

PROCEEDING CONFERENCE PROGRAMME

iconpo 2011

International Conference on Public Organization

CHALLENGE TO DEVELOP A NEW PUBLIC
ORGANIZATION MANAGEMENT
IN THE ERA OF DEMOCRATIZATION
Comparing models in various countries

Yogyakarta Indonesia, January 21-22, 2011

ICONPO 2011 is Organized By

Department of Government Affairs and Administration
Faculty of Social and Political Science
Universitas Muhammadiyah Yogyakarta

In Collaboration with Korea University, Thammasat University
and Universitas Ngurah Rai Denpasar



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Jl. Lingkar Barat, Tamantirto, Kasihan, Bantul
Daerah Istimewa Yogyakarta 55000

Phone : +62 274 387 656 Faximile : +62 274 387 646

E-mail : ilmupemerintahan@umy.ac.id

Website : <http://www.pemerintahan.umy.ac.id>

Publication and Editor Team
Dyah Mutiarin, Utami Dewi, Eko Priyo Purnomo
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Kamaruddin Yusuf and Ahmad Sobari

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This proceeding is a collaborative work done between Faculty of Social and Political Science of Universitas Muhammadiyah Yogyakarta, supported by Korea University, Thammasat University Thailand, and Universitas Ngurah Rai Denpasar. We dedicate this proceeding as an academic collaboration momentum of an International Conference on Public Organization "Challenge to Develop a New Public Organization Management in The Era of Democratization" which had held by Department of Governmental Studies Faculty of Social and Political Science of Universitas Muhammadiyah Yogyakarta, on January 21st – 22nd, 2011, in Yogyakarta, Indonesia.

We wish to thank the Rector of Universitas Muhammadiyah Yogyakarta Ir HM. Dasron Hamid, M.Sc for giving the license to drive this conference. We also express my sincere gratitude to Prof. Sunhyuk Kim of Korea University as our Keynote Speaker. Special thanks go to all of the honorable our paper reviewers for the Proceeding those are Assoc. Prof Azhari Samudra of Universitas Ngurah Rai Denpasar, Prof. Dr. Jin- Wook Choi from Korea University, Prof. Dr. Miftah Thoha, MPA from Universitas Gadjah Mada, Prof. Francis Loh Kok Wah, PhD from University Sains Malaysia, Prof. Dr. Azhar Kasim, MPA from Universitas Indonesia, and Dr. Vidhyandika D Perkasa from Center for Strategies and International Studies Indonesia (CSIS), Prof Amporn Tamronglak and Dr. Soparatana Jarusombat from Thammasat University, without their contribution this paper will never come into being. We also thank to the ICONPO committee, and all collagues for their support to this conference. We thank to all the paper presenters and participants who contributed through their papers in this proceeding.

This proceeding is divided into 10 themes, those are:

1. Environmental changes and collaboration in public organization.
2. Need assessment of public issues in public organization.
3. Design of structure organization in democratic era
4. Planning and Decision making .
5. Human resources management.
6. Culture and ethics of public organization in democratic era;

7. Communication practices in public organization
8. Transformative Leadership .
9. Current Management Information system in electronic era.
10. Performance measurement

Reason for selecting these themes is because the wave of democracy has influence the dynamics of public organization, a well known institution model related to governmental, non-profit, and non-governmental organizations. The dynamic of public organization management in response to democratic era, now encompasses more challenging issues. The issues such the shifting paradigm from government to governance could be seen as the trend drives to the reform of government. The concept of governance means that the government must improves the functions of public organization management process. The process must be efficiently, effectiveness, responsiveness, transparently, participative, and accountable. Other important issues are the growing of gender mainstreaming, public policy processes and the dynamic of civil society which have demanded a changing management of public organization. The most important thing so that public organization could challenge in the democratic era is to improve and develop a new public organization management. Therefore, public organization needs to respond, explore and develop innovative management. It challenges the scholars and practitioners to explore and develop new models of public organization management by drawing the experience and lessons learned of their countries

Thus, the proceeding explores the issues and challenges to develop a new public organization management in the era of democratization. We hope this proceeding will benefit the readers, academicians, politicians and scholars on more about a new way to develop public organization in this democratization era.

Yogyakarta January 21st 2011

Head of Government Science
Dr. Suranto

Dean of Faculty of Social and Political Science
Dr. Nurmandi

PREFACE

The first paper as Keynote Speech written by Sunhyuk Kim (Professor, Department of Public Administration, Korea University) entitled **Globalization and Policy Change: The Case of Korea**. This paper emphasizes on "neoliberal" globalization. The writer argues that neoliberal globalization is just one type of globalization, and it is likely that in the future another type of globalization may emerge. "Varieties" of economic, political, and public administration systems in the world will respond differently to the new wave of globalization. It is essential, therefore, to craft a more prudent national strategy to flexibly and comprehensively deal with different kinds of globalization. The writer examines how Korea has coped with the challenge of globalization, by analyzing how the latest neoliberal globalization has affected governmental restructuring and policy transformation in Korea since its democratization in 1987. It is underscored that Korea needs a better national strategy to handle future waves of globalization—potentially of the non-neoliberal nature. I sketch out the main contents of such a new national strategy, primarily focused on the need to build and nurture more effective multi-sector governance system, increasing communicative and collaborative capacity of all the sectors involved.

The second paper was written by Su-jin, Yu, 3rd semester of master's course Korea University entitled **Conflicts in Environmental Policy-making in Korea: The case of Gyeyang Mountain Golf course**. In this research studies about the Gyeyang Mt. golf course development plan (GGDP) which has shown sharp conflict aspect. Commonly, environmental conflicts in the policy-making have two different belief systems such as environmental conservation and environmental development. Based on this two different belief system, various stakeholders united as a policy actor. Coalition actors from two different values enforce a different strategy to policy-making.

The third paper written by Laila Kholid Alfirdaus of Government Department Faculty of Social and Political Science Diponegoro University Semarang Central Java Indonesia titled **Governing the Disaster-Prone**

Community. Public organisation does not only deal with problems which is regular in its nature, periodical, and in orderly situation. More often, public organization faces uncertain circumstances that the way of governing as usual cannot be applied. One of the notable constraints in governing community for public organization to manage is disaster. Firstly, disaster often comes at an unpredictable time. Secondly, disaster often bears considerable risks even beyond a public organisation's capacity to deal with. Its quick attack often results in much longer impacts. Thirdly, any single thing, such as food supply, sanitation, water supply, shelter, and so forth, suddenly turns into emergency, meanwhile the public organization has usually shortcomings in resources. Forthly, any demand for the public organization quickly moves into a big pressure, therefore public organization easily becomes the subject of failure once they are unable to tackle the complex situation. Considering such the specific nature of disaster, there is a clear need for public organization to apply specific governing strategies. This paper tries to elaborate some thinking on governing the disaster-prone community, especially for developing nations, using experiences in various countries. Such a thinking becomes important since it is the developing nations that use to have problems in their bureaucratic structure. A change of mindset in public organization in which disaster should not be treated as business as usual rather as in a crisis is one of the keys. A deep thinking on how to manage the interrelation with some non-government organizations, economic society, academic society, and the media in emergency and recovery based on context and culture, is also worthwhile.

The fourth paper entitled **The Sustainability of Jakarta as the capital city.** It is written by Hartuti Purnaweni Public Administration Program, Environmental Study, Post Graduate Program, Diponegoro University. This paper aims to find out efforts to be done to Jakarta as the Capital City of the Republic of Indonesia. Jakarta has turned from merely old day traditional port to the present day of a megapolitant figure, where skyscrapers mount in many places. Jakarta is an area with low topographic feature as it is situated at the coastline, in particular North Jakarta. As time goes by, the city becomes less convenient as settlements due to traffic jam, flood, land subsidence, land water deficit, inadequate green space, severe air pollution, etc. Jakarta's carrying capacity has been passed over. New public management system is needed. Therefore, a new paradigm has emerged concerning its status replacement as the Indonesian capital city, and to make it a more livable city. Three alternatives are proposed for the solution.

The fifth paper entitled **Democratization and Environmental Politics of Natural Resources Management** at Local level written by Edi Santosa, Governmental Program, Social and Political Faculty, Public Administration, Post Graduate Program, Diponegoro University. The paper aims to deliver the idea that Environmental democracy is not new in Indonesia since it stated its commitments in Rio Declaration in 1992 and World Summit on Sustainable

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Development in 2002. However, empirical evidence shows that the commitment to implement the ideal is still far behind. In theoretical, policy and empirical area, discussing environmental sociopolitical aspects should include all stakeholders in it. In managing environment and natural resources, both politicians and government officials have the political power as representatives of the state. Their political actions should cover activities of development policies which are oriented towards sustainable development, whether at local, national, regional and global. Rondinelli and Chema (1993) stated that the state should be committed to pursuing sustainable development across the region – it calls for a clean and green environment with fully established mechanisms for sustainable development to ensure the protection of the environment, the sustainability of its natural resources and the high quality of life of its people and neighbours in one earth.

The sixth paper entitled **The Implementation of Social and Environmental Responsibilities's Regulation by PT Karya Tangan Indah Bali** written by Ni Putu Tirka Widanti, Universitas Ngurah Rai, Denpasar, Bali, Indonesia. The paper aims to analyze the most prominent CSR activities of PT Karya Tangan Indah, those are the environmental re-cycling and social religious supports to the traditional village where the company is situated. PT. Karya Tangan Indah's CSR programs are affected by the party receiving supports and the internal organization. From the analysis, it has been found that PT. Karya Tangan Indah's CSR programs on recycling and social religious supports have managed to attract the community's enthusiasm. It is because the ritual ceremonies in the traditional village where PT. Karya Tangan Indah operates are held regularly and involve the entire community members. Based on the analysis findings, it is recommended that the future PT. Karya Tangan Indah's CSR programs should involve the community members commencing from the planning up to the evaluation processes. It is necessary to involve them for sustainable programs and for addressing their needs and priorities. In addition, their involvements are hoped to be able to duly plan and organize the allocated budgets.

The seventh paper is **Impacts Of Decentralization On Environmental Management In Thailand**, written by Soparatana Jarusombat, Ph.D of Faculty of Political Science, Thammasat University, Bangkok, Thailand. This paper describes the process, institutional and legal framework within which the environmental management operates in Thailand. It specifically focuses on the decentralization within central and local government's role in environmental management. The aim of the paper is to examine how interface between the central and local loci of power have affected pieces of legislation relating to management of the environment by central and local government in Thailand.

