

The characteristics of government internal auditor in supporting good governance (A case study in Dompu District Inspectorate)

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ARTICLE INFO

Article history:

Received 29 April 2016

Revised 10 June 2016

Accepted 14 July 2016

JEL Classification:

M42, M19

Key words:

Expertise,

Independence,

Objectivity,

Due Professional Care, and

Good Governance.

DOI:

10.14414/tiar.v6i1.580

ABSTRACT

Regulation of Ministry of State Apparatus Empowerment (Permenpan) Number PER/05/M.PAN/03/2008, on the auditing standards of APIP (Government Internal Auditor), regulates the characteristics of APIP. The adequate characteristics of APIP are expected to support the realization of good governance. However, many problems related to the characteristics of APIP of Dompu District Inspectorate still occur, consisting of its expertise, independence, and objectivity. All of these problems are suspected to have caused agency problems in local government. This research was conducted using phenomenological qualitative method with a case study approach. This study used participatory observation, in-depth interview, and documentation for analysis. The research found as the following: 1) the existence of agency problem caused by the conflict of interests between local government and APIP; 2) the lack of APIP's mastery of accounting standards and; 3) the lack of APIP's knowledge of law, accounting, engineering, public administration, agriculture, statistics, and state administration. In addition, the problems of independence and objectivity are still often found in the characteristics of APIP of Dompu District Inspectorate when auditing. Overall, the inadequate characteristics of APIP have been unable to improve participation, accountability related to financial statement quality, rule of law, and transparency of Dompu District Government.

ABSTRAK

Peraturan Menteri Negara Aparatur Pemberdayaan (Permenpan) Nomor PER/05/M.PAN/03/2008, tentang standar audit APIP (Government Internal Auditor), mengatur karakteristik APIP. Karakteristik yang memadai dari APIP diharapkan bisa mendukung terwujudnya tata kelola pemerintahan yang baik. Namun, banyak masalah yang terkait dengan karakteristik APIP di Inspektorat Kabupaten Dompu, yang terdiri dari keahlian, independensi, dan objektivitas. Semua masalah ini diduga memiliki masalah keagenan disebabkan di pemerintah daerah. Penelitian ini dilakukan dengan menggunakan metode kualitatif fenomenologis dengan pendekatan studi kasus. Penelitian ini menggunakan observasi partisipatif, wawancara mendalam, dan dokumentasi untuk analisis. Hasil penelitian inisebagai berikut: 1) adanya masalah keagenan disebabkan oleh konflik kepentingan antara pemerintah daerah dan APIP; 2) kurangnya penguasaan APIP untuk standar akuntansi dan; 3) kurangnya pengetahuan APIP ini hukum, akuntansi, teknik, administrasi publik, pertanian, statistik, dan administrasi negara. Selain itu, masalah independensi dan objektivitas masih sering ditemukan dalam karakteristik APIP dari Kabupaten Dompu Inspektorat saat audit. Secara keseluruhan, karakteristik yang tidak memadai dari APIP telah mampu meningkatkan partisipasi, akuntabilitas terkait dengan kualitas keuangan pernyataan, supremasi hukum, dan transparansi Pemerintah Kabupaten Dompu.

1. INTRODUCTION

The implementation of good governance is a major prerequisite to realize people's aspirations in

achieving national goals and ideas. Therefore, the demand for accountability in public institution is so big that it requires an activity, called audit.

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Audit, a process of collecting and evaluating evidence regarding the information contained in an entity's financial statements, is one of the prerequisites of good governance. In Local Governments in Indonesia, APIP (Government Internal Auditor) serves as internal auditors who provide recommendations to the Local Governments for the improvement of governance. The recommendations are expected to improve the quality of financial reporting, transparency, public participation, and rule of law.

In achieving good governance, APIP (Government Internal Auditor) should have characteristics as required in the Regulation of Ministry of State Apparatus Empowerment (Permenpan) Number PER/05/M.PAN/03/2008 on Auditing Standards of APIP. The characteristics to be possessed are: (1) expertise, consisting of sufficient educational background, technical competence, functional position certification, and sustainable education and training; (2) independence; (3) objectivity; and (4) due professional care.

APIP (Government Internal Auditor) is expected to be able to support the implementation of good governance through qualified audit reports. However, based on preliminary observations conducted by researchers at several auditing activities, although APIP of Dompu District Inspectorate has recommended its findings to the Government of Dompu District, in fact BPK (Indonesian Supreme Audit Board) still finds many other findings.

Other problems have also occurred due to the application of accrual-based accounting principles since 2015. This requires the improvement not only on the quality of the financial managers in generating financial reports, but also on the expertise and the number of APIP as the supervisor of SKPD (Regional Work Units). In addition, based on the preliminary observations made by the researchers, it is suspected that there are independence and objectivity problems in carrying out its main duties and functions.

Similar studies on the characteristics of APIP (Government Internal Auditor) related to good governance, among others were performed by Anamukti et al. (2015), Saptapradipta (2014), Herman et al. (2013), and Herman (2010). All of these studies still used quantitative methods and have not revealed more about the real characteristics of APIP. However, all of these studies found the positive effect of internal audit or some of the characteristics of APIP on the implementation of good governance.

Based on the above research gaps and prob-

lems related to the characteristics of APIP in their relationship with good governance in Dompu District, this study aims to analyze the problems related to the characteristics of APIP of Dompu District Inspectorate and their influence in supporting good governance. This research is conducted using phenomenological qualitative method with a case study approach. The data collection method is done using complete participatory observation.

2. THEORETICAL FRAMEWORK

Previous Researches

Several studies related to this topic have been done, among others, by Anamukti et al. (2015), Saptapradipta (2014), Herman et al. (2013), and Hermawan (2010). The following is the explanation of the studies.

