



JURNAL AKSI

Akuntansi dan Sistem Informasi

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Electronic Audit in Auditing Financial Statements of Local Governments

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ARTICLE INFO

Keywords:

e-audit, BPK,
financial
statements, local
government

Article History:

Received: 14-12-2022

Accepted: 11-03-2023

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ABSTRACT

This research aims to determine how far the implementation of electronic audit (e-audit) on auditing local government financial statements by Audit Board of the Republic of Indonesia representative of the Special Region of Yogyakarta (BPK DIY) can go and the benefits of e-audit for auditees to report their financial management accountability. An interpretive qualitative approach with a case study method was used in this research. The primary data were obtained directly through interview with 2 BPK auditors who has been examined the financial statements of the DIY Government and 4 auditees; head of Dinas Pengelolaan Pendapatan, Keuangan dan Aset (DPPKA) Special Region of Yogyakarta, Sleman Regency, Yogyakarta City, and Gunungkidul Regency. The secondary data that used to support the results are the BPK Performance Accountability Reports in 2015, and Laporan Kinerja Instansi Pemerintah (LAKIP) of Special Region of Yogyakarta in 2015. The implementation of e-audit succeeded in improving the performance of local government financial statement audits, especially in audit implementation stage, such as collection and analysis of audit evidences by auditors so that the process of auditing financial statements became more effective and efficient. However, the e-audit has not succeeded to meet up the needs of auditee to access the BPK audit reports. This research only focused on the stages of audit implementation so that further research can be developed in the use of e-audit for audit planning and reporting.

INTRODUCTION

The advance in information and communication technology has changed the audit method that previously done traditionally into a computerized one. This change requires auditors to improve their audit performances effectively and efficiently with the help of information technology (Braun & Davis, 2003). The demand for these changes had implicated in increasing the computer-based auditing (Kotb & Roberts, 2011).

Along with the situation above, the Supreme Audit Board of the Republic of Indonesia (BPK RI), as an institution that has responsibility in auditing state's financial, designed an audit system that utilizes IT extensively. This system is known as electronic audit (e-audit)(BPK RI, 2014). E-audit is a computerized audit process that uses electronic records to complete all or part of the audit process (General Tax Administration Statistics Team, 2002).

p-ISSN: 2528-6145, e-ISSN: 2541-3198 Accredited Third Grade by Ministry of Research, Technology and Higher Education of The Republic of Indonesia, Decree No: 148/E/KPT/2020

Cite this as: Mahmud, M.D. B. (2023). Electronic Audit in Auditing Financial Statements of Local Governments. JURNAL AKSI (Akuntansi dan Sistem Informasi), 8 (1), 112-117. <http://doi.org/10.32486/aksi.v8i1.412>

It is required to have accurate data and information in its implementation process. Therefore, before the e-audit was implemented, BPK had collaborated with a number of state institutions, ministries, State-Owned Enterprises (BUMN), and central government organizational units as well as regional government organizational units to integrate the information system of state financial management electronically between BPK with these institutions. This integration was carried out through the National Synergy of Information Systems (SNSI) (BPK RI, 2016).

Not only BPK, the local governments as well are also trying to reduce inefficiencies in public financial management by reforming state financial management. These efforts are intended to improve efficiency, effectiveness, transparency, and accountability of state finances (Dirjen Perbendaharaan RI, 2009). Along with the reform of state financial management, the government's financial reporting system is required to be presented with an integrated financial reporting system such as the Regional Financial Management Information System (SIPKD), the Regional Management Information System (SIMDA), and other similar financial reporting systems. The development and application of financial reporting system in the public sector are urgently needed as a form of transparency in realizing public accountability to achieve good government (Mardiasmo, 2006).

As the government's accounting system develops, BPK as the government's external auditor is required to be able to develop its audit performance. This demand is being realized by BPK by implementing an e-audit on state financial management audits. The implementation of this e-audit was marked by the signing of a Memorandum of Understanding (MoU) between BPK and a number of Indonesian Government institutions (BPK RI, 2014). The Provincial Government of the Special Region of Yogyakarta (DIY) is one of 730 government institutions who signed the MoU with BPK (BPK RI, 2011). With this MoU, BPK has the authority to access the DIY Government's data to implement e-audit in auditing stage.