The eighth paper is titled **An Empirical Study of the Autonomy of Thai (Autonomous) Public Organizations** written by Associate Professor Amporn Tamronglak, Head of Public Administration Department and Director of Executive Public Administration (EPA) Program, Faculty of

Political Science, Thammasat University, Bangkok, Thailand. The latest Administrative Reform in Thailand in 1999 reflected the influence of New Public Management (NPM) perspectives, leading to a drastic restructuring of age old bureaucracy. "Agencification" or creating new single purpose agencies was one of various approaches to face lift bureaucracy in the name of "Public Organizations or Autonomous Public Organizations (APOs)" to be free from tedious regulations and hierarchical commands of politicians. Since (Autonomous or Quasi-autonomous) Public Organizations Act has been issued in 1999, there are approximately 29 agencies created. This paper aims at attacking and analyzing the issue of autonomy of Public Organizations in Thailand, which is the main reason in hiving off from their original organizations. The theoretical basis of autonomy employed in the study is drawn from Peters Verhoest and others, particularly in the areas of personnel and financial management. Constructive questionnaires were employed and collected between June and August 2010 from all 29 Public Organizations. In-depth interviews with the agency's executives were conducted to gain insight knowledge of the concept in practice. The statistical analysis shows that Thai APOs are more or less independent from the politicians. Though the legal and administrative structure of their establishment, they somewhat recognize and are responsive to the demands of the relevant Ministries. On the contrary, they are able to maintain the balance and handle the pressure in such a way that the agencies can carry out and accomplish the government policies professionally and cost-effectively.

The ninth paper written titled **Government Antismoking Campaign: Quixotic Dream Or Confident Expectation?** By Subiyanto of Wijaya Putra University. Smoking habit was one of global problems, but the effects of it are very dangerous on smoking related diseases, so Indonesian Government had to take the genius actions. This study investigated the effects of Government Antismoking Campaign on Behavior of Smoking in East Java. Research model was adopted from the Theory of Reasoned Action dan the Theory of Planned Behaviour introduced by Ajzen and Fishbein modified by DeVries et al. The population were smokers or someone who have experience with cigarette smoking in East Java, sampling method by Multistage Cluster Random Sampling in three stages. Data analysis utilized Structural Equation Modelling (SEM) used AMOS 4.01. Hypothesis analysis used regression Weight standardized estimates, compare p value in 5percent significancy, if p value < 5percent is mean significant. This study found four negative significant hypothesis and two not significant hypothesis. The effect of Government antismoking campaign on Attitude toward smoking behaviour and on Subjective norm of smoking are not significant, while effect of Attitude toward smoking behaviour on Refusal skill, the effect of Subjective norm of smoking on Refusal skill, are negative significant. The effect of Refusal skill on Behavioural intention to smoke, and the effect of Behavioural intention to smoke on Behaviour of smoking are also negative significant. There were

recommendations for Indonesian Government, cigarettes industries and collaboration among government and cigarettes industries.

The tenth paper entitled **Leading to Improvement? The Politics of ISO 9001:2000 Transfer to Local Service Delivery** and written by Wawan Sobari, Lecturer and Convenor of the Department of Political Science, Faculty of Social and Political Science, University of Brawijaya Malang. This paper addresses three main questions concerning the process, impacts and external evaluation of the transfer of ISO 9001:2000 to service delivery at the local secretariat office in the Regency of Malang Indonesia. Its methodology applies qualitative approach to build understanding by intensifying the research process aimed to obtain the full picture of the transfer. This paper shows some important findings around this transfer; first, the decision to transfer is a result of social process aimed to build better image of the office. As well, a policy network, ranges from local to international actors, has constructed the ISO 9001:2000 implementation as the best practice in service delivery. Finally, the certificate attributed to the implementation of ISO 9001:2000 cannot adequately assures the improvement of technical capacity of the office. Rather, it has created dependency on assurance server to sustain the performance improvement. Thus, this transfer has created a qualified office, not an educated office that is self-achieved fulfilment in delivering better service.

The eleventh paper **Democracy and Growth Revisited : An empirical study using fsQCA** written by Dong-Hyun Choi, Graduate Student, Department of Public Administration, Korea University. This paper will analyze The relationship between political freedom and economic growth has been a much scrutinized topic over the past few decades. According to Barro once the impact of other exogenous factors are controlled for, the effect of democracy on growth is weakly negative. He further raised the possibility of a nonlinear relationship between democracy and growth. Barro's work, while convincing in terms of methodological rigor and interesting in terms of the observations made, nonetheless is hardly free from the flaws that may potentially undermine the credibility of his arguments. This is the point of departure for this article. The first section of the article discusses the potential flaws evident in Barro (1996), and suggests ways to improve upon his work. The second section introduces fuzzy set qualitative comparative analysis (fsQCA) as an alternative methodological approach, and analyzes the relationship between democracy and economic growth using fsQCA. The analysis generally concurs with the nonlinearity hypothesis suggested by Barro (1996): democracy does in fact disparately impact economic growth at different levels of democracy. For full democracies and authoritarian regimes, causal combinations indicate that democracy has a positive impact on economic growth. For flawed democracies and hybrid regimes with intermediate levels of democracy, the dynamic between democracy and economic growth is revealed to be negative.

The twelfth paper entitled **Competition for jurisdiction over food industry in Korea** was written by Sung Eun Park, Korea University. This paper points out the matter of food safety management system with a view of competition for jurisdiction over food industry among the Ministry of Health and Welfare and the Ministry for Food, Agriculture, Forestry and Fisheries and affiliated organizations. Each ministry has separate basic positions and approaches to food industry policy: regulation and promotion. The policy image has been changed into "regulation" as public anxiety and concern for hazardous foods has grown since the end of 1990. They complete take charge of promoting or regulating the food industry by establishing or amending laws, expanding organizations and mobilizing a coalition. Coordination by policy committee, cooperation between agencies, and integration of agencies were introduced as measures to eliminate unnecessary competition for jurisdiction.

The thirteenth paper written titled **Making Strategic Plan Works In Local Government: Challenge And Problems, A Case Study of Strategic Plan Implementation in Yogyakarta Special Province** by Achmad Nurmandi and Eko Priyo Purnomo of Universitas Muhammadiyah Yogyakarta. The term of strategic plan is a new type of plan in Indonesian government that introduced since 1999 based on Law No. 22/1999. As a new approach, government organization has tried to set priorities and allocated scarce resources according to the formulated vision and mission. Meanwhile, these strategic efforts have not been successful achieved yet, including in Yogyakarta Province. This essay examines the implementation of strategic plan in Yogyakarta Special Province. The Yogyakarta has vision and missions that are looked at this paper as basis of analysis. Measuring on how they can reach their goals and missions is an appropriate way to analyze the how the strategic plan works. Using qualitative data and choosing a case study method, this research also have conducted in-depth interviews with bureaucrats in Yogyakarta. First of all, the Yogyakarta province tried to providing the strategic plan to be followed by government officer in their activities according to strategic design and planning school approaches. Secondly, most of local government's agencies are less understand on their vision and missions. Thirdly, Zero-sum game effect, reaching the goals and mission are difficult because most of their budget is spending their salary. Fourthly, The strategic plan has been implemented but it has not executed the strategic zone whose it support for dealing with mission from number two to six .

The fourteenth paper written titled **Improving Indonesia Civil Servants REVITALISASI PELAYANAN PUBLIK MELALUI ANALISIS JABATAN 'Performance Through Job Analysis** by Dyah Mutiarin "Dr. Dyah Mutiarin- Department of Government Affairs and Administration Universitas Muhammadiyah Yogyakarta. The red tape phenomenon in Indonesia civil servants performance Khusus berkaitan dengan birokrat pemerintah, banyaknya persoalan yang timbul dalam pemerintahan selama ini pada

dasarnya menunjukkan rendahnya kemampuan dan kurangnya sikap dari aparaturnya untuk mencoba peduli dan membantu masyarakat serta pengguna jasa pemerintahan lainnya dalam memenuhi kebutuhannya. This shows the lack of ability and lack of capacity to carry government tasks. This phenomenon needs improvement. Improving the quality of the state apparatus resources is directed to realize the professional human resources, neutral, and prosperous for civil servants as well as citizen at large. Hal itu merupakan faktor penting dalam menunjang peningkatan kapasitas dan akuntabilitas kinerja instansi pemerintah. This is an important factor in supporting capacity and accountability of civil servants as well as state apparatus. Analisis jabatan diperlukan dalam pengembangan pegawai yang pada hakekatnya adalah suatu upaya pemenuhan kebutuhan tenaga kerja secara kualitatif sesuai dengan persyaratan pekerjaan yang ditentukan dengan mempertimbangkan kepentingan-kepentingan individu pegawai untuk dapat mengembangkan potensinya seoptimal mungkin mencapai karier setinggi-tingginya di dalam organisasi. Therefore, in order to achieve the quality of human resource in civil servants, the government need to continue to improve the application of merit system in the administration of personnel management by implementing job analysis. The future of structure bureaucratic organizations as public organization tend to be slender but rich in function. The concept of 'the right man in the right place in the right time' needs to be applied correctly in order in filling the vacancy actually forward the principle of professionalism through the process of job analysis.

The fifteenth paper titled **Career Path Development for Indonesian Public Servant** by **Utami Dewi, S.IP, MPP and Dra. Atik Septi Winarsih, M.Si** of Government Affairs and Administration Department, Universitas Muhammadiyah Yogyakarta. Decentralization demands more competent and professional public servants, so that they can perform jobs well particularly in delivering services to society and in maximizing local resources. However, several problems surrounding civil service management have hampered this decentralization goal. These obstacles come from government regulations, institutional relationship and human resources. There are some regulations on civil service affairs but many of them are incompatible. Ironically, moreover, the important regulation on public servant management-career path development- has not been formulated yet. This career path development is crucial since it guides the staff to plan their job position in the future. Moreover, it is beneficial for manager in the public sector to conduct staff placement and promotion. Therefore, the formulation and implementation of career path development is a must to find the best staff in the right job. In doing so, performance measurement that consists of performance appraisal, competency test and fit and proper test may be chosen as a model. This paper will reveal this career path development by firstly evaluating the practice of recruitment; promotion and mutation; salary; and performance appraisal system in recent Indonesian studies.

