on National Oil Company Production Improvement Audit	Correspondence Email	via		8 September 2015

²³ National Electric Company (current office after retired from BPK)

Appendix 2. Detail Information on Performance Audit Capacity Building Plan

Description	Output		
	2010	2011	2012-2015
Leadership, Quality Assurance and Control, and Operating Procedures	Boards policy direction on performance audit	Strategic communication to stakeholders	Success Indicator of performance audit
	Performance audit strategic planning mechanism	Performance audit and public policy workshops	Strategic evaluation and critical success factor in SFA
	Executive seminar on performance audit policy improvement	Evaluation of performance audit strategy formulation based on inputs from SFA	Generating insight and recommendation mechanism
	Performance audit task force establishment and assistance		
Human Resources and Financing	Performance audit policy alignment with budget needs	Performance audit pilot project extensification in central and representative offices	Human resources and budget sufficiency evaluation
	Mapping on human resources needs in regards of performance audit qualification	Training for Trainer workshop along with budget and human resources allocation	Inputs on audit working plan formulation
	BPK performance audit secondment	Human resources evaluation on performance audit understanding and implementation	Alignment on performance audit strategy with human resources development policy including re-deployment, promotion and planning
	Sustainable workshop on performance audit	Performance audit experience enrichment program	
		Strengthening on data analysis and reporting ability	
Standard and Methodology	Performance audit dissemination and sociali-	Socialization/dissemination of performance audit guidelines	Evaluation on performance audit guide-

zation	lines
Performance audit guidelines development	Inputs on audit standard Evaluation on audit standard
Monitoring on guidelines implementation	

Source: Internal Document of BPK Research and Development Directorate

Appendix 3. BPK Recruitment Based on Academic Background (2006-2015)

Academics Background	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Accounting	321	375	272	130	99	127	37	0	79	129	1,951
Law	64	84	40	35	40	41	16	0	38	52	410
Management	65	0	30	13	21	32	0	0	12	25	198
Development Studies	0	21	5	12	5	5	0	0	0	3	51
Information Technology	14	20	18	9	13	19	33	0	10	20	156
Civil Engineering	0	79	25	9	21	52	0	0	9	0	195
Geology	0	2	2	4	5	3	0	0	0	0	16
Farming Engineering	0	19	5	5	5	2	0	0	0	0	36
Forestry	0	0	10	0	4	2	0	0	0	0	16
Maritime	0	0	0	0	0	4	0	0	0	0	4
Electrical Engineering	0	0	0	0	4	0	0	0	0	0	4
Architechure	0	0	0	5	10	0	0	0	0	0	15
State Administration	0	22	0	25	0	4	0	0	0	3	54
Communication	2	22	22	10	4	6	0	0	2	21	89
Psychology	0	0	5	5	5	0	0	0	0	0	15
Education Management	0	0	0	0	5	0	0	0	0	0	5
Indonesian Literature	3	0	2	2	0	2	0	0	0	0	9
English Literature	3	0	6	0	0	2	0	0	0	0	11
Industrial Engineering	0	13	10	4	4	3	0	0	0	2	36
Statistics	3	0	0	0	0	2	0	0	0	0	5
Medical	0	0	3	0	0	0	0	0	0	0	3
Nursing	0	0	0	5	0	0	0	0	0	0	5
Environmental Engineer- ing	0	27	9	0	5	7	0	0	0	0	48
Chemical Engineering	0	0	0	0	0	2	0	0	0	0	2
Total											2,952

Source: Yearly statistical data obtained From HRB Staff (August 2015)

Appendix 4. List of Personnel Involved in Capacity Building Activities Abroad

No.	Name	Type of Activity	Country	Years
1	Rochmadi Saptogiri	Fellowship	US	2003
2	Edward G.H. Simanjuntak	Fellowship	US	2004
3	Novy Gregory Antonius Palenkahu	Fellowship	US	2004
4	Slamet Kurniawan	Fellowship	US	2005
5	Dwi Sabardiana	Fellowship	US	2005
6	Ikhtaria Syaziah	Fellowship	US	2006
7	Ria Anugriani	Secondment	UK	2006
8	Susi Malinda	Secondment	UK	2006
9	Budi Cahyono	Secondment	Australia	2007
10	Cecilia Tri W.	Secondment	Australia	2007
11	Adellina Silalahi	fellowship	US	2007
12	Juska Meidy E. Sjam	fellowship	US	2007
13	Achmad Fuad	fellowship	US	2007
14	Agus Bambang Irawan	Training	Malaysia	2008
15	Susanti Ariningtyas	Training	Malaysia	2008
16	Ria Anugriani	Supervisory	Australia	2008
17	R. Yudi Ramdan Budiman	Supervisory	Australia	2008
18	Rudy Sinaga	Fellowship	US	2008
19	Sri Herawati	Secondment	Australia	2008
20	Yenny	Secondment	Australia	2008
21	Silfia	Secondment	Australia	2008
22	Dian Angraini	Secondment	Australia	2008
23	Laode Nusriyadi	Short Course	Malaysia	2008
24	Frider Sinaga	Short Course	Malaysia	2008
25	Wulung Prakosa	Short Course	Malaysia	2008
26	Wahyu Komarull Hayat	Short Course	Malaysia	2008
27	Bayu Priyambodo	Short Course	Malaysia	2008
28	Nani Martini	Short Course	Malaysia	2008
29	Rina Francisca Aries	Short Course	Malaysia	2008
30	Ida Sundari	Short Course	Malaysia	2008