E-audit is expected to provide positive benefits for BPK auditors in collecting and analyzing audit evidences so its process could be done easily and quickly with more data coverage. Although it is expected to streamline audit work, the BPK's deputy chairman for the 2009-2015 period, who also in charge as the executor of e-audit project, stated that there was no feasibility study before the e-audit was implemented. This will certainly have an impact on the feasibility of the e-audit project which may not necessarily achieve the audit objectives by BPK, which is to be a solution in implementation of a more effective and efficient state financial audit (Praseno, 2012).

The absence of that feasibility study before the e-audit is implemented raises a fundamental question in its implementation process, that is whether with its being implemented can be a solution for a more effective and efficient audit. This phenomenon is what makes this research necessary. The purpose of this research was to determine how far the implementation of e-audit on the local government financial statements audit by the BPK representatives of the DIY Province was and the benefits of e-audit for auditees in reporting their financial management accountability.

The evaluation of the use of e-audit in the financial statements audit in this study focused on the stages of the audit implementation. The focus of this evaluation is aimed at measuring the achievement of the e-audit implementation mission, such as increasing the effectiveness of field work implementation and increasing audit efficiency. The evaluation focus in this study is more specifically on the three main steps of audit implementation: the 11th step (detailed analytical tests), the 12th step (internal control system test), and the 13th step (substantive test of transactions and account balances in terms of (a) revenues, expenditures, and financing, (b) assets, liabilities, and equity of funds, and (c) cash flows).

The evaluation of a program involves the initial assessment as well as the final assessment. There are four types of program evaluation, consist of pre-assessment evaluation, assessment evaluation, post-assessment and tracking (Liu et al., 2011). The used of evaluation model in this research is the post-assessment evaluation. This evaluation is carried out to determine whether the intended target has been achieved. The final evaluation is an objective assessment of the program performance and the factors related to it (Liu et al., 2011).

In general, program evaluation is aimed to evaluating a program in the education field. However, this can also be carried out on state institutions, government institutions, or others when a program has been planned to meet the assessment needs and stated the goals (Stufflebeam & Coryn, 2014). The substance of program evaluation is to measuring the outputs and outcomes of a program and to determining whether interventions can make a difference to the objectives of that program.

MATERIALS AND METHODS

This research uses an interpretive qualitative approach with case study method. It is used because the nature and focus are narrower than others. This approach is used to assess the merit and worth of a program (Stufflebeam & Coryn, 2014). The case study evaluation method is different from other evaluation methods such as surveys, experiments, and quasi-experiments. This method covers the complexity of a case including relevant changes over time (Yin, 2009).

The primary data is obtained directly from the object of research through the interview process with the informants, while the secondary data obtained from relevant documents. Interviews were conducted individually with users of the e-audit system, in this case one of the BPK senior auditor of the Special Region of Yogyakarta (DIY) who in charged with financial statements auditing and 4 auditees, which is the Accounting Division Head of the DPDPK of DIY, the Accountancy and Reporting Head of the BPKA Sleman Regency, the Head of the DPPKA of Yogyakarta, and the Accounting Division Head of DPPKAD Gunungkidul. The secondary data used to support the results of the interviews are the BPK internal bulletin 2014, the BPK performance accountability report in 2015, and the DIY government performance report (LAKIP) 2015.

The type of interview in this research is semi-structured interview. This kind of interview is the most commonly used interview technique in qualitative research methods (Qu & Dumay, 2011). The data analysis in this research was by referring to the analytical method by (Miles and Huberman, 1994:12) which consisted of three simultaneously activities: data reduction, data presentation, and drawing conclusions or verification. These three stages are in an interactive activity cycle.

The data examination in qualitative research is intended to obtain the data validity that has been analyzed so the results can be accounted for from all aspects (Moleong, 2007). Examination techniques are needed to establish the validity (trustworthiness) of the data. The implementation of the audit technique is based on a number of criteria. criteria for accuracy and credibility of qualitative research results consist of validity and reliability (Creswell, 2011). A case study should intentionally triangulate evidence from several sources to corroborate the validity of the research results (Yin, 2009). This triangulation is a mandatory method to confirm findings (Matthew B Miles et al., 2014).

The most commonly used type of triangulation is the triangulation of measure (Lawrence Neuman, 2014). The triangulation of measure is a data source measurement technique by applying several procedures from the same phenomenon. The triangulation of measure in this research was conducted by comparing data from three different sources, i.e. the data from interviews with e-audit users (the BPK DIY auditors), interviews with auditees, and secondary documents from the aforementioned BPK DIY archives.