The sixteenth paper was written by Jin-Wook Choi, Associate Professor, Department of Public Administration, Korea University entitled **Anticorruption Agencies and Reform: The Case of the KPK in Indonesia**. This paper analyze the establishment of an anticorruption agency (ACA) due to reduce corruption in a county in this case is Indonesia. This paper examines the effectiveness of anticorruption law enforcement functions of the KPK, the Indonesia's ACA that was created in 2003 and identifies key challenges that lie ahead of the KPK. By adopting key performance indicators, this paper finds that the KPK has been successful in carrying out three-pronged anticorruption strategies—repression, prevention and public relations, which is congruent with strong public support to and trust in the KPK. However, the KPK faces several challenges posed by inherent structural limitations and external political forces that may threaten the efficacy of the Commission's anticorruption functions. While the public has to show continuous strong support to the KPK, the Commission must effectively perform legally mandated and socially expected anticorruption functions with high integrity and discipline in order to become a de facto ACA.

The seventeenth paper written by Bonefacius Bao entitled **Robust Ondoafi Powers in Central Urban Communities (Studies Authority Ondoafi in Jayapura Papua)**. This paper aims to find out Ondoafi in the capital to actualize its power, and care for it so the power of capital in the middle of an urban community. There are three power capital Ondoafi namely social capitals, symbolic and material. Assuming the persistence of capital even living in urban areas had to survive because they have the ability to manage symbols, manage social relationships and manage the economy. Allegations were proven because of the discussion about the workings of the three capital Ondoafi power, can be in the know that Ondoafi respond to change with the actualization of such capital through a revitalization strategy, adaptation and repositioning. Those capitals are not working alone but comes along. Ondoafi convert into equity capital one another so that there is a logical relationship with his rule. Capital-capital is reproduced and exchanged with each other. In practice the power to show how the three capital Ondoafi able to manage its power to make strategic changes. Ondoafi thus becomes very important and strategic for anyone who needs it.

The eighteenth paper was written by Arundina Pratiwi, entitled **Transformation of public organization Culture in Indonesian Democratic Era**. The main problem discussed on the paper provide an understanding about the transformation of public organization culture in Indonesian democratic era. Literatures research, both from books and media publications, on current development of transformative public services performed by several regional governments provides the primary conceptual foundation for investigating the effect of democratization process on the transformation of public organization culture in Indonesia. Additionally, this paper reveals the specific example on transformation of

organizational culture in the regional government of Jembrana in Bali which is currently often used as the best example for other regional governments across Indonesian archipelago. Jembrana case can be classified as a success of public organization culture transformation, with its main goal to overcome the bad image of Indonesian public institutions in serving public needs. The achievement of Jembrana can be used as an important example to motivate other regional governments to improve their commitment on providing good public services.

The nineteenth paper is **An Analysis of the Effect of Press Freedom on Corruption: Evidence through a Cross-Sectional Data Analysis** written by Songhee Yoo, mastercourse student, Korea university. This study attempts to find the relationship between the government corruption and the media based on Latham's democratic theory. First of all, the empirical results of this study show that the autonomy of the media reduces corruption. It can be seen as an element of direct democracy that makes up for the constraints of indirect democracy. In addition, the writer further investigated the impact of the economic level and social globalization on corruption through the empirical research. Therefore, when the anti-corruption policy is established, the administrator should carefully consider whether the policy runs the risk of suppressing the economic growth of a country. And globalization is an opportunity to establish anti-corruption agencies and institutions. Because increasing the level of trust with other countries brings down corruption in the field of related work. Finally, determinant element of reduced corruption is identified as femininity. However, the simple increase in the employment of women may not be the solution. If the organization wants to reduce corruption, they must increase the culture of femininity. Efforts should not stop at recruiting more female workers, but rather focus on the improvement of organizational culture.

The twentieth paper entitled **Organizational Communication licensing Office of Yogyakarta City to Achieve Service Performance** and written by Yeni Rosilawati lecturer of UMY, Communication Department majoring in Public Relations subjects, Krisna Mulawarman, lecturer of UMY, Communication Department, majoring in a broadcasting subjects, and Dian Kusumadewi alumni of Communication Department UMY, graduated in 2009. The paper focus on Licensing Agency it is an organization in the field of services still relatively new, however Licensing Office of Yogyakarta city has a strong commitment in carrying out its functions. Awards obtained Jogjakarta City Government Licensing Service Award include Investment Award from BKPM as City Best One Stop Service Providers in 2007 later in the year 2008 Licensing Office Title again awarded the Excellent Service Award 2008 as the image of one government agency that has the quality of public services best. This study sought to describe the steps the Licensing Office of organizational communication Jogjakarta City Government to improve service performance.

The twenty first paper entitled **Potential Users and Critical Success Factors of e-Government Services: the Case of Indonesia** written by Ali Rokhman, Post Graduate Program in Administration Science, Jenderal Soedirman University. This paper elaborated more on Implementation of e-government in Indonesia began in 2003. However, until then the public services that provided through e-government are still very limited in quantity as well as quality. Based on the research the internet users are they who have the characteristics in majority consist of: female, have age in twenty one to thirty years old, have bachelor education degree, and they have been using the Internet for a period of seven to nine years. Considering this phenomenon therefore from the government's perspective, the most critical factors for successful implementation of e-government are the e-leadership and the opportunity to develop employees' capacity in the technical training on e-government.

The twenty second paper entitled **Bureaucracy Culture and Leadership in Indonesian E-Administration Implementation: Based on Perspective of Knowing and Learning Organization** written by Ayuning Budiati and Rudiant Komara the paper focus on Indonesian E-administration implementation involves bureaucratic culture and leadership issues. Those issues appear due to the change that occurs if e-administration is implemented nationally. Implementing e-administration can be risky, expensive and difficult because public employees are not being motivated to improve and provide policy about ICT. This situation causes a lack of policy including operational guides at every level of government to improve ICT. Improvement of ICT literacy and skill is needed in Indonesia's e-administration implementation. The paper will analyze those factors regarding the organization's paradigms: organization as learning and knowing organization.

The twenty third first paper written by Gyuseong Park, Korea University entitled **Internet Regulatory Policy in Korea: Its Origins, Impact, and Changes**. The paper aims to show the reason why the Korean Internet regulatory policy to ensure safety has its own uniqueness which cannot be observed in other countries; using external plug-in program instead of built-in and highly dependent upon specific platform. According to the study following the institutional approach of regulatory policies, these "Korean-style" regulations were created to solve technological constraints in the early beginning stage of development of Internet transactions, but these regulatory policies results in many "unexpected outcomes," such as strengthening monopoly in Operating system and Web browser market, customers' inconvenience, and paradoxical outcome which regulations intended to enhance security eventually weaken the safety. These regulations have been challenged, and recently announced its abolishment by Korean government due to its negative consequences. Based upon this case, the paper argues that the technological factor, inertia of institution, and various actors and their interests around regulatory policies are important to understand these

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regulatory policies, and it contends that IT regulatory policies should be technologically neutral because these policies cannot catch up the rapid evolution of these industries.

The twenty fourth paper entitled **Decentralization, accountability and local government performance in Indonesia** written by Sujarwoto, PhD Student at Institute for Social Change University of Manchester UK and Yumarni, Lecturer on the Department of Public Administration, Jenderal Soedirman University Purwokerto Central Java Indonesia. This article contributes to an understanding the linkage between local government accountability, corruption, and citizens' participation. Departing from critiques on fiscal federalism theory, we propose hypothesized pathway through which decentralization can lead better local public service performance. The basic hypotheses underlying this research is that decentralization will result in better local public service performance only if mechanisms for strengthen political accountability are established within local governments. Without strong political accountability, decentralization only creates powerful incentives for political and bureaucrat agent to capture local political process and misallocate public resources. The writer tested these hypotheses against evidence from 155 newly empowered local governments in Indonesia. Governance Decentralization Survey Data (GDS) is used to examine the linkage between decentralization, accountability and local government performance in the country. The results of simple and multilevel regression model broadly support the hypotheses. Less corruption, higher local government accountability and citizen's political participation are all associated with better local government performance. In contrast, poorly performing local public services are often deeply rooted in their political and social contexts. Local governments often fail to provide better public service when political accountability is absent due to weak checks and balances, lack of transparency, and weak electoral incentives. These effects remain statistically robust across all regression specifications.

The twenty fifth paper written by Septiana Dwiputrianti, Senior Lecturer and Head of Postgraduate Program School of Public Administration, the National Agency for State Administration (STIA LABandung, West Java, Indonesia entitled **How Effective is the Indonesian External Public Sector Auditing Reports Before and After the Audit Reform for Enhancing the Performance of Public Administration?**. The research aims to enrich the existing administration, accountability, and auditing of public sector literature. Two main research questions; firstly, how is the quality of information in the audit reports of the BPK; secondly, what are the key factors influencing the effectiveness and ineffectiveness of information in the audit reports.

The study revealed that the executive's history had historically neglected the roles and functions of BPK. Auditors lacked independence as the executive influenced the administration and finances of BPK. Auditors also had lack of opportunity to increase their professionalism. Since there was little incentive

for auditors not to accept audit fees from auditees, the objectivity and integrity of auditors was reduced significantly. Since the third amendment of 1945 Constitution in 2001, the Indonesian government had reformed laws and regulations related to public sector auditing for strengthening BPK. In situation where the Indonesian public administration needs immediate reform, BPK keeps trying to improve its professionalism and independence to provide qualified audit reports. BPK has been given much attention to education, training, and the development of other skills and knowledge; implemented remuneration; applied a rewards and sanctions. This study revealed a significant improvement in the amount and quality of in audit resources, including numbers of qualified auditors, representative offices, information and technology, and modern equipment. However, many new auditors lack of experience and lack of diverse educational backgrounds in addition to accounting and finance for conducting performance auditing. To enhance the quality of public administration and accountability, this study gives recommendations for BPK in (1) strengthening its independence, (2) expanding auditor's professionalism and competency in risk management (3) improving the facilities of the training centers, (4) increasing follow up of audit reports, (5) evaluating laws and regulations, (6) enforcing the implementation of performance auditing.