Anamukti et al. (2015) studied the effect of internal audit, internal control and audit committee on the implementation of good corporate governance (GCG) in the State-Owned Enterprises (SOEs) in Bandung. The results indicate that internal audit, internal control and audit committee have an effect on the implementation of good corporate governance.

Saptapradipta (2014) investigated the influence of internal audit and internal control on the implementation of good governance in public service agency of University of Brawijaya. The results indicate that internal audit and internal control have an influence on the implementation of good governance.

Herman et al. (2013) investigated the effect of internal audit factors on the implementation of good corporate governance in SOEs in Jakarta. The results indicate that internal audit factors, which include independency, professional skills, scope of work, and the implementation of inspection activities, have an effect on the implementation of good corporate governance.

Hermawan (2010) investigated the influence of external and internal auditors on the implementation of good corporate governance in SOEs in Indonesia. The results show that external and internal auditors have an influence on the implementation of good corporate governance.

All studies mentioned above find the positive effect of internal audit or some of the characteristics that should be owned by APIP (Government Internal Auditor) on the implementation of good governance. Dompu District Inspectorate, as one of the elements of the government's internal auditor is expected to support the implementation of good governance through quality audit reports, but

based on preliminary observations conducted by the researchers, there are still some problems arising. In some auditing activities, the Inspectorate of Dompu District has carried out inspection and provided the recommendation of its findings to the Government of Dompu District, but in fact, BPK (Indonesian Supreme Audit Board) stills find many other findings. Some BPK's findings are sometimes not found by the Inspectorate. One of the reasons is due to the lack of expertise and professional skills of APIP, or other reasons in which the inspectorate does not want to disclose the findings because of the independence and objectivity disturbance. Therefore, this study aims to analyze the characteristics of APIP (Government Internal Auditor) in supporting the implementation of good governance. The difference between this study and previous ones is that the previous studies use a causal quantitative research that only see the effect of some of the characteristics of the internal auditors, but this study uses a phenomenological qualitative research and the data collection method is done using participatory observation, with the aim to be able to analyze more deeply whether APIP has been sufficient or not in supporting good governance.

Agency Theory

Agency theory arises as principal and agent have different interests. Jensen and Meckling (1976) defined an agency relationship, in a company, as a contract in which one or more shareholders (principals) hire another person or the management (agent) to perform some services on their behalf by delegating some decision-making authority to the agent. At the level of government, agency problem arises when the local government (agent) tends to maximize its own interests, starting from the process of budgeting and decision-making to the presentation of accountable financial statements, to show that the government's performance has been good, and thus securing its position in the eyes of the legislature as the representatives of the people (principal).

Furthermore, the responsibility shown by the local government, as the executive, is not only in the form of complete and accountable financial statement presentation, but also how the local government is able to open up access for the users of the financial statements. Here, the role of APIP of Dompu District Inspectorate is to minimize the conflicts of interest between the agent (Government of Dompu District) and the principal (the Regional Representatives Council as the stakeholders). In

minimizing the conflict, APIP is required to be able to produce quality audit reports that eventually lead to the creation of good governance.

Good Governance

According to Santosa (2012), the requirement for the creation of good governance, at least, includes 1) participatory government that can be interpreted as a form of government that seeks to accommodate the aspirations arising in the society and involves the society in decision-making processes; 2) accountability is an embodiment of the obligations of a government agency to account for the success and failure of its mission; 3) transparency means providing a guarantee for the availability of public access in the entire policy-making process of government management.

The three elements of good governance proposed by Santosa above have a linkage with APIP of Dompu District Inspectorate in carrying out auditing functions, 1) participation means that APIP should be able to support the presence of public participation in decision-making, either directly or through legitimate representative institutions that represent them; 2) accountability means that in the auditing process, there is fraud which is not found and there is fraud which is found but not reported by APIP; 3) transparency means that APIP should report the findings of the audit process thoroughly.

An additional element of good governance which is also associated with APIP of Dompu District Inspectorate is the Rule of Law. This element is closely related to the supervision and inspection of APIP of Dompu District Inspectorate, in which the APIP's findings can be brought into law without any interference from other parties.

Audit and Types of Audit

Based on the Regulation of the Ministry of State Apparatus Empowerment (Permenpan) Number PER/05/M.PAN/03/2008, on the Auditing Standards of APIP, audit is a process of problem identification, analysis, and evidence evaluation which are conducted independently, objectively, and professionally based on the auditing standards to assess the truth, accuracy, credibility, effectiveness, efficiency, and reliability of information on the implementation of tasks and functions of the government agency. In the scope of local government, the audit is conducted by APIP (Government Internal Auditor) of Dompu District Inspectorate as the internal auditor.

Based on the Regulation of the Ministry of State Apparatus Empowerment (Permenpan)

Number PER/05/M.PAN/03/2008, on Auditing Standards of APIP, the auditing activities that can be done by APIP are basically grouped into three types of audit, including:

- a. Financial audit is an audit of financial statements which is intended to provide an opinion on the fairness of the presentation of financial statements in accordance with generally acceptable accounting principles.
- b. Performance audit is an audit that aims to provide conclusions and recommendations regarding the economical, efficient, and effective management of government agency.
- c. Audit with the specific purpose is an audit which is intended to provide conclusions on a matter being audited. The audit with the specific purpose includes investigative audit, audit of issues that become the focus of attention of the leader of the organization, and distinctive audit.

Of the above types of audit, the internal auditor, in this case APIP, only conducts performance audit and type of audit with a specific purpose, while for financial audit is conducted by the external auditor, in this case BPK (Indonesian Supreme Audit Board) because it is only the external auditor who has the right to issue opinions. However, in the performance audit conducted, there is also an inspection of financial component.