RESULTS AND DISCUSSION

Based on the interview results, it is known that the implementation of e-audit by BPK representatives of DIY Province succeeded in increasing audit performance to be more effective. The effectiveness of the e-audit is caused by two factors: the reduced number of auditors and more amount of data coverage. This can be seen in the following excerpt from the interview with the senior head team of the BPK DIY Province,

"...with this e-audit, the quantity of needed auditors to run audits become more effective because on coverage of the system" (TT-10)

"The availability of limited time cannot reach all the documents (by auditors). Therefore, BPK tried to innovate on how to create a shortcut to this problem, which the auditors can do audits without being limited by space and time." (TT-2)

"In DIY, the local government is very cooperative (everything is updated). Including for follow-up monitoring; they are immediately updated in our system." (TT-14)

Those statements above are in line with what was conveyed in an interview with one of the BPK auditors.

"During e-audit, there were no problems with inputted data, indeed there were some mistakes but that did not reduce the essence of the data itself. With this e-audit, we can cover more data than we covered before." (DK-16)

The effectiveness of e-audit in government financial statements audit can also be seen in the achievement of Key Performance Indicators (IKU) on the number of Audit Results Reports (LHP) by

BPK in the 2015 BPK Performance Accountability Report. This issued aims to increase the quantity of audit results as well as to describes the audit coverage in order to realize the accountability of state financial management. In that report, the target of LHP in 2015 are 1,770 LHPs. During that year, a total of 1,787 LHPs were submitted to auditees consisting of 641 financial LHPs, 254 performance LHPs, and 892 LHPs with specific objectives. This number shows that the realization has exceeded the target, with 100.96% achievement rate (BPK RI, 2015).

Based on the interview results, it is known that the implemented e-audit in auditing local government financial reports has succeeded in increasing audit performance to be more efficient. The spent time is more efficient than before. This can be seen in the excerpts of interviews with the senior audit team head (TT) and one of the auditors (DK),

"My experience when I was doing audit, I tried to confirm on business trips. I asked for ticket recap (1-2 days), and then I asked for confirmation from Garuda airline via letter. It is impossible for Garuda side to answer directly, at least it will take 1 week. In contrast to, for example, when we enter the required data into the e-audit portal, it takes no more than 2 minutes to immediately known the details of bookings (name, price, etc)." (TT-2)

"We were helped by this e-audit, it didn't take us long to confirm with the airline, for example. We can easily review audit evidence by auditees through their system. So with e-audit, our job can be more effective and also faster." (TT-6)

The success of the implementation of e-audit by BPK DIY cannot be separated from the maximum utilization of information systems and technology by the auditors. The obtaining of audit evidence until monitoring has been carried out by the auditor through an integrated system. This is known from interviews with the Head of the DPPKA of Yogyakarta (WS) and the Accounting Division Head of the DPDPK of DIY (KY).

"Yes, the e-audit here is for the BPK to check on myself. We have prepared all the data and because I chose the first option, then BPK set the application for my server. It automatically uploads my financial data to BPK at any time. That's what we use." (WS-10)

"They (BPK) usually take data automatically from the system. So all of it goes through the system yet the hardcopy is still used. We still hand over the hardcopy to support the data from the system. Yes, there is an application from BPK on our server that can retrieve data automatically" (KY-4)

The success of implementing e-audit is also inseparable from the auditee's support in utilizing the existing system. In the DIY Provincial Government, for example, the financial reporting system continues to be developed to make it easier for auditors to obtain audit information/evidence. This can be seen in the interview excerpt with the Accounting Division Head of the DPPKA DIY,

"At the time of signing the MoU there were options; (1) direct system, (2) manual by sending data, (3) manual using microsoft excel. We choose the first option. So our server send data to BPK automatically then, everything has been done by the system. Budgeting, administrating, and reporting are all integrated by system. (WS-8)

Those statements above are in line with the DPPKA DIY Government Agency Performance Report (LAKIP) document in 2015. In the document states that to support of more transparent, accountable and efficient regional financial management, the DPPKA DIY has developed an integrated application called the Regional Financial Management Information System (SIPKD), with online operationalized; used by all SKPD in the process of budgeting, implementation, and administration of the Regional Revenue and Expenditure Budget (APBD); and reporting and accountability of the APBD. In 2014, the capacity and function of this application has been increased to assist in compiling accrual-based financial reports. So by online system, the resulting of regional financial data will be updated in real time while the financial information can be accessed by stakeholders immediately, like the BPK for the e-audit process, the Ministry of Home Affairs, the Ministry of Finance, Bank of Indonesia (BI), and others (DPPKA DIY, 2015).

