

## STATE FINANCE AUDIT FOR PEOPLE'S WELFARE (DIALOGUE OF RHETORIC AND REALITY)

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### ABSTRACT

The purpose of this study to gain an in-depth understanding of the role of audit for the welfare of the people. Qualitative tradition becomes a paradigm of study by using literature study as its methodology. The results of the analysis and discussion, the discourse is more strategically valuable if it is implemented in efforts to handle and minimize corruption. The argument that states that as a form of audit expectation gap, people's welfare is difficult to realize when corruption is still a serious problem that has not been resolved. The practical contribution of this research is to offer two strategic steps that BPK can take to reduce the existing expectation gap, firstly by improving the quality of financial audits, and secondly by focusing on performance audits with a higher priority on improving the quality of internal auditors' performance (APIP). In the theoretical realm, it can open up opportunities for the development of the concept of auditing in the public sector, not only serving scientific needs but also responding to public expectations.

**Keyword:** Sector Publik Audit, People's Welfare, State, Financial Audit Agency

### ABSTRAK

Penelitian ini bertujuan memperoleh pemahaman yang mendalam terkait peran audit untuk kesejahteraan rakyat. Tradisi kualitatif menjadi paradigma kajian dengan menggunakan studi kepustakaan sebagai metodologinya. Hasil analisa dan pembahasan, wacana tersebut lebih bernilai strategis apabila diimplementasikan pada upaya penanganan pun meminimalisir korupsi. Argumen yang menyatakan bahwa sebagai bentuk dari audit expectation gap, kesejahteraan rakyat sulit terwujud ketika korupsi masih menjadi persoalan serius yang belum terselesaikan. Kontribusi praktis kajian ini yakni menawarkan dua langkah strategis yang dapat dilakukan BPK untuk mengurangi kesenjangan harapan yang ada, pertama dengan meningkatkan kualitas audit keuangan, dan kedua berfokus pada audit kinerja dengan sasaran lebih diprioritaskan pada peningkatan kualitas kinerja internal auditor (APIP). Pada ranah teoritik dapat membuka peluang untuk pengembangan konsepsi pengauditan di sektor publik, bukan semata melayani kebutuhan keilmuan namun turut pula menanggapi harapan publik.

**Kata kunci:** Audit Sektor Publik, Kesejahteraan Rakyat, Negara, Badan Pemeriksaan Keuangan

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### Introduction

The Reformation Order has been passed for almost a quarter of a century by this nation, chosen as a way to improve all aspects of the life of the nation and state. Reformation became self-criticism for the previous government period which was felt to only benefit certain groups or groups. The facts that can show this reality are very easy to find. Starting from political, economic, social and cultural life. The excesses of all of them present a uniform phenomenon, namely inequality between groups. This reality is widely considered and analyzed as a result of the failure of the new order to apply the concept of "state corporatism" in the design of economic development which is based on the notion of capitalism. A very prominent feature in this concept is the achievement of high economic growth, with the main driver being the corporate group. The consequence is that people who do not have the ability and adequate resources to participate in accessing economic activities will be marginalized by themselves, which at the same time marks the emergence of economic inequality.

After the journey of reform which has entered its current age, with all the dynamics of real change, has one of the elementary problems which also binded the spirit of reformation in its head, has been resolved? or at least reduced? The following

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brief description will help to reflect on the answers to these questions. According to BPS (2020) the poor in the first semester of 2020 was 7.38%. In addition, the inequality in the distribution of people's income or the Gini Ratio has actually increased, which is 0.381 (First semester, 2020) when compared to almost 20 years ago, which was 0.341 (2002). This condition reflects that economic equality in Indonesia is still problematic. The author views that it is not entirely the basis of justification in answering the above questions because it will be more balanced when compared with empirical facts before the reform took place. One thing that is important to note, the data is one of the real indicators showing that poverty, economic inequality, and people's welfare are still the problems of this nation.

