

# THE EXISTENCE OF THE STATE AUDIT BOARD OF THE REPUBLIC OF INDONESIA IN THE PRESIDENTIAL SYSTEM

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## ABSTRACT

*The management and responsibility of state finances must be carried out properly and governance, and therefore must be checked by an independent, objective and free institution from the influence of any state institution, including the government. Through amendments to the 1945 Constitution of the Republic of Indonesia, these state institutions are given to The Audit Board of the Republic of Indonesia (BPK RI) as regulated in Chapter VIII A concerning BPK. The BPK RI mandate has meaning, apart from being independent according to its functions and authorities, BPK RI has also changed from a quasi-government (quasi-government) state institution to a separate state institution. In carrying out its duties, from membership recruitment, checking authority to reporting on the accountability of the use of state finances, BPK RI is in contact with the President of the Republic of Indonesia, DPR RI, and DPD RI. This pattern of relationships shows the existence of checks and balances in the Presidential System in Indonesia. However, functionally BPK RI can coordinate with the Government Internal Supervisory Apparatus (APIP), such as the BPKP and the Inspectorate.*

**Keywords:** Audit, Supervision, State Institutions, BPK RI, APIP, Presidential System.

## INTRODUCTION

State finances must be managed properly and responsibly. That is the message from the founding fathers. Therefore, the management and responsibility of State finances play an important role in realizing the goals of the state, and therefore it is necessary to establish a special state institution that is independent, objective and free from government influence to examine how the government uses the State budget that has been approved by the House of Representatives (DPR), the institution in question is the Supreme Audit Agency (BPK). However, the existence of the Supreme Audit Agency (BPK) experienced ups and downs, where during the New Order era it turned out not to be in accordance with the hopes and ideals of the founding father. The BPK during the New Order era was under the shadow of the Government and was even placed as part of the executive branch of power.

The blessing of the reform movement is the emergence of enthusiasm for the eradication of KKN. This is where the awareness of the important role played by BPK as a free and independent audit agency to detect various practices of misuse of state finances for personal or group interests begins to grow.

Therefore, the amendment to the 1945 Constitution of the Republic of Indonesia strengthens the position and function of BPK as the only external auditor. Article 23 E paragraphs (1) of the 1945 Constitution states: "to examine the management of the State's financial responsibilities, a free and independent BPK shall be held." In addition to strengthening the position and function of the Supreme Audit Agency, laws and regulations on the

management of State finances were also renewed because the old laws were deemed insufficient to become the basis for proper management of State finances, and even became a source of various irregularities. Therefore, a series of laws related to the management of State finances were born, including Law No. 17/2013 on State Finance, Law No. 1 of 2004 concerning State Treasury, Law no. 15 of 2004 concerning Audit of the Management and Accountability of State Finances, as well as Law no. 15 of 2006 concerning the BPK which replaced Law no. 3 of 1973.

However, BPK's strategic role in supervising State finances would not have been meaningful without the cooperation with the DPR as the holder of the budgeting function (budgeting) and the controlling (supervision) function of state finances in following up on the BPK audit results report which the DPR did not use in carrying out its budget function. and the state financial supervision function is carried out by the government, so no matter how perfect the audits conducted by the BPK will not have much meaning to reduce irregularities in State finances. Likewise, it is difficult to make changes to the State Financial Management System in an orderly manner, obeying laws and regulations, efficiently and effectively.

In order for the functions and powers of the BPK to be carried out optimally, BPK internally must implement the principles of Good Government and Good Governance (GGG), and externally it must establish a good functional relationship with the DPR, because the DPR holds the budgeting function and the function of controlling state finances in follow up on the BPK audit report. This relationship must be placed in a strong legal framework at each of the State Institutions in order to perform optimally in supervising and examining state finances.

## **RESEARCH METHODS**

This research includes empirical legal research. The data used are primary data or basic data obtained directly from the first source regarding the behavior of residents, while secondary data includes official documents, books and research results. Sources of data in this study come from human information sources and non-human sources of information.

This study uses a quantitative approach to obtaining primary data and a qualitative approach for secondary data collection. The main research instrument itself is research and observation as well as literature review on the existence of the state financial audit agency of the Republic of Indonesia in the presidential system.