Characteristics of APIP

Based on the Regulation of BPK (Indonesian Supreme Audit Board) No. 1 of 2007 on the State Financial Auditing Standards and the Regulation of the Ministry of State Apparatus Empowerment (Permenpan) No. PER/05/M.PAN/03/2008, the characteristics of APIP (Government Internal Auditor) are as follows:

1. Expertise is the ability of an individual to do specific thing in focus but dynamic and takes certain time to learn and can be proven, which includes:
 - a. Technical Competence

Based on the Regulation of the Ministry of State Apparatus Empowerment (Permenpan) No. PER/05/M.PAN/03/2008, on Auditing Standards of APIP, the technical competence that must be possessed by an auditor is: 1) mastering accounting standards stipulated in the Government Regulation No. 71 of 2010 concerning the Government Accounting Standards (SAP) and the Regulation of the Ministry of Home Affairs No. 64 of 2013 regarding the application of Accrual-Based Government Accounting Standards (SAP) on

local government; 2) mastering audit standards based on the Ministry of State Apparatus Empowerment (Permenpan) No. PER/05/M.PAN/03/2008 on Auditing Standards of APIP which include general standards, performance audit implementation standards, and reporting standards; 3) mastering government administration; and 4), having skills to communicate, both in speaking and in writing, either with managers, peers, and the object of examination.

- b. Educational Background

Based the Regulation of the Ministry of State Apparatus Empowerment (Permenpan) No. PER/05/M.PAN/03/2008 and the Regulation of the Head of BPK (Indonesian Supreme Audit Board) No. 1 of 2007, APIP (Government Internal Auditor) must have formal education at least Bachelor degree, or equivalent. The internal auditor should also identify the skills that have not been available and propose them as part of the recruitment process.
- c. Functional Position Certification and Sustainable Education and Training

According to the Regulation of the Ministry of State Apparatus Empowerment (Permenpan) No. PER/05/M.PAN/03/2008, an auditor should have a functional auditor certification (JFA) and follow sustainable professional education and training in accordance with his level. The head of APIP, in this case the Inspector of Dompu District Inspectorate shall facilitate APIP to follow the sustainable education and training as well as the certification exams in accordance with the provisions.
- d. Independence

Based on the Regulation of the Ministry of State Apparatus Empowerment (Permenpan) No. PER/05/M.PAN/03/2008 on Auditing Standards of APIP, the head of APIP is responsible to the top leader of the organization so that the accountability of the audit implementation can be met. In connection with independence, APIP is placed in a position that is free from disturbances and obtains adequate support from the top leader of the organization so that APIP can carry out the work freely.

While according to the Regulation of The Indonesian Supreme Audit Board (BPK) No. 1 of 2007 on State Financial Auditing Standards, there are three kinds of disturbance faced by auditor, namely:

1. Personal Disturbance

The auditor's personal disturbance includes:

- Having a consanguinity relationship upwards, downwards or horizontal until the second degree with the entity management or the program being inspected or as an employee of the entity audited or in a position that can give a direct and significant influence on the entity or program being inspected.
- Having a good financial interest, directly or indirectly, in the entity or program being inspected.
- Having experience of working or providing services to the entity or program being inspected within the last two years.
- Having a working relationship with the entity or program being inspected.
- Engaging directly or indirectly with the activities of the object being inspected, such as providing assistance, consulting services, systems development, drafting and/or reviewing the financial statements of the entity and program being inspected.
- The existence of prejudice against any individual, group, organization or objectives of a program which can make the implementation of inspection to be biased.
- In the past, having a responsibility in decision-making or management of an entity, which has an impact on the implementation of the entity's ongoing activities or programs or that are being inspected.
- Having responsibility to set an entity or capacity that can influence the entity's decision or the program being inspected, for example, as a director, officer or other senior positions of an entity, the activities or programs being inspected or as a member of management in any decision-making, control or monitoring function of the entity, the activities or programs being inspected.
- The existence of a tendency to take sides because of political or social beliefs as a result of the relationship among employees, loyalty to group, organization or certain level of government.
- The implementation of an inspection by an inspector, who was previously as official who approved invoices, payroll, claims and payments proposed by an entity or program being examined.
- The implementation of an inspection by an inspector, who previously held official accounting records of an entity/work unit or program

being inspected.

- Finding a job in the entity being inspected during the inspection.

2. External Disturbance

The auditor's external disturbance includes:

- The interference or influence of external parties that limits or alters the scope of the inspection to become improper.
- The interference of external parties on the selection and application of the inspection procedure or the selection of inspection sample.
- The unreasonable time restrictions for the completion of an inspection.
- The interference of external parties on the assignment, appointment, and promotion of the inspector.
- The restrictions of the resources provided to the organization being inspected, which could have negative impact on the ability of the organization to carry out the inspection.
- The authority to refuse or influence the inspector's consideration related to the contents of a report of inspection results.
- The threat of inspector replacement on the disagreement with the content of inspection report, inspector's conclusions, or the application of accounting principles or any other criteria.
- The effect that endangers the continuity of the inspector as an employee, in addition to causes related to the skills of the inspector or inspection requirements.

3. Organizational Disturbance

Organizational disturbance can be in the form position, functions, and structure of organization. The inspector who is assigned by an inspection organization can be viewed free of independence disturbance organizationally when he performs inspection outside the entity where he works.

Objectivity

Objectivity is a belief, a quality that gives value to the service or auditor's service (Arens and Loebbecke, 2003). The principles of objectivity lay down an obligation for auditor to be impartial, intellectually honest and free of conflicts of interest. Although these principles cannot be measured exactly, the principles of objectivity are a must. It means that every member of the profession is required to implement and work on that. Objectivity also means no bias in all matters relating to an activity or approval.

