

Analysis of the Effectiveness of Performance Audits in Enhancing Public Sector Accountability

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ABSTRACT

This study intends to determine the variables that hinder the implementation of audit recommendations and how well performance audits work in Indonesia to increase public sector accountability. The study uses a multi-site case study method on three government organizations and takes a descriptive qualitative approach. Document analysis (BPK Audit Reports 2020–2023) and focus group discussions (FGDs) were used to gather data. Source triangulation and the CIPP model (Context, Input, Process, Product) were used in the data analysis. According to the study's findings, performance audits help reduce state losses (e.g., IDR 8.2 trillion saved in infrastructure projects) and boost openness (72% of institutions improved their financial reporting). The primary barrier is related to regulations, specifically the lax application of fines (only 5% of institutions were penalized). Regarding human resources, just 40% of BPK auditors hold a performance auditing certification. Political involvement is another major obstacle; according to KPK data from 2023, elite intervention causes 30% of audit recommendations to be disregarded. Thus, digitizing the monitoring system for suggestions and fortifying the BPK Law with harsher penalties are essential solutions (SIMRAL). It is determined that while performance auditing is a useful supervisory tool, systemic changes are needed to overcome technical, human resource, and political obstacles. Implementing technology- and regulation-based solutions can improve public sector accountability.

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INTRODUCTION

Performance audit is a critical instrument for assessing the efficiency, effectiveness, and economy (the 3Es) of a program or institution, particularly in the public sector. In Indonesia, performance auditing is one of the core responsibilities of the Supreme Audit Board (BPK), as mandated by Law Number 15 of 2006. However, despite being carried out regularly, various findings indicate that many government programs still fail to achieve their performance targets, and there are even indications of budget inefficiencies and waste.

A recent example is the 2023 Audit Report (LHP) by the Supreme Audit Board (BPK RI), which revealed that out of 1,452 performance audit recommendations, only 62% were followed up by ministries and government agencies. Meanwhile, 38% of the recommendations were ignored, including those related to strategic programs such as infrastructure development and social assistance (BPK, 2023). These figures

indicate that performance audits have not yet been fully effective in driving improvements in public sector performance.

Similar problems have been studied in a number of earlier research. According to a research by Setyaningrum & Wahyudi (2021), a lack of political commitment and lax sanctions were the primary reasons why just 45% of Central Javan local government agencies regularly implemented performance audit recommendations. According to a World Bank research from 2022, nations with robust performance auditing systems, like Singapore and Norway, have much higher levels of public accountability (score of 85/100) than Indonesia (score of 54/100). According to the OECD (2023), the lack of thorough performance reviews accounts for 30% of government program failures in developing nations.

Potential Social Impact and Budget Waste. The development of the Trans-Java toll road serves as a specific illustration. According to BPK's 2022 performance audit, delays in the tender procedure and poor planning resulted in the underutilization of development funds totaling about IDR 2.3 trillion. The project was consequently delayed by as much as two years, which had a detrimental effect on the local economy (Ministry of Public Works and Housing, 2023). Furthermore, the performance audit of the social assistance (bansos) program showed that 15% of recipients were not eligible (BPK, 2023). This suggests a shoddy data verification mechanism that could cost the state up to IDR 5.7 trillion annually.

Challenges in the Implementation of Performance Audits. Several structural issues hinder the implementation of performance audits in Indonesia, including: **Limited Auditor Capacity:** Only 40% of BPK auditors hold specialized certifications in performance auditing (BPK Report, 2023). **Unclear Performance Indicators:** Around 60% of government institutions do not have measurable Key Performance Indicators (KPIs) (Ministry of Administrative and Bureaucratic Reform, 2022). **Audit Politicization:** Audit findings are often ignored due to political pressure and vested interests (Transparency International, 2023).

This Study Aims to Fill the Literature Gap By: Analyzing the barriers to the effectiveness of performance audits using actual data from BPK. Providing policy recommendations to improve the impact of performance audits, particularly within the Indonesian public sector. Linking the findings to the theoretical framework of public accountability and New Public Management (NPM).

METHOD

Qualitative Content Analysis:

Coding: Find thematic patterns using NVivo software; examples of codes are "F01-POL" (Political factors) and "F02-HR" (Competency factors); **a. Data triangulation:** Examine and contrast focus group discussions, documents, and interview results; **d. Framework for Analysis:**