## **RESULT AND DISCUSSION**

### **History of the Audit Board of the Republic of Indonesia**

The Supreme Audit Agency (BPK) was formed based on the 1945 Constitution Chapter VIII A which stipulates that in order to examine the responsibility regarding State finances; a Financial Audit Board is established. Prior to the amendment to the 1945 Constitution of the Republic of Indonesia, the history of BPK RI as explained by Ali Masykur Musa was: "On the basis of this mandate, Government Decree No. 11 / OEM was issued on December 28, 1946 concerning the establishment of the Supreme Audit Agency, on January 1, 1947, which was temporarily domiciled in the city. Magelang had undergone several changes in the form of the Financial Supervisory Board (1950) and BPK RI Gaya Baru (1965), as well as the transfer of locations to offices in Yogyakarta and Bogor, the Provisional MPR through its decree Number X / MPRS / 1966 returned the position of BPK RI to its original position and function as a State

Institution based on Article 23 (5) of the 1945 Constitution. For this reason, Law Number 5 of 1973 concerning the Supreme Audit Agency was issued” (Ali Masykur Musaet al., 2014)

In the current reform era, the Audit Board has received constitutional support from the MPR-RI at the 2002 Annual Session which strengthened the position of BPK RI as an external audit agency in the field of state finance, namely by issuing TAP MPR Number VI / MPR / 2002, which among others was reaffirming the position of the Supreme Audit Agency as the only external audit agency for state finances and its role needs to be further strengthened as an independent and professional institution.

To further strengthen the tasks of the Republic of Indonesia BPK, the provisions governing BPK RI in the 1945 NRI Constitution have been amended. Prior to the amendment, BPK RI was only regulated in one paragraph (article 23 paragraph 5) then in the third amendment to the 1945 Constitution it was developed into a separate chapter (Chapter VIII A) with three articles (23E, 23F and 23G) and seven paragraphs. Article 23E of the Amendment to the 1945 Constitution stipulates that (1) In order to examine the management and responsibility of state finances; an independent and independent Audit Board is established. (2) The results of the state financial examination shall be submitted to the People’s Representative Council, Regional Representative Council and Regional People’s Representative Council, according to their respective authority. (3) The results of the examination shall be followed up by representative institutions and / or bodies in accordance with the law. Furthermore, Article 23F states that (1) Members of the Audit Board are elected by the Regional Representative Council and inaugurated by the President; and (2) leadership.

The Supreme Audit Agency is elected from and by members. In accordance with Article 23G, (1) the Audit Board is domiciled in the capital city of the country and has representatives in every province; and (2) further provisions regarding the Supreme Audit Agency are regulated by law.

To demonstrate its duties, BPK RI is supported by a set of laws on state finance, namely (1) Law Number 17 of 2003 concerning State Finance; (2) Law Number 1 of 2004 concerning State Treasury; and (3) Law Number 15 Year 2004 Concerning Audit Management and Accountability of State Finances. The three packages of Law constitute a milestone in reform in the field of state finance, which forms the basis for implementing the work of the Indonesian BPK. Furthermore, as a substitute for Law Number 5 of 1973 concerning the Supreme Audit Agency, Law Number 15 of 2006 concerning the Supreme Audit Agency was issued.

BPK RI under Law no. 15 of 2004 and Law no. 15 of 2006 as well as during the reform period has undergone major and important changes. These changes include the addition of the BPK RI Representative Office so that at this time there are already in every provincial capital, the number of Chairmen, Deputy Chairmen and Members has increased from 7 to 9 people, the mechanism for selecting the leadership from being appointed by the President on the proposal of the DPR to being elected from and by BPK RI Members themselves, and several other changes that further improve the quality of BPK RI as a free, independent and professional institution.

### **Independence, Transparency and Authority of BPK**

The role and authority of BPK during the New Order era, which was part of the executive branch of power, can be generally known. At that time BPK was regulated by the government in the form of restrictions on the object of examination, institutions, budgets, supervision of restoration of audit methods, the content of the report, even what was important was related to its personnel. According to Ali Maykur Musa: “after the passing of Law No. 15 of 2006 on BPK to

replace a similar Law No. 5 of 1973. The law has placed and restored BPK's independence and authority in a strategic and strong manner legally and institutionally" (Ali Masykur Musaet al., 2014).