No.	Name	Type of Activity	Country	Years
31	Imam Sufrian	Fellowship	US	2009
32	Hendri Syukri	Fellowship	US	2009
33	Eko Yulianto	Fellowship	US	2009
34	Budi Cahyono	Fellowship	US	2009
35	I Gede Sudi Adnyana	Secondment	Australia	2009
36	Patrice L. Sihombing	Secondment	Malaysia	2009
37	I Nyoman Wara	Secondment	Malaysia	2009
38	Hari Pratikna	Secondment	Malaysia	2009
39	Hartono Ari Susetyo	Secondment	Malaysia	2009
40	Yuli Awaludin Purba	Secondment	Malaysia	2009
41	Machmudah	Secondment	Malaysia	2009
42	Wiryardri	Secondment	Malaysia	2009
43	Melinda	Secondment	Malaysia	2009
44	Amin Adab Bangun	Secondment	Australia	2010
45	Wiwid Mulyadi	Secondment	Australia	2010
46	Ria Anugriani	Short Course	Netherlands	2013
47	Yenny	Short Course	Netherlands	2013
48	Denny Wahyu Sendjaja	Short Course	Netherlands	2013
49	Dwi Afriyanti	Short Course	Netherlands	2013
50	Endra Noviandy	Short Course	Netherlands	2013
51	Nico Andrianto	Short Course	Netherlands	2013
52	Sandra Willia Gusman	Short Course	Netherlands	2013
53	G. Yorrie Rismanto Adi	Short Course	Netherlands	2013
54	Harpanto Guno Sabanu	Short Course	Netherlands	2013
55	Elina	Short Course	Netherlands	2013
56	Oktarika Ayoe Sandha	Short Course	Netherlands	2013
57	Ni Luh Putu Martina Ariastini	Short Course	Netherlands	2013
58	Yusmaidhar Saint Parlin	Short Course	Netherlands	2013
59	Evan Anthony	Short Course	Netherlands	2013
60	Kusumaningsih	Short Course	Netherlands	2013
61	M. Ramadhani	Short Course	Netherlands	2013
62	Jarot Sembodo	Short Course	Netherlands	2013
63	Pramudhita Puteri	Short Course	Netherlands	2013
64	Syarif Chandra	Short Course	Netherlands	2013

No.	Name	Type of Activity	Country	Years
65	Rilla Martaleta	Short Course	Netherlands	2013
66	Dian Primartanto	Benchmarking	South Africa	2014
67	Iwan Novarian	Benchmarking	South Africa	2014
68	Zayat Ramdiansyah	Benchmarking	South Africa	2014
69	Adelina Silalahi	Benchmarking	South Africa	2014
70	Poegoeh Yudho	Benchmarking	South Africa	2014
71	Nila Eka Putri	Benchmarking	South Africa	2014
72	Ahmad Adib Susilo	Benchmarking	South Africa	2014
73	Ronald Sinaga	Benchmarking	South Africa	2014

Source: “BPK RI Performance Audit Sustainable Capacity Building”. Internal document obtained from Directorate of Research and Development”

Appendix 5. Details on Capacity Building on Human Resources and Financing

Activities and output			
2010	2011	2012	2013
Preparation on performance audit pilot project: performance audit trainings for 255 auditors, 51 team leaders, and 38 first and second echelon level officials	Performance audit trainings and workshops to identify problems need to be audited and how to solve those problems	Performance audit trainings	Providing support for performance audit trainings development both in BPK and other SAIs
ToT on performance audit: Alignment on the concept of performance audit		Performance audit materials preparation	
Performance Audit Training Materials Preparation			
Performance Audit Trainings for 291 auditors			
Workshops for 54 first and second echelon units			
Preparation of 2011 Special Standard Cost (SBK ²⁴) for performance audit			

²⁴ translated from Standar Biaya Khusus

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