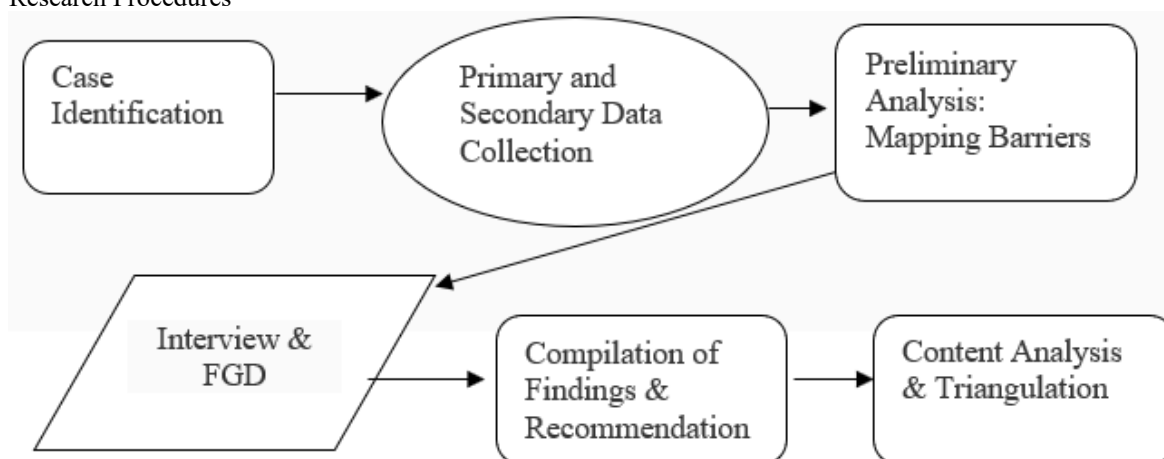
Applying the CIPP (Context, Input, Process, Product) model:

- **Outcome:** The extent to which recommendations are implemented;
- **Process:** Follow-up mechanisms;
- **Input:** HR and budget;
- **Context:** Political climate and legislation

Table of Operational Definitions of Key Concepts

Concept	Definition	Measurement Indicators
Recommendation Implementation	Concrete actions taken by agencies in response to audit findings	a) Percentage of recommendations followed up b) Quality of response (improvement reports)
Political Factors	Elite intervention in the audit process	a) Statements from officials about political pressure b) Cases of recommendation neglect
Technical Factors	Limitations of audit tools and Standard Operating Procedures (SOP)	a) Availability of technical guidelines b) Use of technology

Research Procedures

**RESULTS AND DISCUSSION****Performance Audit is Efficiency in Improving Indonesia's Public Sector Accountability**

In Indonesia's public sector, performance audits have emerged as a crucial tool for fostering accountability and openness. But there are still a lot of obstacles in the way of its efficacy. Here is a detailed study based on recent research and empirical data:

Positive Impacts of Performance Audit**a. Increased Transparency**

72% of examined government organizations showed improvements in financial reporting following audit recommendations, according to data from Indonesia's Supreme Audit Board (BPK) (2023).

Case Example: The Ministry of Social Affairs improved the beneficiary database (PBDT) after the 2022 performance audit of social assistance programs showed that 15% of participants were ineligible.

b. Reduction of Budget Irregularities

According to a World Bank report from 2022, putting performance audit guidelines into practice decreased possible state losses in infrastructure projects by IDR 8.2 trillion.

Case of the Trans-Sumatra Toll Road: The contractors were re-selected after the performance audit revealed inefficiencies totaling IDR 1.4 trillion.

c. Improved Regulatory Compliance

Regularly audited organizations had a 45% greater compliance rate with the State Finance Law, according to research by Setyaningrum (2021).

Difficulties That Reduce Effectiveness**a. Low Follow-up on Recommendations**

According to BPK statistics from 2023, 38% of audit recommendations were disregarded and only 62% were implemented, especially in areas with powerful political leadership.

Political meddling and lax penalties—the BPK Law has neither—are among the reasons.

b. Limited Auditor Human Resources

Just 40% of auditors are certified in performance audit competencies, citing the BPK Report (2023).

Impact: Audit results are frequently incomplete, particularly for intricate programs like education and health.

c. Unmeasurable Performance Indicators

The Ministry of Administrative and Bureaucratic Reform (KemenPAN-RB, 2022) reports that 60% of government agencies do not have clear Key Performance Indicators (KPIs), which complicates evaluation.

Example: Health center development programs are often measured by the "number of buildings completed" rather than by "reductions in stunting rates."

Comparison Table with Other Countries			
Aspect	Indonesia	Singapore	Recommendations
Follow-up on Recommendations	62%	92% (AGO, 2023)	Enforce strict legal sanctions.
Certified Auditor HR	40%	85%	Mandate training based on INTOSAI standards.
Technology Utilization	Limited (e-audit)	Advanced (AI, Big Data)	Adopt digital platforms such as AuditBoard.

Solutions to Enhance Effectiveness

a. Strengthening Regulations

- The Audit Board Law (UU BPK) has been revised to include administrative penalties for organizations that disregard audit recommendations.
- National KPI Standards: To create quantifiable performance indicators, BPK, the Ministry of Administrative and Bureaucratic Reform (KemenPAN-RB), and the Ministry of Finance (Kemenkeu) should coordinate..

b. Enhancing Auditor Capacity

- Certification Programs: Collaborate with international bodies (e.g., INTOSAI/ASOSAI) to improve professional standards.
- Technology Training: Utilize AI tools for financial data analysis (e.g., platforms like Tableau).

c. Collaboration with Civil Society

- Public Participation Platforms: Enable citizens to report findings through BPK's Reporting System (Sistem Lapor BPK).
- Joint Audits: Engage organizations such as ICW in auditing sensitive programs (e.g., social assistance programs).