Based on the Regulation of the Ministry of

State Apparatus Empowerment (Permenpan) Number PER/05/M.PAN/03/2008 on Auditing Standards of APIP, the auditors and government inspectors must have neutral and unbiased attitude and avoid conflicts of interest in planning, implementing, and reporting the work. The auditors or government inspectors should be objective in carrying out the audit. The principle of objectivity requires that auditors carry out audit honestly and do not compromise on quality. The head of APIP is not allowed to place auditors or government inspectors in a situation that makes them unable to make decisions based on their professional judgment.

Due Professional Care

The auditor must use his due professional care and be careful in every assignment. Due professional care, based on the Regulation of the Ministry of State Apparatus Empowerment (Permenpan) No. PER/05/M.PAN/03/2008, can be carried out on various aspects of audit, including: (a) the formulation of audit objectives, (b) the determination of audit scope, including audit risk evaluation, (c) the selection of testing and results, (d) the selection of the type and level of resources available to achieve the audit objectives, (e) the determination of the significance or insignificance of the risks identified in the audit and their effect, (f) the collection of audit evidence, (g) the determination of competence, integrity, and conclusions drawn by other parties associated with the audit assignment.

3. RESEARCH METHOD

Research Site

This research is conducted in Dompu District Inspectorate. The reason for selecting the location in this study is due to the findings of BPK (Indonesian Supreme Audit Board), in which at the same inspection period, APIP of Dompu District Inspectorate does not get any findings. In addition, this research topic is also raised with the consideration of the implementation of the accrual basis based on the Government Regulation No. 71 of 2010 and Regulation No. 64 of 2013 on the Implementation of the Accrual-Based Government Accounting Standards on Local Government, so that the capacity of APIP of Dompu District Inspectorate as a guarantor of quality in the local government is considered very important.

Research Approach

This study is a phenomenological qualitative research with a case study approach. This study aims to look for or find out the meaning of the pheno-

menon of the characteristics of APIP (Government Internal Auditor) of Dompu District Inspectorate in carrying out inspection, and its role in the effort to support good governance. The research technique used is participatory observation with full participation, in which the researchers are fully engaged in the data collection.

The technique in collecting data sources is using purposive sampling technique involving informants who are related to the audit process until the follow-up. The informants are the employees of Sub-Division of Planning of Dompu District Inspectorate, the auditors and government inspectors of Dompu District Inspectorate, the inspector of Dompu District Inspectorate, and the employees of Sub-Division of Evaluation and Reporting of Dompu District Inspectorate. The researchers perform data collection through documentation, observation, as well as interviews with informants concerned. In addition, this study also uses snowball sampling technique, a technique of taking the data sources initially only a few and gradually become more and more. This is done so that the information obtained achieves the saturation point and no longer variations in the answers of the informants.

Data Analysis

According to Sugiyono (2014: 89), data analysis starts from the formulation and explanation of the problem, before finally plunging into the field, to the writing of the research results. The steps performed in analyzing the data are as follows:

1. Formulation of the problems and research coverage.
2. Data reduction is a selection process focusing on the simplification of the raw data obtained from the results of observations, interviews, and documentation obtained in the field where the data reduction takes place continuously during the research in qualitative orientation.
3. Data display is a set of structured information that gives the possibility of drawing conclusions and decision making.
4. Verification or conclusion expressed is still tentative, but if the conclusion expressed is supported by valid and consistent evidence when the researchers return to the field, the conclusion is declared credible.

4. DATA ANALYSIS AND DISCUSSION

Here are the results of the research based on observations, interviews, and documentation conducted by the researchers:

Characteristics of APIP (Government Internal Auditor)

Expertise

Expertise consists of technical competence, educational background, functional job certification, and sustainable trainings. Based on the observations made by the researchers related to the technical competence, although APIP has got the ability to communicate well with auditee, superiors, as well as peers or compeers, in fact APIP has not had technical competence related to accrual-based accounting standards. In this case, APIP has obtained functional job certification but not sustainable training and technical assistance on accrual-based accounting due to a long queue system to join the training. The absence of training and technical assistance is caused by lack of budget and lack of awareness of APIP to study independently.

These results are supported by interviews and observations with Budget Users (PA) of Dompu District Inspectorate:

"I see, most auditors have not mastered these accrual-based accounting standards, and some complained about the lack of technical assistance of the accrual basis due to no budget. We, actually, had proposed supplementary budget in the 2015's budget for technical assistance and other trainings, but it was denied. However, given the importance of knowledge of accrual-based accounting, we sent a letter to the BPKP Representative in NTB Province in order to hold technical assistance related to these accrual-based accounting standards. And while waiting for a response from BPKP, I instructed all auditors in the scope of Dompu District Inspectorate to be able to learn independently via the internet, and fortunately we have already provided internet facilities that could be accessed by all auditors." (I 01)

Supporting the results of observations and interviews above, based on the documentation of the Budget Implementation Document (DPA) of Dompu District Inspectorate of 2015, the researchers also found that there was no budget allocated for technical assistance or other trainings related to accrual-based accounting standards, as noted by several informants as follows:

"In the budget of 2015, there was no allocation for technical assistance because the number of additional personnel of APIP has affected the size of the budget allocated for official travel within the region and an increase in the beneficial payments of functional auditors and government inspectors paid monthly. So, to ad-

dress these issues, the auditors and government supervisors must learn independently through the internet". (I 03)

In addition to the lack of understanding of accounting standards, the constraint of human resources also lies on the lack of personnel support in Sub Division of Planning, as the party who is responsible for the issuance of Accountability Letter (SPT). Sub Division of Planning is filled by two civil servants, namely the Head of Sub Division of Planning and one staff. The delay can ultimately lead to untimely fulfillment of reporting obligations or result in the delays in the publication of Auditor's Report (LHP) by the inspection team.

Furthermore, the researchers also find that although the majority of government inspectors in Dompu District Inspectorate Dompu have already got the technical competence in government administration, the number of government inspectors are the same as those in the Sub Division of Planning, still fewer than their burden of duties.