There is an interesting discourse expressed by the Audit Board of the Republic of Indonesia (Financial Audit Agency) (BPK) in relation to the above problems. In the future, the task of examine BPK will be directed in an effort to help the realization of people's welfare (Dwiputrianti, 2011). Of course, this discourse and enthusiasm inject new hope to unravel and fix existing problems. More specifically, the Head of BPK expressed his hope and commitment to improve the quality of BPK's audit results, in order to encourage the management of state finances that is oriented towards people's welfare (Yaya *et al.*, 2021). It was explained that to achieve this, BPK would focus more on conducting performance audits, especially for programs that are directly related to improving people's welfare indicators as an effort to improve people's welfare (<http://keuangan.co>). Various descriptions and explanations in various media as well as BPK's official releases, the logical framework of the discourse is built on the following construction: first, the main task of BPK is to examine the entire management of state finances. However, the main objective is not only to ensure that there are no deviations, nor to comply with the regulations, but more than that, for the welfare of the people (Suartama *et al.*, 2015). Even the 1945 Constitution states that the management of state finances must be carried out openly and responsibly and used as much as possible for the prosperity of the people. So, the end of state financial management is to ensure the realization of real people's prosperity and is felt by all Indonesian people without exception (Antaraneews.com, 2014). In a broader context, this construction is in line with Rofieq (2011) and Yaya *et al.* (2021) who argues that the reforms that have taken place to date, both those concerning the political system, bureaucracy and public policy must lead to the welfare received by the community in the form of public services.

Second, unqualified opinion (WTP) on government entities does not correlate with public welfare. So far, the basis for giving opinions by BPK RI is related to the fairness and compliance of financial management with applicable laws and regulations (tempo.co, 2014). This construction implies that indicators of people's welfare in the future will be one of the considerations in giving opinions by BPK. Third construction, when government agencies improve the quality of their reports, prosperity will increase. The assumption is, if the management of financial administration is good, then its use will be even better, especially with regard to people's prosperity. That's where the role of BPK will be encouraged to be able to improve people's welfare, through reporting and strategic policies that focus on employment and poverty, as well as increasing the human development index which includes health, education, and purchasing power (Sithepu, 2014). This third construction is the conclusion of the previous two constructions. Implicitly indicates the welfare parameters to be used.

The discourse of directing the role of the audit function in the public sector to the achievement of people's welfare is an interesting phenomenon. However, when viewed from another perspective, this actually implies that there is a gap between auditing (both conceptual and practical) and the public's expectations of the role of this function. In the field of auditing, it is commonly known as the "Audit expectation gap". In simple terms, from some literature it can be explained that the audit expectation gap is interpreted as a condition where there is a gap in audit expectations, between the expectations that the public (public) understands from their perception of the audit function/role, and the resulting audit practice and performance. It's just that generally, this expectation gap occurs related to the disclosure of financial irregularities / fraud (corruption). One thing that is important to note is the opinion of Ebimobowei and Kereotu (2011) and Powell and Barrientos (2011) that it is not uncommon for people's expectations to actually be outside the performance standards (responsibility) of the auditors themselves. This opinion is important in the context of the theme of this study, considering that the role of audit to promote people's welfare can be said to be an extension of the role and function of auditing that has been understood so far, or to borrow Power's (1994) term, as "audit explosion".

The discourse expressed by the BPK will also receive a positive appreciation from the people's representative institutions. The opinion of the Deputy Chairman of the DPD RI may be one example. In carrying out the audit, BPK is expected to be able to encourage local government financial reports (LKPD) not only at the level of reporting procedures and compliance with recording administration. But what is more important is the extent to which the improvement of the LKPD achieved by the provincial, city and district governments has an impact on the level of welfare of their citizens. This can be seen from the indicators of reducing poverty, unemployment and other welfare indicators (<http://www.republika.co.id>). This opinion indirectly illustrates (though limited), the discourse on the role of BPK audits in promoting people's welfare, has been captured and developed into public expectations.

The above phenomenon when viewed from two perspectives will give birth to an interesting discourse to be observed and studied. From a political perspective, audits for the welfare of the people are actually in line with the state's conception of the "welfare state" (Rofieq, 2011). Meanwhile, from an audit perspective, the discourse can be said to be a form of "expectation gap". Therefore, this paper examines the above phenomena by taking into account the existing reality, and referring to the literature related to the theme of the study. The hope is that the audit discourse for the welfare of the people will not only become a mere political consumption (rhetoric), but is a real step as an effort to help the government realize the great hope of this nation, namely the creation of prosperity for all Indonesian people. This hope also frames the purpose of writing this study, which is to gain a deep understanding of the role of auditing for the welfare of the people, so that it can make a practical contribution in realizing this.