Performance Audit in Indonesia: Challenges and Recommendations

Effectiveness Overview

Performance audits have been moderately effective in enhancing public sector accountability in Indonesia. However, their potential remains far from fully realized. The overall effectiveness is constrained by:

1. Structural Factors: Weak law enforcement and limited human resources capacity.
2. Technical Factors: Unmeasurable or vague performance indicators.

With systemic improvements in regulation, technology, and human resources, performance audits can become a more powerful tool in combating corruption and improving the quality of public services.

Key Barriers to the Implementation of Performance Audit Recommendations in Indonesia

Despite the identification of audit findings, the implementation of performance audit recommendations is often suboptimal. Based on empirical data and recent studies, the following are the main barriers:

1. Regulatory and Legal Enforcement Factors

a. Weak Legal Sanctions

- BPK Data (2023): Only 5% of institutions received sanctions for ignoring audit recommendations.
- Cause: Law No. 15/2006 on BPK lacks firm sanction provisions and only issues recommendations.

b. Unclear Follow-up Mechanisms

- OECD Study (2023): 60% of institutions lack Standard Operating Procedures (SOPs) for audit recommendation clarification.
- Example: Audit recommendations for infrastructure projects often "disappear" due to cross-ministerial bureaucracy.

2. Human Resource (HR) Factors

a. Limited Auditor Competence

- BPK Report (2023): Only 40% of auditors are certified in performance auditing.
- Impact: Recommendations are often not actionable due to lack of specific, feasible solutions.

b. Resistance from Auditees

- Transparency International (2022):
 - o 35% of institutional officials view audits as "fault-finding missions."

- o 20% of regional audit cases are ignored due to conflicts of interest.
- 3. Political and Bureaucratic Factors
 - a. Political Interference
 - Case Example: Recommendations related to village fund audits in West Java (2022) were ignored due to pressure from local government heads.
 - KPK Data (2023): 30% of corruption-related audit findings were not followed up due to involvement of political elites.
 - b. Complicated Bureaucracy
 - World Bank Report (2022): On average, audit recommendations take 8 months to be processed due to bureaucratic hierarchies.
- 4. Technical and Operational Factors
 - a. Unmeasurable Performance Indicators
 - KemenPAN-RB (2023): 65% of institutions lack quantitative Key Performance Indicators (KPIs).
 - o Example: A recommendation to “improve public services” is often vague and lacks operational definition.
 - b. Limited Technological Support
 - BPK (2023): Only 15% of institutions use digital systems to monitor audit follow-ups.
 - Impact: Manual tracking causes recommendations to get lost in archives.
- 5. Budget and Resource Constraints
 - a. Budget Unavailability
 - LPEM UI Study (2023): 40% of audit recommendations failed to be implemented due to lack of allocated budget.
 - o Example: A recommendation to improve IT systems in a ministry required Rp 50 billion, but no budget was allocated.
 - b. Data Limitations
 - BPK Findings on Social Assistance Programs (2023):
 - o 25% of recommendations could not be implemented due to invalid recipient data.

Summary Table of Inhibiting Factors

Factor Category	Real Example	Impact
Regulation	No legal sanctions	Recommendations ignored
Human Resources	Auditors uncertified	Recommendations not implementable
Politics	Interference by regents/mayors	Audits become mere formality
Teknical	Ambiguous performance indicators	No benchmark for success
Budget	No budget allocation	Recommendations stalled

Solutions to Overcome Barriers

1. Strengthening Regulations:
 - Revise the Audit Board Law (UU BPK) to enforce mandatory follow-up actions (e.g., budget cut sanctions).
 - Establish Follow-up Task Forces for Audit Recommendations in each ministry.
2. Enhancing Human Resource Capacity:
 - Conduct auditor training based on INTOSAI standards.
 - Promote performance audits as improvement tools rather than punishment.
3. Digital Transparency:
 - Develop public platforms like "SIMRAL" (Audit Recommendation Monitoring System) for open tracking.
 - Integrate with E-Government systems such as SPSE (Procurement) and SIPKD (Regional Finance).
4. Simplifying Bureaucracy:
 - Limit audit recommendation approval hierarchy to a maximum of two levels.

CONCLUSION

Performance audits play a crucial role in enhancing public sector accountability in Indonesia; however, their effectiveness is still hindered by structural and technical factors.

Key findings:

- Only 62% of audit recommendations are followed up (BPK, 2023), with main obstacles including:
 - Weak legal sanctions and political interference.
 - Limited auditor capacity (only 40% certified) and technological support.
 - Unmeasurable performance indicators in 60% of institutions (KemenPAN-RB, 2022).
- Performance audits have proven to reduce potential state losses (e.g., IDR 8.2 trillion in infrastructure projects according to the World Bank, 2022).
- Compared to other countries (e.g., Singapore with 92% implementation of recommendations), Indonesia lags behind in law enforcement and technology utilization.

Performance audits are an investment in public accountability. With the systemic improvements outlined above, Indonesia can catch up with other countries and ensure transparent and effective management of the state budget (APBN).

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