In carrying out the duties in auditing, both auditors and government inspectors are divided into at least 4 (four) inspection team every month in accordance with the division of the inspection area. Ideally, in conducting monthly audit, for each 1 (one) inspection team requires at least 1 (one) person who has the educational background as mentioned above. Thus, given the current condition, the Inspectorate has not had sufficient auditors and government inspectors with the educational background as mentioned above. This makes the performance of auditors or government inspectors become less maximal, especially in conducting the audit.

The inadequate number of government inspectors and personnel of Sub Division of Planning are also accompanied by the lack of certain educational background. The researchers find that there are only 3 people who have bachelor degree in accounting, 3 people who have bachelor degree in engineering, 1 person in law, 1 person in public administration, but there is no one who have educational background in agriculture, information technology, statistics, or state administration, as required by the Regulation of BPK (Indonesian Supreme Audit Board) No. 01 of 2007 on SPKN.

The results of observation, documentation, and interviews above illustrate that both the auditors and government inspectors of Dompu District Inspectorate have not fully met their obligations as auditors or government supervisors who must have knowledge and access to the most actual information in the standards, methodologies, proce-

dures, and technical audits. They could be met by following sustainable educations and trainings as mentioned in Permenpan No. PER/05/M.PAN/03/2008 on Auditing Standards of APIP. This, of course, will results in the less maximum of the auditors and government inspectors in carrying out audit activities, which are increasingly complex in line with the development of information systems in local governments today.

In order to create good auditing activities, the auditors and government inspectors must attend sustainable education and training in accordance with their positions. And the head of APIP has a duty in facilitating the auditors and government inspectors. In proposing the auditors and government inspectors to attend sustainable education and training, the head of APIP bases his decision on the required formation and other administrative requirements, such as the ranks and the collection of credit number.

Thus, based on the observation, documentation, and interviews conducted related to the expertise that must be possessed by the auditors and government inspectors of Dompu District Inspectorate consisting of technical competence, educational background, and functional job certification and the sustainable education and training, the researchers find that most auditors and government inspectors of Dompu District Inspectorate have not fully met the obligations in meeting the criteria mentioned above as described in Permenpan Number PER/05/M.PAN/03/2008 on auditing standards of APIP and the Regulation of BPK (Indonesian Supreme Audit Board) No. 1 of 2007 on SPKN (State Financial Auditing Standards). This is due to several factors as follows:

- a. The lack of awareness of the auditors and government inspectors in improving their own capacity, primarily related to the fulfillment of the characteristics of APIP that must be possessed;
- b. The lack of the number of auditors and government inspectors when compared to the audit activities performed;
- c. The non existence of technical assistance due to no budget owned by Dompu District Inspectorate in supporting the auditors and government inspectors to meet the criteria mentioned above;
- d. The leader of APIP who does not identify the expertise that has not been available and propose it as a new employee recruitment material.
- e. There are external factors beyond the control of auditors and government inspectors such as the delay in the issuance of Accountability Report (SPT) that becomes the basis for conducting the

auditing activities as a result of the lack of civil servants in the Sub Division of Planning of Dompu District Inspectorate, and the long queuing system for the auditors and government supervisors to be able to follow the sustainable training.

However, the researchers see that there have been some efforts done by the leader of APIP in meeting the criteria mentioned above, such as:

- a. Coordinating with BKD (Regional Staffing Agency) in terms of adding new personnel through the recruitment process as well as transfer from of other SKPD (Regional Work Unit) to be promoted either to a staff or auditor and government inspectors in Dompu District Inspectorate;
- b. Since fiscal year of 2016, the budget allocated for the implementation of technical assistance of Accrual-Based Government Accounting Standards has been added, and the names of the auditors and government inspectors have been proposed in order to follow the sustainable training to higher functional position.

Independence

Independence consists of personal disturbance, external disturbance, and organizational disturbance. Based on the observations made by the researchers related to independence, the organizational disturbance is not found on the APIP of Dompu District Inspectorate because the status, function, organizational structure and the inspection division of each APIP organization have been clear. However, the personal disturbance and external disturbance are still encountered.

The personal disturbances commonly experienced by most auditors and government inspectors are consanguinity relationship with the auditee, ethnicity, or close relations, such as ever been at the same institution, ever been promoted by the official being audited, as well as the social relationships outside the institution where they work. Meanwhile, other personal disturbances as mentioned above are not found on the auditors and government inspectors of Dompu District Inspectorate. This can surely disrupt the auditing activities conducted by the auditors and government supervisors. However, these obstacles can be minimized by the auditors and government inspectors by way of refusing the given assignments and replace them with other assignments that do not disrupt their independence. This is consistent with the statement made by the informant as follows:

"I have refused an audit assignment twice with

the reason that the assignment would disrupt my independence and asked to be positioned to other places. First, at the time of case inspection, in which the person concerned had been in the same institution and even in the same room with me and he promoted me in a position. Second, at the time of regular inspection at SKPD (Regional Work Unit), in which one of the of PPK (Committing Officer) members was my cousin." (I 26)

Meanwhile, the external disturbances commonly encountered by the auditors and government inspectors are the threat of inspector replacement and political pressure. This condition usually comes from the political interests of the top leader, in this case the District Head. Of course, it is difficult to avoid, given that the auditors and government inspectors are under and directly responsible to the District Head. This is consistent with the statements made by several informants as follows:

"I'm just a local government employee and everything depends on the head of the local government. So, when the auditing activities are related to the head of the local government, I can't be independent, including with those who have political interest with the head of the local government, I cannot be independent. I had better obey the boss than being transferred to Kilo." (I 17)

Furthermore, the researchers discovered the desire of the majority of the auditors and government inspectors to become central government employees in order to be able to overcome the external disturbances. This is in accordance with the statement of the informant as follows:

"During this time, I, as an auditor, have not been independent yet, particularly with regard to the political elites such as in the inspection that intersects directly with legislators of Dompu District and even with the head of local government. So, in order to be away from the shadows of the local government head, the only way is to become central government employees who are stationed in the local government and I hear that the discourse already exists. Thus, I'm sure we can be more independent." (I 19)

Based on observations and interviews conducted by researchers associated with the 3 (three) kinds of independence disturbance, it is only organizational disturbance that is not found in APIP of Dompu District Inspectorate. This is because the position, the duty, and the function of each APIP organization have been clear and there is no over-

lap inspection of each APIP organization.