To focus the study, the main issues that will be discussed are in order to answer the question, "how can the audit concept for people's welfare be implemented in Indonesia?". The answers to these problems will be obtained from several conceptual understandings juxtaposed with existing realities, including the

conception of people's welfare which is understood and expected to be realized in Indonesia. Then the reality of the development and implementation of the functions and roles of the BPK audit. Next is the relationship between the audit function and the welfare of the people (in a broad sense as the concept of the welfare state). Then as a form of axiology, it is important to formulate efforts that can be taken to bring the discourse closer to reality according to the context of the study. The answer to the subject matter will lead to the value of the usefulness of the study. Practically, this study offers two strategic steps that can be taken by BPK to reduce the existing expectation gap, namely by improving the quality of financial audits, and secondly focusing on performance audits with the target of being prioritized on improving the quality of internal auditor performance (APIP) in order to build a prevention ecosystem corruption. Meanwhile, in the theoretical realm, this study opens opportunities for the development of the concept of auditing in the public sector, not only serving scientific needs but also responding to public expectations.

## **Literature Review**

### ***Welfare State***

According to the Encyclopedia Britannica (Alfitri, 2012) the welfare state is defined as a concept of government in which the state plays a key role in maintaining and advancing the economic and social welfare of its citizens. This means that the welfare state is associated with the fulfillment of the basic needs of the community, so it is considered a mechanism for equalizing the gaps caused by the market economy. Related aspects include social security, health, education and housing. Therefore, the concept of the welfare state is usually based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those who are unable to meet the minimum needs for a decent life themselves (Saragih *et al.*, 2020). The welfare state basically provides a place for the government to measurably act as an actor to accelerate social welfare, which refers to the following three aspects (Marcuzzo, 2010) there are (a) Correction and prevention of adverse effects on the functioning of the market economy, particularly those that are detrimental to the welfare of those who are considered economically and socially less well off; (b) Distribution of wealth and opportunity for all fairly and equitably; and (c) Promotion of social welfare and a guarantee system for the underprivileged in order to be able to obtain greater benefits. When referring to the three aspects above, it can be identified that the concept of the welfare state has at least several basic objectives, namely: (1) economic growth; (2) sufficient employment opportunities; (3) price stability; (4) development and expansion of the social security system and improvement of working conditions; (5) the widest possible distribution of capital and welfare; and (6) promoting different social and economic interests and groups.

In practice, the implementation of the concept of the welfare state will also depend on the ideological, political and economic design philosophy of each country (Danforth, 2014). These factors in turn create various models of the welfare state. Many scholars argue that the welfare state is not a static concept, but will always be dynamic following the changes and demands of society in the country concerned. According to Neville Harris, there are two welfare state models, namely the institutional welfare state and the residualist welfare state (Alfitri, 2012). The basic

difference is, in the institutional welfare state model, the state positions itself as responsible for ensuring a decent standard of living for all citizens and providing universal rights. Whereas in the residualist welfare state model, the state only takes care of welfare issues when other resources (services provided by the private sector, as well as families or communities) are inadequate

In its development, various variants of the two basic models emerged. Esping-Andersen divides three typologies of the welfare state, which are based on the extent to which the government works and overcomes the influence of the market on social welfare, namely the types of Social Democracy, Conservatism, and Liberalism (Alfitri, 2012). The Social Democracy type adheres to the principle of universalism, where the State guarantees access to all social programs for its citizens. This type is characterized by high decommodification. Many say that this type adopts the (real form) model of the institutional welfare state. The second type, namely Conservatism, is based on the principle of subsidies and the dominance of social insurance schemes. In this type of decommodification began to be reduced (many call it a moderate level of decommodification), by involving the private sector (the market) and the public society. Finally, the Liberal type, adheres to a market mechanism, and minimizes state interference. This type is decommodified at a low level.

In an effort to identify the concept of the welfare state adopted in Indonesia, one important reference is the decision of the Constitutional Court in the judicial review of Law No. 40 of 2004 concerning the Social Security System. It is concluded that the concept of the welfare state adopted by Indonesia, social welfare policies according to historical facts adheres to an open understanding, tends to lead to a conservative welfare state institutionalist policy. The Constitutional Court's decision has also been studied academically by Alfitri (2012) who has the same conclusion and supports the results of the Constitutional Court's decision. It was further explained that in line with the ideological basis, namely Pancasila, which was considered to be between socialist and liberal understanding, and its relation to the formulation of the welfare state in the constitution, which did not have a clear tendency (position) whether it was institutionalist or residualist welfare state. Referring to the construction of Law No. 40/2004, in the implementation of the social security program, the state provides subsidies (guarantees) the payment of health insurance premiums and social welfare insurance for citizens who cannot afford it (Sujito, 2013). This construction shows that Indonesia tends to lead to a Conservative-institutionalist welfare state.

