THE READINESS OF THE GOVERNMENT INTERNAL SUPERVISORY APPARATUS (APIP) FOR CONTINUOUS AUDITING IMPLEMENTATION

Putri Rieza Chaniago  
Diploma 4 Program of Public Sector Accounting, Polytechnic of State Finance STAN, South Tangerang  
email address: 4132210042_putri@pknstan.ac.id

Tyara Laritza Gistiani  
Diploma 4 Program of Public Sector Accounting, Polytechnic of State Finance STAN, South Tangerang  
email address: 4132210047_tyara@pknstan.ac.id

Dina Khairunnisa  
Diploma 4 Program of Public Sector Accounting, Polytechnic of State Finance STAN, South Tangerang  
email address: 4132210021_dina@pknstan.ac.id

Amrie Firmansyah  
Diploma 4 Program of Public Sector Accounting, Polytechnic of State Finance STAN, South Tangerang  
email address: amrie@pknstana.ac.id

*Corresponding author: amrie@pknstana.ac.id

ABSTRACT
Various countries are transforming in responding to the Industrial 4.0 Era; thus, technology plays an important role in various activities. The government sector is also not spared from this phenomenon and responds to industrial developments by transforming business processes that were previously manual to computerized through e-government. As the government’s internal supervisor, the Government Internal Supervisory Apparatus (APIP) needs to transform into utilizing technology and increase capabilities in the technology field in providing relevant added value through improving government performance to increase public trust. The use of technology by APIP is currently being developed towards continuous auditing to provide early warning of problems that can hinder the achievement of organizational goals. This study aims to review the readiness of APIP in response to Continuous Auditing implementation. This study uses primary data through a survey of respondents from Indonesia’s National Government Internal Auditor (BPKP) and the Inspectorate General of the Ministry of Finance with a total sample of 32 respondents. Research data analysis was carried out using descriptive statistics. This research concludes that most APIPs are ready to implement CA, although some APIPs still have problems preparing them.

Keywords: APIP, Internal Auditors, Continuous Auditing, Information Technology

ABSTRAK
Saat ini banyak negara bertransformasi dalam merespon Era Industri 4.0, sehingga teknologi memegang peranan penting dalam berbagai aktivitas. Sektor pemerintahan juga tidak lупut dari fenomena tersebut dan merespon perkembangan industri dengan mengubah proses bisnis yang sebelumnya sistem manual menjadi sistem terkomputerisasi melalui e-government. Sebagai pengawas internal pemerintah, Aparatur Pengawasan Intern Pemerintah (APIP) perlu bertransformasi dengan mendayagunakan teknologi dan peningkatan kapabilitas di bidang teknologi dalam memberikan nilai tambah yang relevan melalui peningkatan kinerja pemerintah untuk meningkatkan kepercayaan masyarakat. Pemanfaatan teknologi oleh APIP saat ini sedang dikembangkan ke arah continuous auditing untuk memberikan peringatan dini terhadap masalah yang dapat menghambat pencapaian tujuan organisasi. Penelitian ini bertujuan untuk meninjau kesiapan APIP dalam menghadapi penerapan continuous auditing. Penelitian ini menggunakan data primer melalui survei responden dari Badan Pengawasan Keuangan dan Pembangunan Pemerintah (BPKP) dan Inspektorat Jenderal Kementerian Keuangan dengan jumlah sampel sebanyak 32 responden. Analisis data penelitian dilakukan dengan menggunakan statistik deskriptif. Penelitian ini menyimpulkan bahwa sebagian besar APIP sudah siap untuk mengimplementasikan continuous auditing, meskipun beberapa APIP masih memiliki masalah dalam mempersiapkannya.
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Dina Khairunnisa, Tyara Laritza Gistiani Putri, Rieza Chaniago, Amrie Firmanisyah

Kata kunci: APIP, Auditor Internal, Auditing Berkelanjutan, Teknologi Informasi

KLASIFIKASI JEL: M40, M41, M42
INTRODUCTION

Government organizations aim to achieve community welfare. In its operations, the government uses funding sources from the APBN and APBD. To monitor the use of funding in the APBN and APBD, it is necessary to carry out financial audits in the form of internal audits and external audits. In Indonesia, internal audits are carried out by Indonesia’s National Government Internal Auditor (BPKP) and the Inspectorate General/Inspectorate/Internal Supervision Unit in government agencies. Internal audit implementation must follow the Indonesian Government Internal Audit Standards (SAIPI). The Government Internal Supervisory Apparatus (APIP) supervises government finances and performance to achieve accountable and transparent governance and follow the goals and objectives set (AAIPI, 2014).

Since 2011, Indonesia has entered the era of industrial revolution 4.0, which can have massive digital disruption impacts and is different from the previous industrial revolution era (Prakosa & Firmansyah, 2022). In this era, digital systems and technologies such as cloud computing, AI (artificial intelligence), and the Internet of Things are widely used as tools that can help with daily activities because they make it easy to process, store, and share information (Ikhsan et al., 2022). Since the Covid-19 pandemic spreading in Indonesia, many agencies have been forced to adopt digital more quickly because of restrictions on people’s mobility (Sumadi et al., 2022). One form of digital transformation the government carries is e-government, which uses information technology to provide government-related information and services to the public. Thus, government organizations should improve the quality of infrastructure and make more optimal use of technology to boost efficiency and productivity and enhance the quality of public services.