The twenty sixth paper Titled **The Strategy For Improving Public Services Delivery In Indonesia** by **Dr. Suranto**, Department of Government Science, Muhammadiyah University of Yogyakarta and **Awang Anwaruddin** of Center of Research and Development for Information System and Administration Automation, National Institute of Public Administration of the Republic of Indonesia. The crisis of public services in Indonesia has spread out to almost all sectors for decades. The poor level of public services performance suffered by customers is mainly indicated by sluggish service processes and excessive service cost. Various public policies have been undertaken to improve public services performance; however, no significant improvement is perceptible.

This paper attempts to find a strategic solution to improve the public services in Indonesia. Through a depth analysis, a positive answer is recommended: The Indonesian Government should carry out a comprehensive approach of bureaucratic reform, including the bureaucratic institution, management, human resources, and service culture. Since the reform is complicated and massive, however, it should be carried out incrementally, through preliminary, implementation, and evaluation stages.

The twenty seventh paper titled **Analysis Of Democratic Public Service Network Case Study in Urban Transportation Service in Makassar City**, South Sulawesi Province, Indonesia by: **Dr. Alwi, M.Si**. In general, public services organized by government bureaucracy are still serious problem, including urban transportation services/public transportation in Makassar City. In this case, urban transportation services in Makassar City have not

been able to provide service as expected by citizen. As principle of democracy, citizens are "masters" who must be delivered service satisfactorily by state officials. Therefore, government bureaucracy, in fact, must understand the needs of citizens and this is what writers call democratic public service. Theoretically, to solve complex problems such as problems of urban transportation services necessary inter-organizational networks, because many institutions and associated with it. Merging the two concepts into the concept of democratic public service (urban transportation) network is a new concept in the science of public administration. Inter-organizational network aims to use resource efficiently and effectively, as well as a democratic public service aims at making citizens as the focus of public service through their involvement in the process of solving public problems. This study aims to describe the implementation of democratic public services (urban transportation) network in Makassar City. This study used qualitative methods and case study research strategy to uncover the deeply democratic public services network. Data collection techniques used was observation, in-depth interviews, and documents. Processing technique and data analysis is the analysis of qualitative descriptive case study. The result of research pointed out that the implementation of democratic public service (urban transportation) network in Makassar City has not been effective.

The twenty eighth paper titled **Balance Theory** by Dr. Inu Kencana Syafii. When people ask why today Islam is blasphemed throughout the world — forbidden wearing headscarves in France, in the United States its presence is examined and in Australia its organizations were disbanded — with various accusations we did not expect, this was because Islam is one of the world paradigms worried shifting all previous paradigms. After weakened communism socialism and capitalistic liberalism is the only wide world paradigm, they concerned about the return of the — according to them — tyrant rule, then it is anticipated with slander and propaganda. However, inevitably, humankind will understand goodness, truth, and the beauty, also in ethics, logic and aesthetics. So where are the ideologies sitting in case Koran assembled all the disciplines of science, moral ethics, and nuances of art? How about Al Fatihah which became Prolegomena and *preamble*, in addition to reading of the prayer becoming the rhythm of worship? It should be impregnated that Al-Fatihah is the core essence of transcendental thinking in three world grand narrative

Yogyakarta, January 21th, 2011

Editors:

Dr. Dyah Mutiarin
Eko Priyo Purnomo, SIP, M.Res.
Utami Dewi, SIP, MPP

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HOW EFFECTIVE IS THE INDONESIAN EXTERNAL PUBLIC SECTOR AUDITING REPORTS BEFORE AND AFTER THE AUDIT REFORM FOR ENHANCING THE PERFORMANCE OF PUBLIC ADMINISTRATION?

Septiana Dwiputrianti¹⁾

Abstract

The research aims to enrich the existing administration, accountability, and auditing of public sector literature. This is undertaken through examination of the quality of information in the reports of the Indonesian State Audit Institution (BPK) with comparison between preceding and following audit reform. This study evaluates the factors influencing to the effectiveness of such audit information. Two main research questions; *firstly*, how is the quality of information in the audit reports of the BPK; *secondly*, what are the key factors influencing the effectiveness and ineffectiveness of information in the audit reports.

Data were collected through triangulation of observations, documentations, questionnaires, and interviews. Key informants in this study were (1) auditors, members and managers of BPK (2) the members of Parliament and regional Parliament, (3) public sector officials (auditees) in central and local levels, (4) and other respondents from academics, researchers, practices, and non government organization (NGO).

This study revealed that the executive's history had historically

¹⁾ PhD Candidate the Australian National University (ANU), Crawford School of Economics and Government Canberra, Australia (septiana.dwiputrianti@anu.edu.au). Senior Lecturer and Head of Postgraduate Program School of Public Administration, the National Agency for State Administration (STIA LAN) Bandung, West Java, Indonesian (septiana_dwi@yahoo.com)

neglected the roles and functions of BPK. Auditors lacked independence as the executive influenced the administration and finances of BPK. Auditors also had lack of opportunity to increase their professionalism. Since there was little incentive for auditors not to accept audit fees from auditees, the objectivity and integrity of auditors was reduced significantly.

Since the third amendment of 1945 Constitution in 2001, the Indonesian government had reformed laws and regulations related to public sector auditing for strengthening BPK. In situation where the Indonesian public administration needs immediate reform, BPK keeps trying to improve its professionalism and independence to provide qualified audit reports. BPK has been given much attention to education, training, and the development of other skills and knowledge; implemented remuneration; applied a rewards and sanctions. This study revealed a significant improvement in the amount and quality of in audit resources, including numbers of qualified auditors, representative offices, information and technology, and modern equipment. However, many new auditors lack of experience and lack of diverse educational backgrounds in addition to accounting and finance for conducting performance auditing.

To enhance the quality of public administration and accountability, this study gives recommendations for BPK in (1) strengthening its independence, (2) expanding auditor's professionalism and competency in risk management (3) improving the facilities of the training centers, (4) increasing follow up of audit reports, (5) evaluating laws and regulations, (6) enforcing the implementation of performance auditing.

Keywords: public administration and accountability, transparency, public policy, public sector performance auditing.

Introduction

Since the audit reform that was begun since the third amendment of Indonesian Constitution (2001), the Indonesian public sector audit has been strengthened to achieve transparency and accountability of public administration in central and local level government's agencies. This paper aims to examine the implementation of external of public auditing to provide better performance of public administration, before and after the audit reform.

The introduction is divided into three parts, the first part of this introduction is to describe the differences between financial and performance auditing as Indonesian public sector has expanded its scope of auditing from financial to performance auditing. The second part explains the role and function of auditing in reforming public administration (as the

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first priority in Indonesian government reform) and for good governance. The third part describes the historical development of the Indonesian public sector auditing.

What are the differences between financial and performance auditing?

Some literatures explained the difference of financial and performance audits in different perspective. In terms of *audit results*, Brown and Copeland (1985:3-8) pointed out that financial auditing report provides opinions on auditees' financial statements, while performance auditing report provides audit recommendations for obtaining better organization's performance. In terms of *audit standard and period of time*, Politt, et.al. (1999: 9-16) argued that financial auditing is conducted yearly, and based on financial audit standards and procedures, while performance auditing is carried out more occasionally and is based on evaluation of performance criteria and indicators that are varies, in terms of scope, length, focus, and design, in every public agencies.

In terms of *auditor's competencies*, Sheldon (1996: 52) pointed out that performance auditing in public sector requires for a wide range of auditors' competencies, ability, and educational backgrounds to design the performance targeting in auditing, while financial auditors require a specific competencies in financial and accounting backgrounds, and additional knowledge in public administration. In terms of *orientation*, Kitindi (1992: 8-11) believed that financial auditing is more related to examine the financial reports and works that have been conducted in the past, while performance auditing has broader future, long term and strategic orientation which is relevant to examine not only the outputs and results of programs that have been done, but also the impact and benefits of programs to be achieved.

In addition, Lindeberg (2007: 337-350) compared financial, performance auditing and non-audit evaluative practices, he argued that performance auditing has great differences with financial auditing, but greater similarity with program evaluation. Therefore, the recommendations from the performance auditing can be used evaluating and monitoring the programs and policies that are implementing in the public sector.

Outside financial and performance audits, there is specific purposes audit that can be based on a request from the President, members of Parliament, or government agencies that need immediate attention for specific auditing for certain purposes. Some examples of this type of auditing are related to auditing of forensic, IT, environment, and financial reports (such as auditing for expenditure, tax income, non-tax income, subsidy, foreign loan, donors, and foreign aid) for certain programs or projects.

Table 1 presents the summarizing of comparison between financial and performance audits.

Table 1: Comparison between Financial and Performance Audits

	Financial (Compliance) Audit	Performance Audit
Objective/ Focus	Examining financial statements regularity and compliance	Assessing management and operational (inputs) for optimal performance (outputs, outcomes, and impacts)
Results	Audit opinions on compliance and financial statements	Constructive recommendations for improving performance
Auditor's competency	Strong background in finance, accounting, public administration and laws	Education background from wide range of educational backgrounds
Time Period	Yearly/fiscal year	Carried out vary in length, depending on scope and focus
Audit standard and norms	Based on accounting standards, legitimacy, legality and completeness	Based on performance audit standards which applying norms of economy, efficiency and effectiveness (3Es)
Orientation	Retrospective (the work has done so far)	Perspective or toward the future

Source: Processed from different references:

1. Brown, R.E. and Copeland, R.M., 1985, 'Current issues and developments in governmental accounting and auditing: impact on public policy', *Public Budgeting and Finance*, 5(2), pp. 3-8.
2. Politt, C., et.al. 1999. *Performance or Compliance? Performance audit and public management in five countries*, Oxford University Press, New York, pp. 16.
3. Sheldon, D.R., 1996. *Achieving Accountability in Business and Government*, Quorum Books, Westport, Conn, pp. 52.
4. Kitindi, E.G., 1992. 'Performance auditing in Tanzanian parastatals', *International Journal of Government Auditing*, 19 (2), pp. 8.
5. Gong, T., 2009. 'Institutional learning and adaptation: developing state audit capacity in China', *Public Administration and Development*, 29 (1), pp. 37.

Role and Function of Public Sector Auditing in Public Administration and For Good Governance

In line with the political demands for greater accountability in providing better services to the public and efficiency in managing public resources, public sector auditing become a necessity for public sector in recent decade (Power 2003b: 191). The members of parliament as representative of the public have greater concerned about the efficiency

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and effectiveness of the quality of public sector goods and services. Durrant (2000: 80) highlighted that public sector auditing is the prominent aspect for encouraging public sector agencies to improve their effectiveness and efficiency in public administrative.