### **Public Sector Audit**

The development of the scope of public sector audits in recent times has shifted from financial audits to performance audits. As the demands of society grow, audits are more directed at examining the achievements and outputs of public sector institutions. If observed, this phenomenon is also in line with the opinion of Guthrie (1992) and Hay and Cordery (2021) who underlined that when audits in the public sector are only focused on financial statements, it can actually reduce the scope of the audit. In the public sector, there is a fundamental difference in scope between financial and performance audits. Wilkins (1995) argues that the scope of a financial

audit can be measured by the number of institutions being audited (auditees) and the proportion of qualified (unqualified) opinions. Meanwhile, the scope of audit performance can be evaluated from the number and value of recommendations for improvement in the public sector (Dwiputrianti, 2011 and Mattei *et al.*, 2021).

The scope of the performance audit itself, according to Brown and Pethel (Dwiputrianti, 2011) includes examining and analyzing the auditee structure, planning, decision making, personnel, compliance with laws and regulations, quality of goods and services, efficiency, output and program objectives and activities, performance standards, as well as alternative policies and strategies. This means that the scope of a performance audit is much wider than a financial audit. In addition, according to Bunn *et al.*, (2018) performance audits should result in further public accountability strategies from the government that protect the rights of citizens to obtain better public goods and services. This means that the scope of the performance audit as previously stated is in terms of assessing the results, outputs, benefits, and impacts of public sector organizations in the short, medium and long term.

Regarding accountability in the public sector which is one of the main objectives of auditing, there are five levels of accountability, where each level relates to a different scope of audit type (Dwiputrianti, 2011 and Istiyanto, 2016). The lowest level of accountability relates to accountability for honesty and legality within the scope of financial audits, which are implemented to avoid misuse and ensure that public funds and other resources are used properly. The second level is process accountability, where internal and external auditors extend the scope (beyond the general scope) of financial audits to ensure that internal systems and procedures are adequately recorded and implemented. The second level, auditors use performance indicators and standards to measure organizational or individual achievement (performance).

The third level is performance accountability, which is within the scope of a performance audit and focuses on measuring performance standards against a set of defined criteria. At this level, auditors focus on the efficiency, effectiveness, and economy of public resources. At the fourth level is program accountability, it is within the scope of performance audits, namely to determine whether the objectives of each program in the public sector are directed at promoting effectiveness in public administration. This scope of audit is often referred to as an "effectiveness", "results" or "program" audit. The impact of the highest level of auditing is policy accountability, which focuses on performance audits with regard to results, and opinions on economics and effectiveness. Based on policy accountability, public sector audit focuses on examining and evaluating public sector policies. At this level, audit has an important role and function to evaluate and assess public policies and ensure that government policies are relevant and based on the needs and interests of the community.

### ***Audit Expectation Gap***

Some literatures generally show that the gap in audit expectations is mainly due to users' realistic expectations and perceptions of auditor performance. Several opinions from both researchers and institutions, as expressed by Salehi (2011) dan Olojede *et al.* (2020) in his study of the concept, nature and dimensions of the audit

expectation gap. Jennings et al. (1993) argues that the audit expectation gap is the difference between what the public expects from the auditing profession and what the auditor actually provides (does). Meanwhile, Epstein and Geiger (1994) define the gap in audit expectations as differences in perceptions, especially regarding the assurance provided between users, report preparers and auditors. Several agencies also provide a similar definition, including the AICPA (1993) and Boterenbrod (2017) explaining that the audit expectation gap refers to the difference between what the public and users of financial statements believe to be the responsibility of the auditor; and what auditors believe are their responsibilities. ASCPA and ICAA (1994) describe the term expectation gap as the difference between the expectations of users of financial statements and the perceived quality of reporting and auditing services provided by the accounting profession.

From the definitions above, it can be concluded that there are several dimensions or components in the audit expectation gap. According to The Canadian Institute of Chartered Accountants (1988) there are three components of gap expectations that can be identified (Salehi, 2011) namely:

- (1) *Reasonableness gap*. A gap between what the public expects the auditor to achieve, and what the auditor expects the auditor to achieve.
- (2) *Deficient standards gap*. The gap between what is expected to be the auditor's duties, and the auditor's existing duties as defined by professional rules and standards.
- (3) *Deficient performance gap*. The gap between what is expected by the standards of the auditor's performance, and the performance as expected and perceived by the public.