Meanwhile, the personal disturbances commonly experienced by most auditors and government inspectors of Dopu District Inspectorate are related to the consanguinity relationship with the auditee, ethnicity, and close relations, either because they ever been at the same institution, ever been promoted by authorities being audited, or the social interaction conducted outside the institution where they work. However, this personal disturbance can be avoided by refusing the assignment given to him and replace it with another assignment that does not disturb his independence.

Then, the external disturbances commonly encountered by the auditors and government inspectors are the threat of inspector replacement and political pressure. This condition usually comes from the political interests of the top leader, in this case District Head. Of course it is difficult to avoid, given that the auditors and government inspectors are under and directly responsible to the District Head. This condition makes the majority of auditors and government supervisors wish to become central government employees for the reasons of the unfulfilled independence in carrying out the inspection.

Objectivity

Based on the observations made, the researchers explain that objectivity is directly proportional to independence. This means that, just like the independence, the majority of auditors and government inspectors of Dompu District Inspectorate experience the objectivity disturbance. This is consistent with the statements of several informants as follows:

"When I'm not independent, automatically I cannot be objective, because there are a lot of interests in it, such as the interests of the top leader, the family of the top leader, or the interests of the political elite in the region." (I 06)

The results of the observations and interviews above illustrate that the ability of the auditors and government inspectors to fulfill objectivity is in line with their independence. This means that when the auditors and government inspectors cannot be independent, they cannot be objective in conducting the audit. The independence disturbance includes the family bonds, kinship, ethnicity, or external disturbances indicating that there is a conflict of interest in it.

Due Professional Care

Based on observations made, the researchers found

that APIP of Dompu District Inspectorate has used its professional skills accurately and thoroughly. The APIP of Dompu District Inspectorate, at the planning stage of the audit, has formulated the audit objectives, the scope, the types, and the resources required to achieve those objectives, carried out the audit evidence collection, and conducted testing systematically, even though the evidences selection process is generally done randomly.

Related to the use of experts in audit assignments, Dompu District Inspectorate has never employed the experts. Overall, APIP of Dompu District Inspectorate has had due professional care in planning and conducting audits, although it still has weaknesses and has not been able to evaluate the level of audit risk due to the limitations of their competence.

Relationship between the characteristics of APIP and Good Governance

According to Santosa (2012: 56), the conditions for the creation of *good governance* at least include:

Participation

In the context of its function as auditor, APIP should encourage the establishment of participation through the transparency of the process and results of the audit through the local parliament (DPRD). Based on observations made, the researchers found that the characteristics of APIP of Dompu District Inspectorate have not maximized to support the participation of the community to realize good governance. It can be seen from the lack of public participation through parliament of Dompu District. For example, in one of the findings of the Dompu District Inspectorate related to the flushing of revolving funds, which is done by the Government of Dompu District, to cooperatives, micro enterprises, small enterprises, and medium enterprises. The funds were flushed by the SKPD (Regional Work Unit) appointed by the Government of Dompu District without consideration or consent of the Parliament of Dompu District. However, Dompu District Inspectorate cannot encourage public participation through the Parliament because it depends on the District Head as the policy maker.

These results are supported by the interviews conducted by the researchers with the informants as follows:

"The revolving funds of 2007 were conducted by the decision of the District Head, and managed by the Regional Development Planning Agency (Bappeda) of Dompu District. The distribution of these funds was not through the

consideration or consent of the Parliament of Dompu District. The inspectorate itself could only carry out its inspection function, and even it is not optimal because the inspectorate is under and directly responsible to the District Head." (I 17)

But, even the Dompu District Inspectorate has been unable to support public participation through representative institutions. In some cases related to direct participation, the researchers found that the APIP of Dompu District Inspectorate can fulfill its role to support the direct participation of the public, especially in the smaller scope, like villages. As what happened in the Wawonduru Village, Woja Sub-District in 2013, where people saw indications of fraud committed by certain village apparatus related to rice for the poor (Raskin) and immediately reported it to the Head of Dompu District which was followed up by the Dompu District Inspectorate by forming a team of inspectors to investigate the issue. This is consistent with the statement of the informant as follows:

"In a smaller scale or at the level of village, Dompu District Inspectorate is usually still able to perform its role to support the direct participation of the public. For example, in the case occurred in Wowondaru Village and Simpasai Village, in which few years ago the local people reported any indications of violation committed by certain village officers. The Dompu District Inspectorate directly followed up by forming a team of inspectors. And that's because of the insistence coming from the people of the villages." (I 16)

Based on the interviews and observations above illustrate that in the smaller scope, like village, Inspectorate of Dompu District is still able to perform its role in supporting the direct participation of the public in decision-making, but in the larger scope of or related to interests of the local government, the Inspectorate of Dompu District cannot carry out its role optimally in supporting public participation in decision-making due to its structural position.

Accountability

In relation to the audit conducted by the APIP of Dompu District Inspectorate, the accountability can be seen through the non-existence of fraud found by the auditors of Dompu District Inspectorate. Conversely, BPK (Indonesian Supreme Audit Board) found the existence of fraud. APIP, actually, also found the fraud, but it was not reported.