As required by article 23 e paragraph (1) of the 1945 Constitution: "To examine the management and responsibility of State finances, a free and independent BPK shall be held". The regulation on the independence and authority of the BPK has fulfilled the requirements as required by INTOSAL (The International Organization of Supreme Audit Institution), through the fifth declaration that was produced at the IX congress, in the city of Lima, Peru, in October 1977.

To measure the independence of the BPK, a benchmark set by INTOSAL can also be used, namely:

- a. There is an appropriate and effective constitutional / legal framework;
- b. Freedom of the Head of the Supreme Audit Agency (as well as members of the Institution in the form of collegial / council) in carrying out their duties, including guaranteed term of office and freedom from police action;
- c. A sufficiently broad mandate to define the type of audit, entity, and number of audits and the approach and methods of the audit;
- d. Seamless access to information;
- e. Rights and obligations to report examination results;
- f. Freedom to determine their own report material and reporting time as well as freedom to publish and disseminate audit reports;
- g. There is an effective follow-up mechanism on the recommendation of the Supreme Audit Agency;
- h. Managerial autonomy from finance and adequacy and human resources, physical resources and financial resources.

In its implementation, BPK RI should be personally independent in determining decisions, in the financial and budget sectors, as well as in terms of its authority to carry out audits of all sources of revenue, storage and use of state finances. Another independence is the freedom to choose the audit method and in preparing reports so as not to be intervened.

Since BPK RI is the only institution that audits state finances, BPK RI must first be more transparent and accountable in carrying out its duties. Things like that have also been regulated in Law Number 15 of 2006 concerning the BPK, which is reflected in four things. First, the full examination report is on the website so that it can be accessed and read by the public. Second, article 30 regulates the participation of professional and academic elements as members of the BPK Code of Ethics Honorary Council. Third, article 32 regulates that BPK's annual financial management and accountability audits are carried out by a public accountant, and Fourth, in article 33 it stipulates that the BPK control system is carried out by the BPK of other countries that are members of INTOSAL.

The great authority that must be carried out with the transparency of BPK RI must be implemented as well as possible. From the basis of its formation only BPK RI is the only state institution that has the absolute right to examine the accountability of state finances. Every government organization that uses APBN and APBD funds must be examined by the BPK, they must not refuse. In a book issued by the Indonesian MPR Research Institute entitled Pancasila Economics, it mentions the benefits of the BPK RI audit results for other state institutions, namely: by carrying out its functions in the field of drafting laws (in the field of legislation). Especially in the implementation of tasks and functions of budgeting or budgeting (Ali Masykur Musaet al., 2014).

The significant role and mandate is supported by Law no. 15 of 2004 concerning the Audit, Management and Responsibility of State Finances article 13 paragraph (1) which states that the audit of the management and accountability of state finances conducted by the BPK covers all elements of state finances as referred to in article 2 of Law No. 17 of 2003 concerning State Finance, namely:

- a. The right of the State to collect taxes, issue and circulate money, and make loans;
- b. The State's obligation to carry out public services for the State government and pay third party bills;
- c. State Revenue;
- d. State Expenditure;
- e. Regional Revenue;
- f. Regional Expenditure;
- g. State assets or regional assets managed by themselves or by other parties in the form of money, securities, accounts receivable, goods, and other rights that can be valued in money, including assets separated from state or regional companies;
- h. The assets of other parties controlled by the government in the context of carrying out government duties and public interests;
- i. Wealth of other parties obtained by using facilities provided by the government.

With the large amount of authority in the BPK RI examination, it will be able to minimize corruption in the administration of the government apparatus. With the support of auditors who have integrity and adequate operational funds, the results of the BPK examination will be able to have a positive effect on prudent in managing state finances. This shows that the BPK RI is an independent and strong state institution. The BPK audits that are routinely carried out, namely the examination of the accountability reports of the APBN and APBD of a province and city in Indonesia should be able to make a significant contribution in an effort to inhibit the rate of criminal acts of corruption as a result of misuse of authority in managing state finances.