The three components (formers) of the expectation gap when juxtaposed with the complexity of the public sector, of course carry great potential that it will easily emerge. In this condition, it is important to pay attention to the opinion of Defliese et al. (1988) who reminded the importance of assessing the realism of public expectations and perceptions when auditors are trying to reduce the gap. If the reasonable expectations of the public are not met by existing professional standards, or the auditor's performance is below standard, then the standard and/or performance must absolutely be improved. But if the public has unrealistic expectations or their perception of performance is wrong, auditors should seek to increase public understanding. The profession of auditors is a professional body, and it becomes mandatory to determine the auditor's responsibilities in achieving reasonable public expectations.

### **Research Method**

Paradigmatically, this study follows the qualitative tradition. The methodology used is library research. The theme and purpose of the study were the main reasons for choosing this methodology. Audit for welfare is a form of discourse, so the most appropriate approach is used qualitatively through literature study. Literature studies have four main characteristics (Zed, 2017). First, the researcher deals directly with text or numerical data, not direct knowledge from the field in the form of events, people or other objects. Second, library data is 'ready to use'. Third, generally library data is a secondary source. Fourth, the condition of library data is

not limited by space and time. The stages or steps of a literature study begin with finding a general idea about the research topic. Then second, look for supporting information. Third, emphasize the focus of research and organize reading materials. Fourth, look for and find the required reading material (can be in the form of journals, books, documents or reports, manuscripts, and so on). The fifth is reorganizing the material and making research notes (the most important stage). Sixth, review and enrich the reading material again. Seventh, reorganize materials and notes and start writing (Zed, 2017). Snyder (2019) states that it is important to assess and evaluate the quality of literature studies as in empirical research. The general criteria for assessing the quality of a literature study are that it must have depth and thoroughness, i.e., it is necessary to demonstrate appropriate strategies for selecting articles and obtaining data and insights and to offer something beyond the reading of previous research. Moreover, they state that a quality literature review needs to be replicated, i.e., methods should be described in such a way that external readers can replicate the research and reach similar findings.

### **Result and Discussion**

As narrated in the previous section, the Gini index issued by BPS can be one of the indicators in assessing the level of people's welfare, which clearly shows a sharp inequality. The reforms, which are almost 25 years old, have undeniably brought significant changes in political life, law and freedom of speech. However, on the economic aspect, there are still serious problems. According to the views of scholars, most of them think that the process of economic development is moving away from the ideals of social justice, prosperity and prosperity for all Indonesian people. This is due to development policies that tend to adhere to the ideology of a market economy and do not side with the people, as at the beginning it was called the "state corporatism" model. In this model, only those who are strong will be able to access economic resources, while the people are more positioned as objects of development, accustomed to being passive and resigned to accepting the situation. As a result, social inequality and massive poverty occur as a consequence of the development model and process (Alfitri, 2012 and Powell and Barrientos, 2011).

Empirically, this reality is also proven by Michael Grimm (2007) who shows the high disparity of welfare (economy) in Indonesia (Alfitri, 2012). In 2006 the control of 46.5% of economic assets in Indonesia was held by only about 20% of the population, while the other 80% were very far behind. This condition contributed to the increase in the per capita figure in 2008 to \$1,200/capita. Ironically, this reality is actually used by the Government as an indicator of the success of development. On the other hand, it means that the majority of community groups have been denied access to their basic needs such as basic food, health, education, and housing. This injustice can actually be overcome by the government if in formulating the concept of economic development it is rooted in the existing problems. In addition, the management of state finances must be designed in such a way that it directly leads to the welfare of the people in a fair manner. It is not wrong if Alfitri (2012) said that one of the powerful instruments owned by the government to intervene in breaking the poverty chain is through budget policies (APBN/D), by allocating public spending significantly, by incorporating programs that directly target the public social welfare and poverty alleviation.

Indonesia adheres to the concept of the welfare state, and is implicitly formulated in the ideological philosophy of Pancasila and the 1945 Constitution, in fact it is still trapped in the issue of welfare itself. Poverty and socio-economic inequality are real pictures that adorn this nation's journey. This is where analysis of the concept and design of state financial management is needed. Have the policies so far been directed and framed in the welfare state approach. According to Suharto (2006) in the concept of a welfare state, the best way to help the poor is not by targeting programs only at the poor. In this way, the program can ensure that there is a common framework for managing and distributing adequate resources, services and opportunities to meet people's needs and are accessible to everyone. In other words, efforts to overcome poverty, the welfare state system does not only seek to provide assistance to the poor. Rather it provides social protection for everyone to avoid poverty. The essence of this opinion is that the welfare development policies chosen by the government are directed at empowerment, not through charitable policies and programs alone.

