This book contributes to the debate surrounding the role of effective audit processes as a means of improving the quality of government transparency and accountability in Indonesia and other developing countries. The role of a performance audit is to independently verify whether the public sector agencies are effective and efficient in achieving their objectives. This book is derived from materials used by the author to assist policymakers at the Indonesian Supreme Audit Agency (BPK) and the Australian National Audit Office in designing effective performance audits. The book is also relevant for external audit institutions in other countries that are reforming their public sector audit institutions and regulations.

The professional experience and academic authority of Paul Nicoll, the author, in public sector audit ultimately strengthens the practical and theoretical insights this book offers. As a former senior auditor at the Australian National Audit Office, he was involved in the initial process of the Indonesian government’s efforts to reform institutional, legal and auditing standards in the country.

This book covers the following issues: key concepts surrounding public sector auditing; the type of audit reports and the role of performance audits in the Indonesian public sector; contribution of performance audits to bureaucratic reform in Indonesia; the role of the audit in reducing corruption and fraud; communication of audit findings; legislative reforms for public sector audits in Indonesia; and shared issues between Australia and Indonesia that could also apply to other countries.

The contents of the book can be grouped into three categories. First, the book reminds that one of the main features of political and structural reforms in Indonesia following the collapse of the Soeharto regime is the “success story” surrounding institutional and legal transformation of BPK as one of the most independent auditing bodies in the world. In fact, the agency’s audit reports for all agencies are now available to the public. This is in contrast to the situation under the New Order regime, where all audit reports were treated as state secrets and were not publicly accessible. As a product of reform, the institutional arrangement of the roles and independence of BPK has been empowered. In many ways, auditors at BPK are stronger and more independent than their counterparts in developed countries in their audits. Since 2006, following the issuance of Law No. 15, the responsibilities and roles of BPK have been strengthened in detecting and reporting irregularities and fraud to law enforcement officers. In recent years, BPK has produced hundreds of reports that show its productivity.

Second, while BPK is now stronger with the support of more than 6,000 auditors (2012), the author criticizes the lack of priority of the audit body in the planning, implementation and reporting of its audit reports. This is important because the most pressing issue in Indonesia’s public sector today is the persistence of corruption and the need to improve the performance of government programmes. The author offers recommendations that Indonesia could adopt in establishing functional public sector audits by: (1) integrating performance audits into bureaucratic reform processes; (2) understanding the economic implications of performance audits; (3) questioning whether performance audit is an important tool of modernization for Parliament and Government or whether it is an optional addition; (4) communicating the role and performance of audit results; (5) setting priorities; (6) appointing professional financial managers across public sector entities with sound accounting and financial knowledge in each reporting entity at the central and regional levels; and (7) re-establishing the Audit Committee in the DPR.

Elaborating on the last recommendation, the author argues that in order to understand the contents of BPK’s audit reports, the users of these reports — including the public — require basic knowledge of accounting and auditing. To improve the ability of these users to utilize the reports, the Parliament...
should reinstate the Audit Committee dissolved in 2014. The Committee’s role is to assist the Parliament in identifying key areas highlighted by the BPK audit reports requiring further action related to fraud, technical error, and lack of efficiency issues. In essence, by establishing the Parliament Audit Committee, it helps BPK to be more effective and efficient in providing its audit services. All parliamentary bodies in established democracies such as Australia or the United Kingdom are equipped with an Audit Committee that is an integral part of a parliamentary body.

The book provides comprehensive practical and academic assessments on the roles and performance of BPK and the challenges it faces. Government officials and BPK auditors in Indonesia would have much to gain from consulting this book.

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