Efficiency in using public funds and resources reduces the resources to provide public goods and services, while effectiveness provides a certain result (outputs, outcomes, impacts and benefits) on the quality of goods and services provided by the government. By preventing the public money from waste, fraud and misappropriations expenditures, the government can allocate funds for greater numbers and quality of public goods and services. As argued by Devas (1989: 271) that the external auditing can ensure all government's income is 'collected, accounted for and properly' used. Moreover, efficiency can provide low costs of goods and services that influences on the tariff setting by the government which is important for the country to be able in competing internationally (McIntosh 1997: 123-129). Funnel and Cooper (1998: 283) argued that effective public sector auditing can significantly improve the public sector performance.

Therefore, an effective public sector auditing can provide the value of greater efficiency and effectiveness in public administration by examining the public sector agencies in preventing and reducing waste, abuse, fraud and corruption that can improve to the performance of public administration, public goods and services for the benefit of the public.

Public auditing that holds out a transparency, accountability, efficiency, effectiveness, openness, preventing of corruption and excess expenditure, can promise of good governance (Shimomura 2003: 167). This is also supported by Curtin and Dekker (2005: 36-37) who emphasized the principles of accountability, transparency, effectiveness and participation in public administration, which is expanding the role of government in providing government accounting system, and public sector auditing to provide accountability of public sector agencies which lead to good governance. Moreover, Barret (1996:137-146) argued that the audit institution is a part of the governance framework that influences to the development.

An effective auditing practice is an essential precondition for good governance (Doig 1995:151). Similarly, Mulgan (2003: 24) found that Auditors-General make a significant contribution of the public accountability to the public sector reform in Australia by standing up for values of transparency, probity and good governance. Innes et.al. (1997: 706) also believed that audit report enhances the credibility of the financial statements that is useful for investors and management of public sector.

Therefore, public sector auditing is an important tool for resulting of good government in long terms. Auditing provides assurance of an

appropriate use of resources and prevents misuse, fraud, abuse and corruption of public funds and resources which can maintain and improve public trust, including the local and foreign investors; and also tax payers.

Historical Development of Public Sector Auditing in Indonesia

Prior to the 1945 Indonesian independence, the public administration and auditing was dominated by the Dutch administration and Javanese culture that strongly influenced the bureaucratic culture with patrimonial and patronization practices. The President as person of the sovereign was powerful and strongly influenced all he bureaucracy, including the BPK. Although the position of BPK in the past was under the 1945 Constitution and MPR, BPK had no independence from the government or less powerful than government. The audit reports of BPK reported to the parliament which was majority dominated by Golkar party, as a ruling party and single winner in the election. Hence, during the New Order Era, the practice of corruption became systemic under the power of the President (Soeharto) and his cronies. There were no external audit institutions which independently examined the public financial management and accountability of the government.

Duplicating audit functions in public sector had occurred not only between BPK and internal audit institutions but also among the internal audit institutions themselves. BPKP, an internal audit institution had the same roles and functions as BPK, in conducting post audit, instead of examining the planning and management of the internal public sector agencies' financial budget and reports. However, BPKP had much higher budget, qualified auditors, representative offices, and other audit resources in conducted public sector audit. As a result, BPKP had greater audit scope in regional governments, SOEs and ROEs, while BPK only audited the central government. This means, the function and role of BPK to examining the public accountability of public sector agencies were diminished by reducing resources and audit scope. The duplicating of audit functions had burdened state finances and auditees.

Since the third amendment of the 1945 Constitution (2001), the roles and functions of BPK as the only external audit institution has stated clearly. BPK has gradually given greater power to examine the public accountability of public sector agencies under the Audit Law (GOI 2004a). Since then, BPK has reformed its organization and strengthened its roles and functions. Table 2 shows the comparison of the function, laws, and types of auditing, position, and standards of internal and external auditing pre and after the audit reform. The table illustrates the reformation of the system and regulations of public sector auditing in Indonesia:

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Table 2 Comparison of Internal and External Public Sector Audit before and after Audit Reform (2001)

No	Public Sector Auditing	Before Reform (Before 2001)	After Reform (2001-present)
1.	External audit institution(s)	BPKP, BPK	Only BPK
	- The function of BPK	Limited auditing central government	Auditing all state finances of central and local governments, SOEs, ROEs
	- The function of BPKP	Audits central government, SOEs, and ROEs	Supporting the internal auditing functions
	-Reporting to	The President and Parliament	Direct to Parliament and regional Parliaments
	- Basic laws	ICW and IAR regulations Law on BPK (1965) Law on BPK (1973)	The third amendment of the 1945 Constitution, state finances Package laws (2003-2004) and Law on BPK (2006)
	- Auditing standards	SAP (1995)	SPKN (2007)
	- Types of Audit	Financial and compliance audits	Financial, performance and specific purpose audits
	- Position of BPK	A high institution (a limited power of State institution)	A state institution (stronger position)
2.	Internal audit institution(s)	Bawasda, IG, SPI, Main Inspectorate	BPKP, Bawasda, IG, Main Inspectorate
	-The function	Post auditing	Pre-auditing for management of state finances
	-Basic laws	Colonial era of the Netherlands, IAR (1933)	Law on State Finances (2003), Law on Treasury, and Audit Law (GOI 2004b).
	-Accounting standard	Not available	Based on accounting standard (2005)

The Indonesian External Public Sector Auditing (before and after the reform)

This section assesses the criteria of the audit reports information quality and factors influencing the criteria of the Indonesian Supreme Audit Board (BPK). The criteria consist of three parts: (1) the content of, (2) communication of, and (3) acting on, information in audit reports. The key factors influencing the criteria of the quality of public sector auditing reports information also describe in this section.

Quality of Indonesian Supreme Audit Board (BPK) Reports

This section assesses the quality of BPK reports that consists of the

quality of content of information, the quality of communication information in audit reports, and the quality of acting on audit information. Related to the content of the information, there are three criteria, namely (1) scope of audits; (2) access for reliable evidence; (3) objectivity, and credibility of information. Related to the communication of information in audit reports, there are three criteria, namely: understandable information; precise and informative formatting; and timely reporting. Related to acting on information in audit reports, there are three criteria, namely: the publication of audit reports; realistic audit recommendations; and following up audit findings and recommendations.

The following sections describe research findings of each criteria of the quality of audit reports information. Laws, regulations, and rules as the heart of both the theory and the practice of public administration are examined, to understand the policies of the Indonesian external public sector audit. Moreover, findings from the interview results enrich the paper with the empirical condition of Indonesian public sector auditing.

Scope of audit

The financial audit scope of BPK has been expanded extensively as the mandate of the Constitution to examine transparency and accountability of all public sector bodies. The workload of BPK increases in terms of the number of agencies and audit scope which includes financial, performance and special purposes audits. However, until 2009, BPK still cannot audit tax revenues and some SOEs. Moreover, the lack of competency of government agencies to apply the new government accounting standard (2005), resulting on late submission of their financial statements that caused BPK to examine their financial accountability. Although BPK has significant improvement in increasing numbers of audited entities for financial, including compliance audit, the audit scope of BPK still have limited role in enhancing accountability as it has not focused yet in the actual outcome and performance audit. BPK is still continuing to develop the instrument and measurement to examine the performance of public sector agencies. For specific purpose audits as a demand from the Parliaments, BPK conducted investigative audit for the case of corruption, environment audit, financial audit for the heads of government's elections, and international aid audits.

Access for Reliability of Audit Evidence

Under the new law of BPK (2006), auditors have power to access any data and information for auditing purposes in every government agencies. The sanctions for auditees who do not provide data and information for

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auditors, and auditors who misuse these data and information, have been stipulated. The clear power and authority of BPK auditors to access data and information for auditing indicate positive commitment from the government to act transparent and accountable and also provide positive perceptions from the respondents. However, based on the research evidence, although the power of BPK to access data and information have been strengthened, BPK still has impeded in accessing data and information from auditees, such as in the case of tax revenues data and data for audit go public SOEs.

Objectivity and Credibility of Audit Reports Information

Based on the study, it revealed both positive and negative responses and comments on the objectivity and credibility of information in BPK audit reports. However, the survey pointed largely to positive perceptions of information in audit reports and optimism from the respondents on the significant reforms design to provide objective and credible audit reports. Survey supported comments by a range of key informants from BPK, auditees and the members of Parliament. However, criticisms and negative views have showed that these claims were over-optimistic. Some negative comments during interviews provided more open and honest statement that reduces the optimism to some degree. The key informants doubt the objectivity and credibility of audit reports due to BPK's lack of independence. The study revealed that BPK auditors had strong pressure from the high officials or elected people who were not acting responsibly to the public such as at the local level, the pressure from the Regent or Mayor. In addition, the reports of the Ministry of the National Army had been altered. These negative and deficiencies views noted a more balanced viewpoint and showed that there is still room for BPK to improve the objectivity and credibility of its audit reports.

Understandable Information

The survey results indicate various perceptions whether the reports of BPK provided a clear and understandable information or not. From interviews, the study revealed that information in audit reports from BPK was still hard to understand by the stakeholders, especially when technical terms on auditing and finance used were not well defined. Although auditors argued that the ability to understand audit reports depends on the competency of stakeholders, this study found that presenting clearer and simpler information in the report can avoid misinterpretation and help citizens to understand the reports.

followed up (Hudiono 17 May 2006). Moreover, in semester 1 of 2006 the follow-up on BPK audit reports was only 36.15 per cent¹.

Table 4: Follow-up of Cases and Values (in billion rupiahs) of State Losses in 2005-2006

Group of Entities	State Losses		Followed-Up		No Followed-up	
	Cases	Values	Cases	Values	Cases	Values
Central Government	701	7,713	104	2,507	597	5,205
Regional Government	2,330	1,352	226	89	2,104	1,263
SOEs	23	4,762	-	-	23	4,762
Total Year 2005	3,054	13,827	330	2,597	2,724	11,230
Central Government	165	16,056	18	143	147	15,913
Regional Government	1,530	1,869	3	0.3	1,527	1,868
SOEs	261	1,321	5	56.2	21	1,265
Total Sem. I 2006	1,721	19,246	26	199.5	1,695	19,046

Source: Adapted from:

Kompas, 6 January 2007. 'Tata Pemerintahan: BPK segera terbitkan standar pemeriksaan' (State administration: BPK will launch auditing standards soon), Jakarta.