When empowerment is the key word for people's welfare, subsidies issued by the government will be able to lead to long-term benefits. This is in line with the concept of the welfare state, which actually cannot be separated from the concept of welfare itself. Rofieq (2011) explains that the notion of welfare contains at least 4 meanings, namely: as a condition of well-being; as a social service; as social benefits; and as a planned process carried out by individuals, social institutions, communities and government agencies to improve the quality of life through the provision of social services and social benefits. These four meanings (dimensions) of welfare should be the basis of the concept. As a condition to be achieved in relation to audit discourse that leads to people's welfare. The problem is, abstracting the concept into indicators which at a practical level can represent the expected conditions is not easy.

When BPK raises a discourse on auditing for welfare, analysis of the development and reality of the performance of BPK's roles and functions, in turn, becomes a strategic matter. By doing the analysis, the rationality of the discourse will also be understood. For this purpose, the results of empirical studies and research can be used as objective instruments, in addition to describing the factual conditions that have occurred in recent times. Several research findings by Dwiputrianti (2011), Suartama *et al.* (2015), Saragih *et al.* (2020) are comprehensively able to explain the development as well as an evaluation tool for the role of BPK so far. The important points that can be learned from this research are: first, there has been a significant change in the position of the role and function of the BPK after the reforms started. It was explained that prior to the reform, especially during the New Order era, BPK was under government control, which resulted in BPK having a very limited scope of audit. The fact shows that BPK does not have the authority and capacity to audit all aspects of State finances, besides that it cannot provide an audit opinion (opinion) on the management and accountability of State finances. After the reform, according to the Constitution, BPK has great authority and responsibility. This was followed up by the issuance of a package of regulations for state financial reform, namely Law No. 17/2003, Law No. 1/2004, Law No. 15/2004 and Law No. 15/2006. Significant changes were seen, namely, in addition to the authority to give audit opinions, the scope of BPK's audit was expanded to include financial audits, performance audits, and audits with specific objectives.

The second point, Dwiputrianti (2011) assesses that BPK's financial audit still does not cover all public sector institutions or bodies as mandated by law. This condition can be seen from the fact that until 2009, BPK has not been able to audit tax revenues (especially PPh). In his analysis, it is known that the Taxation Law is the main inhibiting factor. In addition to taxes, BPK also cannot audit SOEs that go public, as well as revenues to the Supreme Court. This is actually counter-productive with the expansion of the BPK's authority as mandated by the Constitution, to check the transparency and accountability of all public sector institutions/agencies. Another important condition to note is that, although significant improvements have been made, the scope of BPK's audit has not focused on actual results and performance audits. The increase in accountability is still limited to the financial aspect, which is measured through audit opinion.

The third point, from the research, it is known that there are three main factors that hinder the quality of information in the BPK audit report. First, independence and independence. This indicates a lack of BPK auditors in achieving substantial independence, mainly because they still receive services, money, and possible negotiations from auditees. Second, the professionalism of BPK members and auditors. It is indicated that the competence and knowledge of the auditors have not met the expectations of stakeholders. For example, for new (junior) auditors, the lack of audit experience in public sector institutions results in a lack of ability to detect fraud and corruption. In addition, there is still a lack of knowledge and experience of auditors outside of accounting and financial auditing to examine public sector performance and provide realistic audit recommendations. And third, resources. This includes the budget, recruitment of qualified auditors from various educational backgrounds, new representative offices in each province, and modern office equipment.

The findings of Dwiputrianti (2011) and Suartama *et al.* (2015) along with developments that occur, may not be relevant today for some of them. For this reason, several strategic aspects need to be updated according to the existing reality, so that this study remains current. However, regardless of the actual conditions referred to, Dwiputrianti's research (2011) is sufficient to provide a comprehensive picture in understanding developments, roles and functions, as well as the obstacles faced by BPK in its audit duties. One of the current positive conditions is related to BPK's performance achievements, especially in an effort to encourage the improvement of the quality of state/regional financial management. An indication that shows this reality is the increasing opinion of WTP (unqualified) obtained by government agencies. For 2020, 97% (84 K/L and 1 BUN) received WTP opinion on LKKL FY 2019 (84 K/L and 1 BUN), while 2 K/L WDP (2%), TMP/disclaimer 1 (1 %) and no K/L received an unfair opinion (TW). When compared to the previous 10 years (2009) (BPK, 2010), this achievement is quite encouraging. In 2009 K/L received WTP opinion only 42% (35 K/L), WDP 36% (30 K/L), and TMP/disclaimer 22% (18 K/L). Meanwhile, for local governments, the increase is much more encouraging, where the number of local governments receiving WTP opinions on LKPD FY 2019 reaches 90% (485 local governments) (BPK, 2020). This is a tenfold increase compared to 2009, where only 3% (13) Local Governments received a WTP opinion