### **Synergy between BPK and Government Internal Supervisory Apparatus (APIP)**

Reforms that have occurred in Indonesia during the last ten years have hit almost all fields, including the management of state finances. Reform in the field of state financial management began with the issuance of Law no. 17 of 2003 on State Finance, Law no. 1 of 2004 concerning State Treasury, and Law no. 15 of 2004 concerning Audit, Management and Accountability of State Finances. The three regulations lead to one goal, namely the realization of an orderly, regulatory, efficient, economical, effective, transparent and responsible state financial management.

BPK as the only institution responsible for auditing the management and responsibility of state finances, is called to actively participate in realizing the ideals. This can be seen from the 2006-2010 BPK mission, namely examining the management and accountability of state finances in order to promote accountability and transparency of state finances, as well as to play an active role in realizing good, clean and transparent governance.

There are many entities and objects that must be examined by the BPK, consisting of objects of inspection that must be carried out according to the law (mandate), namely the examination of the Central Government Financial Report (LKPP), Ministry / Institution Financial Reports (LKKL), and Government Financial Reports. Regions (LKPD), totaling around 500 entities, are objects of performance inspection and inspection for specific purposes (PDTT), as well as objects of examination at the request of the DPR / DPD. Due to the limited number of auditors and the budget, in order to achieve optimal audit results, BPK has made

priorities in determining the objects of performance inspection and PDTT. However, the examination strategy has not yet achieved the expected results, due to insufficient time available, used up to carry out mandatory tasks.

The main problem is that the Internal Control System (SPI) of most of the inspection objects is inadequate. This condition resulted in the audit implementation period being longer than it should have been because the examiner had to carry out a complete SPI test and had to expand the scope of detailed testing.

According to PP. 60 of 2008 concerning Government Internal Control Systems, ministers/heads of institutions and heads of regions are responsible for the effectiveness of the implementation of SPI in their respective environments. The main task of the Government Internal Supervisory Apparatus (APIP) is to carry out internal supervision of the implementation of the duties and functions of government agencies in order to strengthen and support the effectiveness of SPI implementation. Internal supervision is carried out by means of auditing, reviewing, evaluating, and monitoring the results of which are submitted by the minister / head of institutions and the regional head as material for improvement / strengthening of the SPI.

The BPK is very interested in strengthening SPI within government agencies, because the more reliable SPI a government agency is, the more efficient and effective the BPK's audits are. Therefore, the synergy between BPK and APIP in terms of utilizing the results of APIP activities needs to be done. This synergy is very possible because it has a legal area, namely Article 9 of Law no. 15 of 2004 which states that the BPK in carrying out audits can take advantage of the results of APIP activities, and APIP is required to submit reports on the results of its supervision to the BPK. In a position like this, Rahimullah argues: "The task of the BPK is closer to the legislative task, however, according to the author, when referring to the division of power as stated in the Trias Politika teaching, on the grounds stated earlier, namely that the BPK is a State Institution closer to "Executive", because their duties are more of an administrative nature (as an inspectorate) in the field of state finance, the BPK tends to be categorized into the executive" (Rahimullah et al., 2007).

The synergy between BPK and APIP is regarding the following matters:

Review, evaluate, and monitor the implementation of the SPI. PP No. 60 of 2008 regulates the language of APIP to carry out internal supervision through inspection, review, evaluation, and monitoring activities. The problem is that APIP in carrying out its duties has focused more on inspection work. To strengthen and support the implementation of SPI, APIP should have focused more on the work of review, evaluation and monitoring of the design and implementation of SPI. APIP can conduct an examination if there are urgent cases to be reported immediately to the minister / head of the institution or the head of the region.

Based on this, BPK should ask APIP to regularly review, evaluate and monitor the implementation of SPI within the work unit / agency under its authority. APIP is expected to act as quality assurance that can provide confidence that the SPI for an activity has been designed cleverly from planning to accountability for activities. The results of these activities are periodically submitted by APIP to the BPK.

In addition, according to Article 54 PP. 60 of 2008, APIP periodically compiles and submits summary reports of monitoring results to ministers / heads of institutions, governors or regents / mayors. BPK can ask APIP to submit the report to the BPK.