Table 4 summarizes the cases and value of the state losses in audit findings of BPK in 2005 and semester I of 2006 which indicates a very low rate (only 10.8% cases in 2005 and 1.51% cases in 2006) of follow-up on BPK findings. Although few in number, the follow-up of state losses contributed about Rp.2,597 billion in 2005 and Rp.199.5 billion in 2006 to state treasury.

Table 5: Follow up of BPK Audit Recommendations (Central and Local Governments and SOEs) in 2008

Institutions	Total Recommendations	Status Completed Recommendations		
		Finished	Under Process	No Follow up
Central Government	13,794 cases	7,062 cases (23.3%) Rp. 52 trillion	3,130 cases (48.52%) Rp. 108.31 trillion	3,602 cases (28.18%) Rp. 62.91 trillion
Local Government	76,733 cases	29,399 cases (24.16%) Rp.100.3 trillion	13,588 cases (44.03%) Rp. 182.75 trillion	33,746 cases (31.81%) Rp. 132.04 trillion
SOEs	2,954 cases	1,000 cases (50.75%) Rp. 63.82 trillion	1,292 cases (41.28%) Rp. 51.92 trillion	662 cases (7.97%) Rp. 10.02 trillion

Source: Processed from website BPK RI (www.bpk.go.id accessed on 13 March 2009).

¹ This information was presented by at the Tortama IV of BPK in the auditorium of BPK, Jakarta, on 6 December 2006.

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Moreover, a public awareness program has been conducted to raise public understanding of BPK's roles and functions in promoting participation in effective public sector auditing. The survey of this research found that the respondents agreed that BPK audit reports have been published. However, some respondents including politicians and audited found unhappy with the publication BPK audit findings. Auditees covered-up their cases and tried to stop BPK from publishing their cases. They argued that information in BPK reports could provide a bad impact on organizations, for example, information on non-performing loans (NPL) and irregularities in national banks that made customers distrustful about depositing their money and encouraged them to move to other foreign banks.

Realistic Audit Recommendations and Following up Findings and Recommendations

A realistic and constructive audit recommendation to improve the public administration and performance of public sector agencies is essential for effective audit reports. The research found that the audited found difficulty and lack of responsiveness to follow-up the recommendations in BPK reports. On the other hand, the auditors could not provide realistic recommendations that can be done in short or medium terms by audited. As a result, the BPK recommendations from year to year do not change.

Although the mandate for public sector agencies to follow up BPK audit reports has been provided in the audit regulations, the evidence shows that the rate of follow up of BPK findings and reports are still very low. This study revealed that the members of Parliament found it difficult to encourage the public sector agencies to follow up BPK reports. The public sector agencies aware of the importance to follow up BPK audit findings. However, audited found hard to follow up and to meet all the data, information and recommendations requested by BPK auditors in the short term.

After audit reform (2002-2006), data indicate a serious problem of the government in following up BPK reports. National daily newspapers (Sam 2006, Sunspot 2006 and *Sara Pembaharuan* 16 May 2006) revealed that the level of follow-up of BPK's audit reports was very low. From 2003 to 2005, 16,433 cases of the misuse of state finances with a value of Rp.132.49 trillion, US\$146.69 million, €98.91 thousand and ¥361.48 million, were found by BPK. However, only 6,920 cases, or about 42 per cent of the total, were followed up, while the rest, valued at Rp.34.22 trillion (25.8 per cent of the total value in Rupiah) and US\$ 61.11 million, were not addressed by government.

In addition, significant findings of BPK include inefficiencies and loss of state finances up to a value of Rp.253.75 billion in various government procurement projects, plus Rp.1.5 trillion in questionable debt reductions and bad loans involving a number of dissolved banks, which were not

followed up (Hudiono 17 May 2006). Moreover, in semester 1 of 2006 the follow-up on BPK audit reports was only 36.15 per cent¹.

Table 4: Follow-up of Cases and Values (in billion rupiahs) of State Losses in 2005-2006

Group of Entities	State Losses		Followed-Up		No Followed-up	
	Cases	Values	Cases	Values	Cases	Values
Central Government	701	7,713	104	2,507	597	5,205
Regional Government	2,330	1,352	226	89	2,104	1,263
SOEs	23	4,762	-	-	23	4,762
Total Year 2005	3,054	13,827	330	2,597	2,724	11,230
Central Government	165	16,056	18	143	147	15,913
Regional Government	1,530	1,869	3	0.3	1,527	1,868
SOEs	261	1,321	5	56.2	21	1,265
Total Semester 2006	1,721	19,246	26	199.5	1,695	19,046

Source: Adapted from:

Kompas, 6 January 2007. 'Tata Pemerintahan: BPK segera terbitkan standar pemeriksaan' (State administration: BPK will launch auditing standards soon), Jakarta.

Table 4 summarizes the cases and value of the state losses in audit findings of BPK in 2005 and semester I of 2006 which indicates a very low rate (only 10.8% cases in 2005 and 1.51% cases in 2006) of follow-up on BPK findings. Although few in number, the follow-up of state losses contributed about Rp.2,597 billion in 2005 and Rp.199.5 billion in 2006 to state treasury.

Table 5: Follow up of BPK Audit Recommendations (Central and Local Governments and SOEs) in 2008

Institutions	Total Recommendations	Status Completed Recommendations		
		Finished	Under Process	No Follow up
Central Government	13,794 cases	7,062 cases (23.3%) Rp. 52 trillion	3,130 cases (48.52%) Rp. 108.31 trillion	3,602 cases (28.18%) Rp. 62.91 trillion
Local Government	76,733 cases	29,399 cases (24.16%) Rp.100.3 trillion	13,588 cases (44.03%) Rp. 182.75 trillion	33,746 cases (31.81%) Rp. 132.04 trillion
SOEs	2,954 cases	1,000 cases (50.75%) Rp. 63.82 trillion	1,292 cases (41.28%) Rp. 51.92 trillion	662 cases (7.97%) Rp. 10.02 trillion

Source: Processed from website BPK RI (www.bpk.go.id accessed on 13 March 2009).

¹ This information was presented by at the Tortama IV of BPK in the auditorium of BPK, Jakarta, on 6 December 2006.

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In addition, Table 5 shows a quite significant numbers of cases with huge values of money were not followed by auditees. It seems that the recommendations were run very slowly. For instance, for State Owned Enterprises (SOEs), from about 2954 cases, there were still 662 cases have not been completed. Almost 25% of BPK reports were followed up by central and local governments and more than 50% by SOEs and has contributed more than Rp. 216 trillion for state treasury. The data from Table 5 also indicates significant BPK findings on the inefficiency of state expenditures in public sector that were returned to state treasury. The highest inefficiency was in local government, central government and SOEs respectively. BPK only has the responsibility to monitor the follow-up of audit reports.

Factors Influencing the Quality of BPK Audit Reports

This paper examines three key factors influencing the content and communication of information in BPK reports, namely: the independence and autonomy; the professionalism and integrity; and the audit resources. To support the analysis, this study examines the factors pre and post audit reform, including the legal basis, the survey, comments and statements from personal interviews, publication of the media, and conferences/seminars.

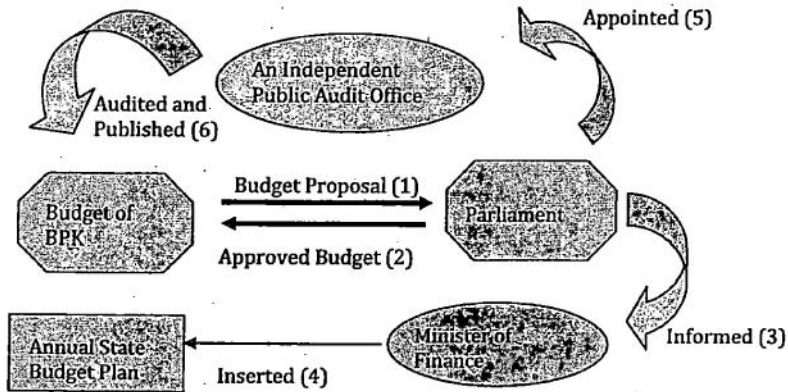
Independence and Autonomy of an Audit Institution

Before the audit reform, BPK had no independence as mandated by the sacred (*sakti*) 1945 Constitution. The president was powerful in influencing all the bureaucracy, including BPK, to meet his purposes. As a result, BPK could not provide an objective and credible information in its reports because the reports were sorted and checked by the government for national stability reasons. Moreover, BPK had limited budget to maintain its independence. Since the audit reform, the independence of BPK has been secured and strengthened by the amendment of the 1945 Constitution (2001), the Law on BPK (2006) and state finance audit standards (SPKN 2007). Some significant reforms have been made to make BPK an independent audit institution.

In terms of budgeting, the approval of BPK budgeting is not from the government, but from the parliament based on the needs of BPK. Figure 1 illustrates the process of getting the budget resources and auditing accountability of BPK's budget. Three main state institutions are involved in this process, namely: Parliament, the Government (the Ministry of Finance) and BPK. To maintain independence in budgeting, (1) BPK's plan budget is separated from the state budget plan. BPK proposes its budget plan to get approval from the Parliament after a discussion about the need for state audit activities; (2) after the BPK budget is approved, Parliament informs the audit need of BPK to the Ministry of Finance to be inserted in

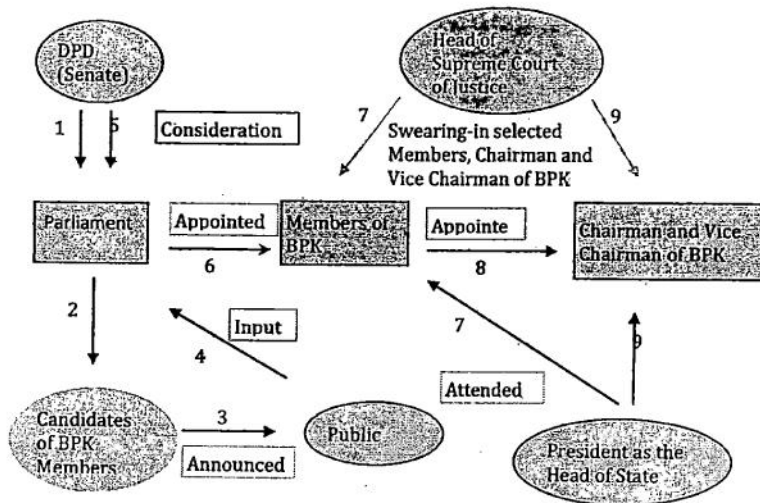
annual state budget plan; (3) for examining the accountability of BPK to the public, Parliament appoints an independent public accountant office (KAP) of three auditors proposed by BPK; (4) the audit results of KAP on the BPK accountability are published to the public.