Based on the observations made, the research-

ers found that the characteristics of APIP of Dompou District Inspectorate have not maximized in supporting the creation of good governance. The less maximum of APIP in playing its role is caused by the lack of auditors' competence in understanding the accounting standards, especially related to the accrual-based accounting system. In addition, the lack of auditors who have educational background in accounting, especially who conduct audits, as well as the absence of technical assistance related to the accrual-based accounting system make the auditors cannot detect fraud optimally. This is consistent with the statement of the informant as follows:

"In terms of detecting fraud, we are still lacking, both in quantity and quality. In terms of quantity, the number of personnel is not proportional compared to the scope of work, while in terms of quality, there has been no technical assistance or trainings related to the improvement of our capacity as auditors in understanding accounting standards." (I 06)

In addition, there are findings which are not reported by APIP because of the lack of independence and objectivity of the auditors and government inspectors in conducting the audit, which is related to conflict of interest, emotional closeness, family relationships, friendships with the auditee, and the fears to be transferred or even demoted from their functional position as government auditors and inspectors if they report the fraud which directly relates to the interests of the political elite and the interests of the regional head. This is consistent with the statement of the informant as follows:

"Sometimes we detect fraud, but we do not report it. It is usually associated with the findings related directly to the interests of the political elite as well as the regional head. Instead of being transferred out of the functional position, we had better not report it." (I 17)

Transparency

In terms of audit, transparency means that during the audit process conducted by APIP, the findings of the inspection results should be reported thoroughly. Based on the observations made, the researchers found that it is only the obligation to report the inspection results to Parliament of Dompou District that has been met, while the obligation to other stakeholders, such as Non Governmental Organization (NGO) and the public in general has not been fulfilled. This is supported by interviews with the informant:

"In addition to the District Head, we should ac-

tually also present the Report of Inspection Results (LHP) to Parliament of Dompou, Inspectorate of NTB Province, Provincial Supreme Audit Board (BPKP), and other relevant technical agencies as the effluent. But so far, we only present it to the Parliament of Dompou." (I 20)

Rule of Law

Regarding the inspection conducted by APIP, rule of law means that the findings, which are based on the results of the inspection conducted by APIP, can be brought into the realm of law without any interference from other parties. Based on the observations conducted, the researchers found that the rule of law in the government of Dompou District has not been maximized because the Inspectorate of Dompou District has not been maximized in improving rule of law to improve good governance. It is supported by the results of interviews conducted with informant as follows:

"We, as a team of inspectors, only make recommendations, and then whether they will be brought to realm of law or not, depend on the District Head, as policy maker" (I 19)

Furthermore, the researchers found that only a few cases that are related to great value and those that get direct insistence of the people that are brought to law. During this time, the recommendation on the findings of the inspection results has just been solved in the internal scope of the Government of Dompou District, through the Regional Losses Resolution Team (TPKD).

Characteristics of APIP in Supporting Good Governance

The characteristics of APIP consist of expertise (technical competence, educational background, functional job certification and sustainable education and training), independence, objectivity, and due professional care. While the elements of good governance that have relationship with the characteristics of APIP consist of participation, accountability, transparency, and rule of law.

The effect of the characteristics of APIP on the increase of public participation in decision making of the government of Dompou District has not maximized. Dompou District Inspectorate can carry out its role in supporting the direct participation of the public in decision-making only on a smaller scope, like village. But in the larger scope or relating to the interests of local governments, especially in public participation through Regional Parliament (DPRD), Dompou District Inspectorate has not been able to carry out its role to the fullest because the position

of Dompu District Inspectorate is under and responsible to the District Head.

Similarly, the effect of the characteristics of APIP on the improvement of accountability of the government of Dompu District also has not maximized. It can be seen from two (2) phenomena. First, there are still many financial findings that are not found by Dompu District Inspectorate, but they are found by BPK (Indonesian Supreme Audit Board). This is caused by the lack of competency of auditors of Dompu District Inspectorate, especially on accrual-based accounting standards, and the lack of auditors who have educational background in accounting, although the auditors have already got professional accuracy. Second, there are findings that are not reported by the APIP. This is caused by the lack of independence and objectivity of the auditors in conducting the audit.

Furthermore, the transparency of the results of the inspection and the transparency of information in Dompu District also have not been supported by APIP that has adequate characteristics. It is caused by the lack of power or the lack of independence of the auditors and government inspectors because they are under and responsible to the District Head, so that they cannot provide the Inspection report (LHP) to all stakeholders and cannot impose on the auditee to follow up the recommendations relating to the improvement of transparency.

Lastly, in the context of Rule of Law, the characteristics of APIP in supporting the rule of law in the Government of Dompu District have not maximized. This is caused by the lack of independence of the auditors and government inspectors because they are under and responsible to the District Head. So, anything depends on the District Head whether the findings would be taken up by the realm of law or not. And when it is brought into the realm of law, the auditors and government inspectors would even feel burdened to become an expert witness in the trial because it will spend a lot of time and effort.

The above discussion illustrates that the auditors and government inspectors of Dompu District Inspectorate have been carrying out their role as the inspectors. But there are still some obstacles in meeting the characteristics possessed, such as understanding of accounting standards, independence, and objectivity, so that in overall, the characteristics of APIP of Dompu District Inspectorate is still less able to support the implementation of good governance.

The findings also indicate the existence of agency problem in the government of Dompu Dis-

trict. The local government, as an agent, tends to maximize its own interest by affecting the independence and objectivity of APIP of Dompu District Inspectorate in the process of inspection, with the aim to make the government's performance look good, or even the findings are not shown in the Inspection Report (LHP). But for the inspection of financial statements, the Government of Dompu District, as an agent, also obtained a "correction" from BPK (Indonesian Supreme Audit Board) in 2013 through Qualified Opinions (WDP), so with many improvements in 2014, the Government of Dompu District successfully obtained an Unqualified Opinion (WTP) for its financial statements. However, this achievement is more driven by the BPK's role as the external auditors and not APIP as the internal auditors.