Based on the report on the results of the APIP activities, the BPK then conducts an inventory of the SPI profiles (conditions) of each work unit / agency by assigning a score for each SPI element. BPK can use this inventory list of SPI in conducting audit planning,

especially in determining the object of the examination (including determining the number of audit days), as well as in determining the extent of the detailed examination scope.

Through this method, it is hoped that the determination of the object of examination will be directed and accountable (so far the determination of the object of examination by the BPK is only based on the amount of the budget) and the number of audit days can be determined efficiently according to the needs of the work (so far the number of inspection days is a package of 30 working days).

Examination of financial reports (LKKL and LKPD). Article 57 PP No. 60 of 2008 stipulates that APIP dhi. Inspectorate General, Provincial Inspectorate, and Regency / Municipal Inspectorate are required to review financial reports before submitting them to the BPK. Furthermore, Articles 55 and 56 of Law No. 1 of 2004 stipulates that the financial report must be accompanied by a written statement that the APBN / APBD management has been carried out based on an adequate SPI. APIP reviews financial reports with the aim of providing assurance about the accuracy, reliability and validity of the information presented in the financial statements. Meanwhile, the review of SPI is limited only to SPI relating to the preparation of financial statements. The review should be carried out in parallel with the preparation of financial reports, and the reports should be immediately submitted to the BPK so that the BPK can use them in the preparation of the audit program.

Efforts to prevent criminal acts of corruption: In efforts to eradicate corruption, the most important thing is to close or make it difficult for corruption to occur. This can be done by streamlining the SPI in every activity or work unit that manages State finances. BPK can work together with APIP to assess the reliability of SPI in each activity / work unit, so that it can be seen which areas need to be strengthened and areas that need to be prioritized for further inspection.

The effectiveness of the follow-up on examination results Article 20 of Law no. 15 of 2004 stipulates that the official responsible for managing state finances is obliged to follow up on the recommendations of the BPK audit not later than 60 days after the audit report is received. The BPK monitors the implementation of the follow-up on the results of the examination and notifies the results to the DPR / DPRD in the results of the semiannual examination. In the framework of monitoring, the BPK administers the audit report and makes an inventory of findings, recommendations and follow-up actions. Furthermore, the BPK examines the answers and / or explanations of the officials examined to determine whether the follow-up has been carried out in accordance with the recommendations. To expedite the implementation of this activity, BPK asked APIP to act as a facilitator / facilitator who connects the BPK and the auditee.

## CONCLUSION

From the description above, it can be concluded that APIP gas related to review, evaluation, and monitoring of SPI is very important for the implementation of BPK's duties, especially in terms of audit planning. The problem is that APIP has not fully reviewed, evaluated and monitored the implementation of the SPI. Therefore, the BPK needs to encourage APIP to do this regularly and convey the results to the BPK.

According to PP. 60 of 2008, the Internal Control System (SPI) is an integral and continuous activity process that must be carried out by the leadership and all employees to ensure the achievement of organizational goals in an effective and efficient manner, the

reliability of financial reporting, security of state assets, and compliance with laws and regulations.

The elements of the SPI are as follows:

### **Control environment**

Leaders must create and maintain a conducive control environment for employees in carrying out their work. For example, a conducive type of leadership, appropriate organizational structure and appropriate delegation of authority.

### **Risk assessment**

Organizational goals must be set honestly and realistically and must be communicated to all employees. To achieve these objectives, an operational and management strategy must be developed that is linked to the identification and analysis of risks that will occur.

### **Control Activities**

The head of the agency is obliged to exercise control over the implementation of activities on a regular basis to ensure that activities are still in accordance with the plan. Establishment of work policies and procedures, bookkeeping, documentation and human resource development are elements of control that need to be carried out by the leadership.

### **Information and Communication**

Agency leaders are required to identify, record and communicate information quickly to all employees. For this reason, the leadership is obliged to provide, manage, and develop information systems continuously.

### **Monitoring the SPI**

The head of the agency is obliged to monitor the SPI through supervision activities, comparisons with other agencies, as well as carry out recommendations on the results of the examination and supervision.

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