Figure 1: BPK Budgeting Resources and Process



Source: Adapted/Processed from Article 35 of the Law Number 15 of 2006 (GOI 2006b).

Figure 2: Appointment Process for Members, Chairman and Vice Chairman of BPK DPD



Source: Adapted from the amended 1945 Constitution (2001) and Article 14 of the Law Number 15 of 2006 on BPK (GOI 2006b).

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In terms of leadership, the new appointment process for the Board members, including BPK Chairman and Vice Chairman, has resulted in independence of BPK leaders from the government. The appointment process of BPK members can be depicted in Figure 2. DPR proposes all candidates for BPK members to be considered by DPD (processes 1 and 2). After that, all of the candidates for BPK membership are announced to the public (process 3). Parliament (DPR) makes the final decision on the appointment and selection of members of BPK after the consideration by DPD and input from the public (processes 4, 5 and 6).

In terms of human resources, BPK has more flexibility in recruiting, developing, terminating, rewarding and punishing Board of members, auditors, and staff based on the BPK demand required, without being subjected to the strict rule of MENPAN and BPK. Besides positive responses on the improving of BPK independence, this study reveals that BPK has not been successful in becoming an independent audit institution. This study recorded evidence which implies deficiencies of BPK auditors in achieving substantial independence, especially due to the fact that they are still accepting money from auditees, are still bribable, and still open to the possibility of negotiations between auditors and auditees. These practices significantly reduce the independence of auditors.

Since 2004, a member of SAI has been involved as external reviewer and an inspectorate unit as internal controller has assessed the independence and performance of BPK. The roles of peer review and internal inspector have significantly influenced the effort of BPK to keep improving the quality of its audit reports through maintaining its independence.

Integrity and Professionalism of BPK Members and Auditors

Before audit reform, BPK lacked of integrity and professionalism, the training and education was not effectively improving the skills and competence of auditors. Moreover, BPK had not many auditors with a background in accounting and had no the Code of Ethics for its auditors. Moreover, BPK had no clear audit manual, guidelines and technical guidance.

Since the reform, the requirement of BPK to maintain its integrity and to ensure the security and immunity of auditors and members of BPK are stipulated clearly under the Law on BPK (GOI 2006b). BPK also has had the Code of Ethics (BPK RI 2007c). Besides, BPK has implemented a remuneration system to provide fairer reward for auditors who are more professional and have better performance; and also to maintain auditors' professionalism in providing credible and objective reports. This study found that BPK has strongly attempted to improve the auditors' competence and professionalism by sending its auditors for training and education both inside and outside the country. All auditors are compulsorily required to

develop their competence by completing at least 20 hours of the 80 hours education within a one to two years period.

Besides positive responses on the improvement of integrity and professionalism of BPK, this study also revealed that the competencies and knowledge of auditors was still not as stakeholders' expected. For new auditors, lack of experience in auditing public sector's agencies resulted in their lack of ability to detect fraud and corruption. BPK auditors also still lack of knowledge and experience beyond accounting and finance to examine the performance of public sector agencies and provide realistic audit recommendations.

Auditing Resources of BPK

Before the audit reform, BPK had very limited resources, including budget, auditors, representative offices, trainings and other audit resources. Besides, the resources of BPK were controlled under influence of the government and the bureaucracy. As a result, the quality of findings, opinions and recommendations in BPK reports was deficient.

Table 6: Annual Budget Allocations for BPK before (1993-2000) and after Audit Reform (2001-2009)

Year	Amount in Rupiahs (billion)	Description
1993/1994	29.27	Before audit reform
1994/1995	33.30	
1995/1996	42.39	
1996/1997	55.92	
1999/2000	93.09	
2000	81.01	
2001	116.44	After audit reform
2002	153.96	
2003	199.91	
2004	238.33	
2005	329.36	
2006	690.23	
2007	1,337.85	
2008	1.490.84	
2009	1.725.48	

Source: Adapted from

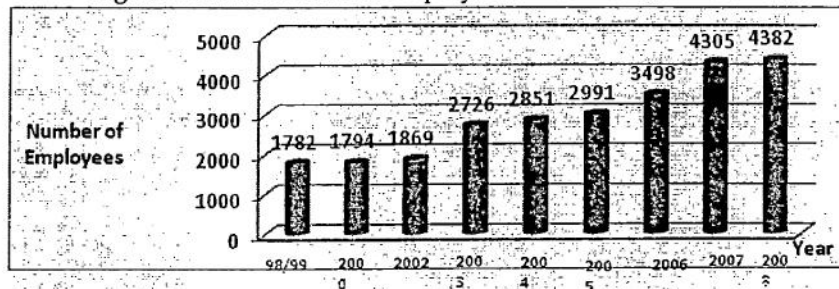
1. BEPEKA Statistics 1995/1996 (BPK RI 1996).
2. BEPEKA Statistics 1996/1997 (BPK RI 1997).

3. BPK RI Statistics 2001 (BPK RI 2002).
4. BPK RI Statistics 2002 (BPK RI 2003).
5. BPK RI Statistics 2003 (BPK RI 2004).
6. BPK RI Statistics 2004 (BPK RI 2005b).
7. BPK RI Statistics 2005 (BPK RI 2006b).
8. BPK RI Statistics 2006 (BPK RI 2007b).
9. Website of BPK (www.bpk.go.id, accessed on 17 August 2009).

Table 6 shows that the budget allocation of BPK before audit reform was much smaller than after the audit reform (2001). The parliament and government have increased the budget of BPK more than five times higher from Rp. 329.36 billion to Rp. 1.725.48 billion in 2009, after they found a significant improvement in BPK performance in auditing public finance that saved state expenditure and increase the state revenue.

BPK has put in place an impressive increase in the quantity of resources. Since 2004, the allocation of budget has improved significantly; numbers of new auditors and staff have increased by more than 1500 personnel. Figure 3 shows the total number of BPK personnel in the period of 1998/99-2008 which indicates increases in the number of employees continuously every year. According to the head of human resources of BPK (6/12/2006), in 2007, BPK recruited more than 1700 auditors to fulfill its audit mandate especially for the new employees for the representative offices. Compared to the number of employees before the audit reform, the number of employees in 2008 has increased by about 2600 personnel.

Figure 2: Numbers of BPK Employees Period 1998/99-2008



Sources: Adapted from:

1. BPK RI, BPK RI Dalam Angka (BPK Statistics) 2003 (BPK RI 2004).
2. BPK RI, BPK RI Dalam Angka (BPK Statistics) 2004 (BPK RI 2005b).
3. BPK RI, BPK RI Dalam Angka (BPK Statistics) 2005 (BPK RI 2006b).
4. BPK RI, BPK RI Dalam Angka (BPK Statistics) 2006, (BPK RI 2007b).
5. BPK website (www.bpk.go.id Accessed on 17 July 2009).

Moreover, since BPK has been employing the implementation of reward and punishment for its personnel in separate functional and structural positions, HRB has a special section for evaluating and developing competition between staff and auditors and for managing functional positions (BPK RI 2007f). Table 7 shows numbers of BPK employees who received rewards, namely *Satya Lencana Wira Karya*² for their achievement. On the other hand, BPK also employed punishment for auditors and staff who broke the BPK rules and code of ethics. Table 7 indicates that evaluation had been employed by the HRD. The remuneration system has been implemented for the welfare and fairness of BPK personnel. Moreover, there is a welfare section that has responsibilities in managing the remuneration system, providing consultation and health for its personnel.

Table 7: Numbers of Employees Received Reward and Punishment (2004-08)

Year	2004	2005	2006	2007	2008	Total
Rewards*	29	18	28	4	10	89
Punishment	7	35	25	93	41	201

Source: website of BPK (www.bpk.go.id. Accessed on 27 July 2009)

Note: * Satya Lencana Wira Karya Award

In addition, Table 8 presents data of the recruitment of new personnel of BPK in 2007 and 2008, which indicates that the priority was mainly for auditors with a background in professional accountancy, in addition to other educational backgrounds, such as: financial and human resources management, development studies, law, civil engineering and public relations.

² This award is from the Government for BPK employees who perform well achievements and dedication.

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Table 8: Recruitment of New BPK Personnel for Financial Year 2007-08

No.	Faculty	Department	Recruitment
1	Economics	Accounting	272
		Financial Management	25
		Human Resources Management	5
		Development Studies	5
2	Law	Law Science	40
3	Engineering	Civil Engineering	25
		Industrial Engineering	10
		Mining Engineering	5
		Informatics Engineering/ Computer Science	20
5	Social and Political Science	Communications	20
		International Relations	2
6	Agriculture	Agriculture	5
7	Forestry	Forestry	10
8	Psychology	Psychology	5
9	Literature	Indonesian Literature	2
		English Literature	4
		French, German, Dutch and Russian Literatures	1 (for each literature)
		Total Recruitment as of Year 2007/2008	469

Source: BPK Announcement Number: 01/S.Peng/X-X.3/12/2007 on Recruitment of Candidate Public Officials for Bachelor Degree at BPK, the financial year 2007/2008 (BPK RI 2007d).

In addition, the number of Board has increased from seven to nine, as there are compulsory of 80 hours training for auditors. The number and quality of BPK's training and education have improved. Table 9 shows the programs in education and training centre which were held from 2004 to 2006 for auditors and managers. Data indicated expanding education and training held by the centre extensively, in line with the increasing numbers of auditors as well as levels of managers as a result of opening new offices. Moreover, BPK also increased the numbers of personnel pursuing their formal education through post graduate degrees and overseas short courses (non-degrees).