on their Financial Statements. Likewise, improvements occurred for other types of opinions, namely for 2019, 9% WDP opinion (50 Local Governments), 1% TMP (6), and no Local Government LK received an Unfair opinion from the BPK. Meanwhile in 2009, WDP was 67% (323 Pemda), TMP was 24% (118), and TW was 6% (31).

Considering the achievement of improving the management of State/Regional finances above, of course it becomes a natural thing if these conditions are expected to be directly proportional to the results (outcomes) of programs/activities carried out by the Government. Or if expanded, the positive performance of financial accountability should also be in line with the service quality of government agencies. The estuary of all, as stated at the beginning of the article, is expected to be able to realize the welfare of the people. This assumption is the construction of discourse to encourage BPK audits to contribute to improving people's welfare. However, if it is reflected more deeply, the discourse actually still takes a long time when looking at the existing reality. There are serious problems that entangle the positive performance of the quality of government financial accountability. During the period 2003 to 2014, BPK has delegated 227 reports with 442 findings including elements of criminal acts with a value of Rp. 43.836 trillion, to the authorities, including the Police, the Prosecutor's Office, and the KPK (BPK, 2015). This reality does not merely mean that there is a potential risk of financial irregularities (fraud) behind the WTP opinion obtained by government agencies. However, it is intended to illustrate that the positive trend of government financial accountability actually still has a gap with public expectations. The general public is of the view that the trend of increasing the number of WTP opinions will be proportional to the decrease in the deviation (corruption) of state finances. This expectation gap is actually happening.

Another condition that is no less important is, as stated (Rofieq, 2011 and Istiyanto, 2016) that public services in Indonesia (especially local governments) still encounter several basic problems, namely: first, the low quality of service products. Second, the low quality of service delivery. Third, the lack of access for vulnerable groups, including people with disabilities and remote indigenous communities. Fourth, the lack of a complaint mechanism and dispute resolution related to public dissatisfaction with the implementation and quality of service products. Fifth, the lack of space for public participation in service delivery. Sixth, the weak evaluation of the performance of public service providers. Some of these basic problems cannot be ignored, because fair and quality public services are a fundamental instrument for the government in realizing the welfare of its people.

Based on the above reality, the discussion finally culminated in how to build a relationship between the BPK audit function and the audit discourse that leads to people's welfare, when the fundamental factors for realizing prosperity, itself are still entangled with serious problems? then the fundamental problem that is more realistic to be resolved immediately is the problem of corruption which has become "entrenched" and pervades almost all elements of this nation's life. Berbagai permasalahan yang mendera pelayanan publik, pun bila ditelusuri ujungnya akan berakhir pada persoalan korupsi pula. Inilah persoalan mendasar yang sebenarnya lebih strategis untuk dijawab BPK. Quality public services, moreover the welfare of the people will never be realized in a corrupt country. Likewise, an audit to realize

prosperity is impossible to achieve when corruption is still a gap in expectations for the audit function itself. This reality is a factual phenomenon that cannot be avoided, even with audit risk arguments.

Priority is given to efforts to tackle corruption, so the discourse on auditing for welfare will rediscover a more realistic logical framework. This point, the opinion does not pretend to doubt the commitment and achievements of BPK in eradicating corruption. However, it is more in the form of discourse that the people's welfare is basically also caused by structural problems, namely corruption. This means that corruption must be resolved first in order to achieve people's welfare. In addition, this opinion is also based on the argument that the issue of corruption cannot be delegated only to the responsibility of law enforcement institutions. Prevention efforts are believed to be far more widespread and effective than prosecution. One of the direct benefits is that the potential losses (both economic and social) resulting from corrupt behavior can be avoided. This is where the synergy of efforts to eradicate corruption is tested. This is a big responsibility that strategically deserves to be played by BPK as an institution that is obliged to guarantee the quality of state financial management (accountability).