The good cooperation support from the auditee was also carried out by the Sleman Regency Government. When SIPKD of Sleman Regency was deemed to be failed, they replaced a new system that could cover their reporting on financial management accountability. This can be seen in the interview below with the Sub-section Head of Planning and Evaluation of DPKAD Sleman Regency.

"We used SIPKD for financial reporting before but we failed, so did the administration, it couldn't be implemented. So we built our own system where the vendor is recommended directly by the

ministry of finance. Basically there are of them; BPKP, DPPT, and two private companies. So we chose one of those private companies to use." (SL-18).

Along to increasing the effectiveness and efficiency of auditing financial statements by BPK of the DIY Province, the e-audit system can also increase regional revenues and create "e-audit financial tracking". It provides benefits for local governments because it prevents regional government cash transaction anomalies and speeds up the process of completing the follow-up to BPK audit results. All of these encourage the realization of transparency and accountability in the financial management of local governments. E-audit financial tracking can also be used to encourage the development of a cash management system (CMS) that is integrated with the regional government's SIPKD(BPK DIY, 2014).

One of the objectives of implementing e-audit is to make it easier for auditees to report their financial management responsibilities. The auditee can access, in a limited authority, to the data generated by e-BPK through the extranet portal (e-auditee). Through this portal, the auditee can view the Audit Result Report (LHP), send completion answers to BPK's recommendations, and monitor the status.

Based on the interview results, it is known that whether the BPK's LHP, the completion of BPK's LHP, and the monitoring are also still being manually by the auditee. This can be seen in the excerpts of interviews with the Accounting Division Head of the DPPKA DIY (WS), the Subsection Head of Secretariat of DPPKAD Gunungkidul Regency (GK), and the Subsection Head of Planning and Evaluation of DPKAD Sleman Regency DPKAD (SL),

"We never accessed the e-audit extranet portal. It has not yet been socialized to us. The BPK itself did not state that we (the local government) should deal with the portal." (WS-2)

"To access LHP, we have never gone through the extranet portal, usually the report is given to us directly by the BPK (manual)" (WS-4)

"The answer to the follow-up to the BPK LHP, so far, is still manual. Every semester there is a form issued by BPK stating "findings have been completed, in process, or status in the findings". So there is a status of "completed, in progress, or not yet followed up" on the form given to us directly (manually)." (WS-6)

"We have not been able to access the e-auditee extranet portal for sending answers to the completion of the follow-up to BPK's recommendations." (GK-10)

"Regarding to the submission of the LHP, we are usually invited to a meeting for LHP submit." (KY-8)

"Regarding the sending of follow-up answers, it is still done manually, as well as monitoring the completion of BPK's findings and recommendations." (SL-14)

The completion of audit findings and BPK recommendations that are still carried out manually by the auditee make the process of completing recommendations on BPK's findings take a long time. This slow process can also be seen in the Key Performance Indicators (IKU) 'Percentage of the Followed Up Recommended Audit Results' in the 2015 BPK Performance Accountability Report. This IKU This KPI aims to demonstrate the role of BPK in encouraging the realization of orderly state financial management, based on laws and regulations, economical, efficient, effective, transparent, and responsible by paying attention to sense of justice and compliance.

Table 1. Percentage of the Followed Up Recommended Audit Results

Key Performance Indicators (IKU)	Goals in 2015	Realization in 2015	IKU Achievement of the year		
			2015	2014	2013
1.1. Percentage of the Followed Up Recommended Audit Results	65,00%	55,93%	86,05%	90,48%	89,76%

Source: (BPK RI, 2015)

CONCLUSIONS AND SUGGESTION

The implementation of the e-audit by the BPK representative of the DIY Province has succeeded in improving the performance of local government financial report audits, especially in audit implementation stage (collecting and analyzing audit evidence) by auditors so that the process become more effective and efficient. However, e-audit has also not succeeded in meeting the needs of auditees to access BPK audit reports, to send answers in completing the follow-up to BPK's recommendations, and to monitor the status of the completion of audit findings through the online BPK e-auditee extranet portal. This research only focuses on the use of the e-audit system for auditing local government financial reports. Further research can be developed by adding a wider scope of research, such as performance audit and specific audit. This research is also only focused on the stages of audit implementation so that further research can be developed in the use of e-audit for audit planning and reporting.

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