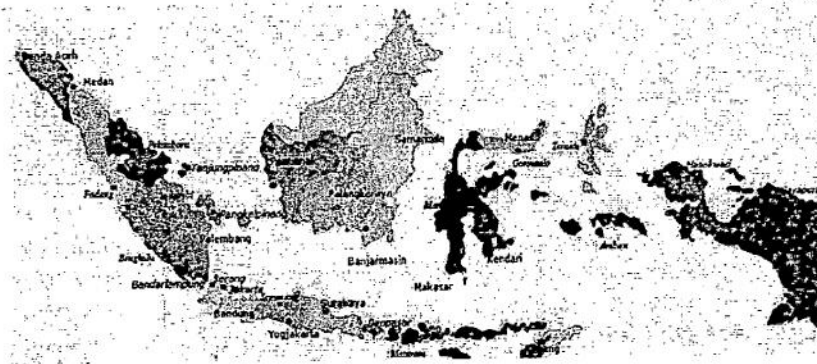
Table 9: Numbers of Participants in BPK Training and Education (2004-06)

Education/Training	2004	2005	2006
Training of Managers	26	47	60
Training of Auditors	445	497	1472
Training of Technical Staff:	2828	3444	1642
Overseas Short Courses (Non-Degree):	28	49	10
Formal education for Post-Graduate Degrees:	28	6	36

Source: BPK RI, *BPK RI Dalam Angka* (BPK Statistics) 2006, pp. 46 and 49 (BPK RI 2007b)

The modern equipment and IT has been added; and regional offices have opened in every province. Figure 4 illustrates Indonesia's geographical spread and the BPK location of representative offices throughout Indonesia, 33 provinces from West to East and from North to South.

Figure 4: Representative Offices of BPK RI in 33 Provinces (after the audit reform, in 2008)



These facts indicate that since the reform, BPK has gradually increased its resources as to conduct its audit roles and functions more effectively.

Conclusion

Since the audit reform, BPK has had clear mandate from the Constitution and the Law on State Finances (2003), the Law on State Treasury (GOI 2004b), the Law on Audit (GOI 2004a), and the Law on BPK (GOI 2006b). Its scope of auditing now (1) includes all the state finances (both central and local governments, SOEs, ROEs, the Central Bank of Indonesia, public services agencies, and other agencies using the state's money; (2) has a higher and broader scope of audit, which covers three types of audits

(financial, performance and specific purposes audits). Moreover, BPK has been confirmed as the only external audit institution for all public sector agencies in Indonesia, while BPKP is the internal auditor. As a result, the numbers of auditees has increased multiple times.

BPK reports in the past were difficult to understand because of too many technical financial, accounting and auditing terms which could not be understood by any stakeholders with no knowledge or background in finance and accounting. Since the audit reform, BPK provides guidelines for auditors to provide a clear and understandable report for stakeholders. This is described in new BPK state finance standards (GOI 2005). Moreover, BPK provides summary reports which are easier to read for stakeholders and includes a glossary of some technical terms on the reports. Since the audit reform, audit reports are issued and published on time in printed form and electronically in BPK website. The new legal basis has required auditees to submit their reports to BPK and auditors to submit the audit reports to Parliament on time. The publication of audit findings has raised the participation of the public to control the performance and openness of government agencies. However, the study also found misuse of published audit reports by the media or opponent parties for sensitive or corruption cases.

Evidence indicates that the follow up of audit reports of BPK is still low. Before the audit reform, there was no obligation for auditees to follow up BPK audit findings or recommendations. The Parliament was never following up the BPK reports (submission to the Parliament was only a formality) which did not indicate corruption, fraud or misuse of public funds (the reports had been previously screened by the government). Since the audit reform, the follow up of BPK audit findings and recommendations is mandated by amendment of Constitution (GOI 2006C), the Law on Audit (GOI 2004a) and the Law on BPK (GOI 2006b). The Members of Parliament are the main stakeholders of BPK, who follow up the audit reports as part of their major task to oversee the performance and accountability of government. As follow up of audit recommendations and findings are very important to providing better performance in public administration and management, BPK provides discussion and communication with audited, members of Parliament both central and regional levels to give explanations about BPK recommendations and findings that have to be followed up. Besides, BPK signed joint agreements with the Legislature. Moreover, BPK monitors and reports the follow up to the Parliament. As BPK has no power to give sanctions or to prosecute audited who do not follow up audit reports or have indications of criminality, BPK signed joint agreements with authorized investigators (the Police, the Attorney General and the Corruption Eradication Commission or KPK).

After the audit reform, the independence of BPK has been bolstered by (1) a clear mandate of Constitution to be the only external audit institution that is to be independent in order to improve the transparency and accountability of the public sector; (2) a clear difference of function between BPKP (as a part of government) and BPK (as an independent body), with no rivalry between internal and external audit institutions; (3) an independent budget that is separated from state budget; (4) a new appointment system of the Board of Members, including the Chairman and Vice Chairman, that are appointed by the Parliament. This is resulting in more independence and autonomy of BPK leaders; (5) clear regulations to maintain the independence of BPK auditors and personnel; (6) greater authority to organize its human resources management without being subject to strict rules administered by *MENPAN* (Ministry of Administrative and Bureaucratic Reforms).

BPK has gradually strengthened its professionalism and the integrity of auditors and members with skilled auditors and professional training as one of the most important factors for providing quality audits. BPK has also provided a Code of Ethics for maintaining the auditors' integrity and professionalism. The implementation of the Code of Ethics is supervised by the Honorary Members of Code of Ethics Board that come from professionals and academics. Based on the Law, BPK also provides immunity and security to avoid pressure and intimidation practices (such as from the head of regional government and army) to BPK auditors. In addition, since BPK has implemented a performance-based remuneration system with incentives for promoting or sanctioning its auditors and staff, auditors are not allowed to accept any money, facilities, tickets and accommodation from auditees. This new system is intended to reduce bribes from auditees to BPK auditors.

There is evidence that public sector agencies have supported BPK findings and recommendations in audit reports about making changes and improvements to their public administration. They recognize the importance of the results of BPK audits in improving their performance. However, there are still many public agencies which are unresponsive and lack commitment to act on recommendations from BPK. For instance, public agencies have been unwilling to comply with regulations from the Ministry of Finance aimed at improving the state finance system, as indicated by the lack of integration of IT application systems for financial management in the government sector and the slowness of government in adapting the accrual-based accounting system. BPK sent letters directly to the President on this matter, but received no response. As data and information indicated that the public sector agencies lacked commitment to act on BPK recommendations, BPK has tried to bring awareness to the leaders of the

public sector agencies by providing discussion on the importance of acting on BPK reports as a means to reform public administration.

Recommendations for Improving Quality of Audit Reports

Based on the comprehensive study of the effectiveness of public sector auditing in Indonesia, some recommendations are suggested to make BPK a more excellent and reputable audit institution. Although some effort has been made and some reforms have been achieved, BPK still needs to improve its weaknesses and to be aware of threats from the external environment. These recommendations can help BPK to get better performance in the future. The recommendations are divided into six aspects namely (1) legal basis; (2) institutional; (3) training process; (4) effectiveness of audit reports; (5) human resources; and (6) Information Technology (IT).

Legal Basis Aspects

- ◆ To strengthen the role and functions of the ethics board and inspectorate unit of BPK.
- ◆ To implement audit law and audit standards effectively with law enforcement and sanctions for any auditors and members who do not comply with regulations, such as accepting bribes or other gratification from auditees.
- ◆ To keep proposing judicial review of the tax and State Owned Enterprises (SOEs) Laws that impedes BPK from auditing the national tax revenues and SOEs.

Institutional and Resources Aspects

- ◆ To communicate effectively between BPK, parliament and government about the importance of accessing data and information for auditing tax revenues, MA revenues, and SOEs, as mandated by the Constitution.
- ◆ To protect auditors from external pressure or who uncover sensitive cases (such as fraud, corruption and other irregularities) to maintain their audit independence and the quality of audit reports.
- ◆ To build networking with public sector auditors' professional association, public policy, public administration groups to develop auditor's expertise in measuring organizational performance.
- ◆ To create stronger commitment and integrity of the members of BPK in providing an objective and credible information in audit reports through training and education that focus on psychomotor and cognitive targets, such as revitalization integrity and anti-corruption

ethics training programs.

- ◆ To improve the quality of audit resources in all new BPK representative offices, mainly for information technology that allows auditors (1) to access data and information relating to the activities of the audit office and public sector regulations and documents; (2) to share information between auditors and other interest groups; (3) to get faster and cheaper communication with other SAIs; (4) to help auditors to detect fraud and to conduct audit disaster.

Effectiveness of Audit Reports Aspects

- ◆ pay more attention to performance auditing for assessing the results, outputs, benefits and impacts of the public sector organizations in short, medium and long terms that will improve economy, efficiency and effectiveness of state programs.
- ◆ To assist members of Parliament in understanding BPK audit reports to perform their duties and functions to hold the public agencies accountable to the public.
- ◆ To focus on the value of audit reports, with a concrete and constructive recommendations, and clearer and more understandable analysis that takes into account the needs of stakeholders.
- ◆ To provide more effectiveness of monitoring and controlling in the implementation of follow-up audit reports.

Human Resources Development Aspects

- ◆ To allow more opportunity for graduate auditors to pursue formal and professional education and trainings inside or outside the country to develop auditors with knowledge and skills, especially to improve BPK capacity's for conducting performance auditing and complying with audit standards.
- ◆ To improve communication building capacity of auditors with stakeholders, both orally and written for improving effective audit findings and reports and for reducing misunderstanding between auditors and auditees.
- ◆ To improve the capability or power of information in audit reports in providing an objective and credible report for getting greater trust from auditees, users and stakeholders.
- ◆ To improve the knowledge and understanding of auditors in communication and information technology for providing a timelier manner audit reports.
- ◆ To engage with the problems faced by the bureaucracy, public administration and management, and other non financial performance

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measures for accommodating the needs of different auditees and for providing realistic recommendations in performance auditing for stakeholders to be followed-up.

- ◆ To rotate BPK auditors for different auditees to reduce the possibility of cooperative negotiation or negotiation impasses between auditors and auditees.
- ◆ To provide a wider variety of multidisciplinary skills, besides accounting and management, for conducting performance auditing.
- ◆ To enhance professional development of auditors through e-learning strategy for future learning environment in BPK.
- ◆ To evaluate the curriculum, teaching methods, trainers, and training facilities based on the training needs analysis.

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