In the end, this discourse leads to the opinion that corruption and welfare will never go hand in hand because the relationship between the two things is not linear, but causally inverse. When corruption is still a fundamental problem of this nation, the welfare of the people will remain a long hope (impossible). Thus, the causal factors (corruption) should be resolved first to arrive at the consequences (welfare). There is an irony, when the discourse is forced, for example by considering welfare indicators in providing audit opinions, or focusing the examination on performance audits of government programs that are oriented to people's welfare. on the other hand, the level and behavior of corruption is still high, and the quality of public services is still low. Do not let it happen when a government agency obtains a WTP opinion, but in the audited financial statements there is a risk of corruption cases being handled by law enforcement officials.

Based on logical framework that the audit function for welfare should be placed. To respond to this, the BPK can take strategic steps, first by improving the quality of financial audits. For example, in giving an audit opinion, it is necessary to have adequate assurance that the opinion to be given is not at risk of containing the potential for fraud (corruption). Practically it can be done, for example, getting an official statement from the authorities (APH) that there are no legal cases being handled on the audited entity LK in the last three years. In addition, the improvement of audit quality can also be done through an assessment of the prevention of fraud (corruption) implemented by the auditee. Second, in line with BPK to focus more on performance audits. However, for its effectiveness, audit targets can be prioritized on improving the quality of the internal audit performance (APIP) of each government agency. This will indirectly encourage the role and function of internal audit (APIP) to contribute to building quality public service performance, develop an early warning system in creating a corruption-free area, and increase the effectiveness and efficiency of government programs. Another positive contribution, these efforts will be able to increase partnerships with APIP, as well as synergize between the government's internal and external supervisory functions.

## **Conclusion**

Based on the previous descriptions, several conclusions can be drawn from this study. First, the discourse on auditing for the welfare of the people is a form of the gap in audit expectations. Based on the discussion and analysis carried out, realistically it must be admitted that audit efforts to lead to people's welfare are difficult to achieve. This is based on the existing reality; corrupt behavior is still an elementary (structural) problem to achieve prosperity itself. In addition to the quality of public services. Second, reducing the audit expectation gap on deviations (corruption) in the management of state or regional finances, has far strategic value for BPK. This is based on the opinion that the nature of the relationship between corruption and welfare is essentially inversely causal. Efforts to achieve prosperity, the problem of corruption must be resolved first. In other words, it can also be termed that people's welfare as an audit expectation gap, is basically a derivative (as a result) of the expectation gap on the issue of corruption that has not been resolved. In the end, there are two strategic steps that BPK can take to resolve existing problems, firstly by improving the quality of financial audits, and secondly, focusing on auditing performance, with greater priority on improving the quality of government internal audit performance (APIP) to build a prevention ecosystem corruption.

## **Limitation**

The researcher is aware that this article contains limitations. First, this study cannot be used to assess or further legitimize that BPK audits are correlated or not with people's welfare. This study is more about building or developing a new conception of auditing in the public sector (government). Second, the depth and thoroughness of the review in the literature study is influenced by the adequacy of the literature support used as the basis for data analysis. The depth and accuracy of the review in the literature study are influenced by the adequacy of literature support which is used as the basis for data analysis. This study may not be able to meet such a level of quality. This can not be separated from the limited literature, both from the results of empirical and conceptual research on the relationship between public sector audits and people's welfare that can be collected by researchers.

## **Suggestion**

As a suggestion for future research related to the theme in this study, a time series case study approach to explore or find the relationship between BPK audits and people's welfare is a viable alternative. Comparative studies between local governments on the achievements of BPK's opinions obtained and the level of welfare of the people in their regions, are also important to be investigated in order to find empirical evidence related to the theme of this study. Then for research with the same methodology, as suggested by Snyder (2019) combining literature studies with meta-analysis of relevant themes will improve the quality of research. Finally, this study recommended that BPK direct the audit function to minimize corruption in state or regional finance. This is considered more relevant and realistic, because when it can be achieved, people's welfare will probably be achieved. It is in this logical framework that an audit discourse for the welfare of the people should be developed.

### **Implication**

The implication of this research for policy makers, specifically BPK, is that a review of audit implementation standards and procedures is an important requirement. Meanwhile, the leaders of government agencies (central and regional) should make evaluative efforts to improve the quality of their financial management and reporting. In addition, for academics, the conception of public sector auditing is more specifically related to corrupt behavior, becoming a relatively fresh area to be explored further. For this reason, studies and empirical research with multiple paradigms are very much needed. Finally, this study in principle supports the BPK discourse, that in the future the role and function of the BPK audit is expected to contribute to achieving people's welfare. However, all of that must be examined critically and realistically, taking into account the existing realities. This at the same time prevents the discourse of welfare audits from being merely rhetoric and political consumption by many parties.

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