Furthermore, as explained above, the Inspectorate of Dompu District also has not been able to encourage the local government to be able to open up access for the users of financial statements, although the recommendations for transparency have been shown in the Inspection Report (LHP). Thus, it can be concluded that the APIP of Dompu District Inspectorate has not been fully able to minimize the agency problem through good governance.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on the documentation, observation, and interviews conducted by the researchers in the Dompu District Inspectorate, it can be concluded as follows:

1. The issues related to the characteristics of APIP in conducting the audit until the follow-up process are as follows:
 - a. The expertise of APIP consisting of the auditors and government inspectors:
 - The auditors and government inspectors of Dompu District Inspectorate have skills in communication either with superiors, peers, or auditee.
 - Most auditors encountered obstacles of technical assistance related to accrual-based accounting standards based on the Government Regulation No. 71 of 2010 and the Regulation of Home Affairs No. 64 of 2013 due to the lack of budget, resulting in most of the auditors have not yet mastered the accrual-based accounting standards.
 - Most government inspectors have an understanding of the government administration, but encounter obstacles in the form of

the limited number of government inspectors compared to their workload.

- Most auditors and government inspectors have mastered the audit standards, but they still encounter obstacle of the frequent delays in the issuance of Accountability Report (SPT) by the Sub-Devision of Planning of Dompu District Inspectorate because of the lack of staffs in the Sub-Division of Planning. This resulted in the non-fulfillment of the obligation to make Inspection Report (LPH) timely.
 - The educational background of the auditors and the government inspectors have been met, but the obstacle is in the lack of auditors and government inspectors who have educational background in law, accounting, engineering, state administration, agriculture, statistics, and public administration as stated in the Regulation of The Indonesian Supreme Audit Board (BPK) No. 1 of 2007.
 - The auditors and government inspectors have followed the certification of functional positions. Only three auditors who have followed the sustainable training but there has been no government inspector who follows the sustainable training due to the long queuing system in the Pusbin JFA BPKP and Pusdik Kemendagri.
- b. The independence and objectivity of the APIP of Dompu District Inspectorate are still far from expectations. Of the three (3) types of independence disturbances, only organizational disturbance that is not found on the auditors and government inspectors of Dompu District Inspectorate. In addition, both auditors and government inspectors still encounter independence disturbances from personal disturbances in the form of consanguinity relationship, ethnicity, friendship for ever be at the same institution or even been promoted by officials of the auditee, and social relationships outside the institution, as well as external disturbance in the form of inspector replacement threat and political pressure as they relate to the interests of the political elite as well as the top leader. As a result of such disturbances, the APIP of Dompu District Inspectorate also has not been completely objective because there is conflict of interest at the time of auditing.
2. On the whole, the APIP of Dompu District Inspectorate has had due professional care in

planning and conducting audits, but there are still weaknesses, in which APIP has not been able to evaluate the level of audit risk.

3. The obstacles in the characteristics of APIP consisting of expertise, independence, objectivity, and professional accuracy have made the Inspection Report (LPH) generated by APIP of Dompu District Inspectorate less able to improve participation, accountability, rule of law, and transparency. The quality of financial statement, with the issuance of the inspection report with Unqualified Opinion (WTP) is not driven by the characteristics of APIP of Dompu District Inspectorate, but solely the intentions of the government of Dompu District, in this case the District Head, to get Unqualified Opinion (WTP). On the whole, the characteristics of APIP of Dompu District Inspectorate are less able to support the implementation of good governance. Thus, in the government of Dompu District there is still agency problem which is caused by the non-realization of good governance.

The findings of this study result in three implications, namely theoretical, practical, and policy implications. The theoretical implication of this study is to prove the synthesis associated with agency theory, the existence of one of the parties, in this case the local government, in maximizing its own interest by restricting the scope of APIP movement in its supervisory activities and internal inspections in the local government, in conjunction with the efforts to improve good governance. The restriction of the movement scope is conducted by the local government by interfering the independence and objectivity of the APIP of Dompu District Inspectorate such as the replacement of the auditors of APIP and transfer them to remote areas or even demotion.

Meanwhile, practical implications may provide benefits to the APIP (auditors and government inspectors) of Dompu District Inspectorate and the Inspector of Dompu District Inspectorate, as the head and budget users in Dompu District Inspectorate. For APIP and Inspector of Dompu District Inspectorate, this study can be a material of consideration to improve the performance of APIP in Dompu District Inspectorate through the fulfillment of APIP characteristics. The fulfillment of the characteristics of APIP includes increasing the expertise of APIP by holding technical assistance associated with the new regulations, facilitating APIP to follow the sustainable training and preventing APIP from any independence and objectivity dis-

turbances in monitoring and inspection activities to achieve good governance.

Lastly, as a policy, this study provides implications to the Head of Dompu District as the top executive who is in charge of the Dompu District Inspectorate in order to create a policy that can improve good governance through the support to the improvement and development of quality-related characteristics of APIP of Dompu District Inspectorate. Policy in providing more budgets in Dompu District Inspectorate should be made to hold technical assistance related to new regulations and sustainable training for APIP. Besides, there should be a policy that provides assurance that the APIP of Dompu District Inspectorate is free of independence and objectivity disturbances.

The limitation of this study is: first, the research site is only at one site of observation, namely Dompu District Inspectorate, so the description of this study is simply on the phenomenon that occurs at the site of observation; second, there are several informants who refused to be recorded, especially for several question items relating to the District Head, but the important things delivered by the informants have already been summarized in the researchers' notes.

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