On the other hand, technology causes a faster flow of information in larger quantities. Technology also enables an organization to engage in corruption, collusion and nepotism more easily, requiring auditors to find more effective and efficient ways to deal with these challenges (Hiererra & Sarayar, 2014). Risk management must be conducted by updating audit regulations and policies to detect problems that arise more quickly and increase public trust. Thus, the conventional audit method carried out once a year using sampling as audit evidence is no longer suitable for application in this digital era (Hazar, 2021).

In this regard, continuous auditing (CA) has now been established. This concept first appeared due to the need for automated testing of controls in the 1960s, causing auditors to switch to computer-assisted auditing techniques (CAAT). CA is a strategic tool in the event-approaching assurance process (Alles et al., 2008). In the Global Technology Audit Guide 3 published by IIA (2015), CA combines real-time and continuous control and risk assessment using technology (The Institute of Internal Auditors, 2015).

In short, CA needs two elements: the information technology structure for data processing and data storage and the type of analytical monitoring methodology to support the assurance function (Brown et al., 2007). Also, (Pierre & Aboa, 2014) stated three important points from CA. First, CA provides additional assurance on reports made by the auditor. Second, statements are made on time or immediately after the relevant event. The last one, CA, involves technology at a certain level. Based on the several definitions, it can be concluded that CA is an audit approach that uses technology implemented continuously to ensure in or close to real-time.

The advantages of CA include reduced waiting time (auditors can easily obtain data whenever they intend), auditing by exception (auditors are aware when the control stopped working. Hence they can act immediately), greater audit depth without increasing cost (auditors can work with large data populations in high levels of detail), more options of approach (continuous monitoring is needed and preventive control is established), proactive approach (give more value to clients through problem-solving), and the increase of visibility (audit work that is more visible to the client) (Hiererra & Sarayar, 2014). In contrast to conventional audits, CA places more emphasis on the integration of information technology and audit systems. CA provides data processing facilities using technology that enables auditors to analyze data more quickly and assists management in making strategic decisions in their business (Hiererra & Sarayar, 2014). In addition, data analytics helps the auditor avoid sampling risk because data analytics allows the auditor to manipulate the complete data set of a population, not just a sample. With the use of data analytics, CA can identify anomalies that can lead to possible risks of fraud and human error earlier than conventional methods. Chan & Vasarhelyi (2011) also argued that CA could detect errors earlier and provide corrective actions as early as possible because it uses more automatic systems. CA will also change the auditing paradigm (Coderre, 2005). CA must get support from senior management for the concept and execution of the audit (Coderre, 2005). CA also requires adequate technical and technological competence to access, manipulate, and analyze data in different information systems, as well as data analytics techniques that support the audit project, which must have in the audit team (Coderre, 2005).

This study aims to review the readiness of the implementation of CA in APIP in Indonesia. Previous research conducted by Vasarhelyi et al. (2012) concluded that technology adoption, technology
development, and auditor’s knowledge play an important role in implementing CA, while Kurniawan (2017) suggested that implementing CA still has obstacles related to personnel, processes, systems and the environment. Skantze (2017) concluded that the factor affecting the slow implementation of CA due to CA’s responsibilities lies in the management environment. This study uses the concept of continuous auditing (CA) in the Indonesian Government as stated in BPKP Decree Number 2 of 2018. This regulation is considered a breakthrough that can improve auditing quality to provide more value for achieving organizational goals in the government sector. CA is an appropriate audit approach to assist auditors in dealing with challenges due to digital transformation. CA is also considered to cause an audit to be processed in real-time or close to real-time because it integrates information technology with the audit system. Furthermore, CA can provide early warning of problems such as fraud and human error that potentially hinder the achievement of organizational goals. In other words, CA can provide better audit quality.

This study provides several contributions. This study provides additional literature related to an internal audit of government organizations in Indonesia which is rarely discussed, especially in the Indonesian context. In addition, this study can be used by the APIP organizations to recognize the readiness of Indonesia’s internal auditor personnel in responding to CA and formulating technical policies for implementing CA in their respective agencies.

METHODS

This study is conducted using a quantitative approach. The data used in this study was derived from an online questionnaire survey distributed to respondents via Google Forms. Questionnaire items consist of 5 statements which include: (1) The ability of the auditor’s knowledge, (2) The auditor’s participation in formal/informal training, (3) the Information technology infrastructure that supports CA implementation is available at the auditor’s agency, (4) Agencies have had a policy that supports the implementation of risk management, and (5) The agency has technical guidelines related to CA. The questionnaire items refer to BPKP Decree Number 2 of 2018 concerning The Grand Design of Implementation of Continuous Supervision and Continuous Monitoring in the Environment of Indonesia’s National Government Internal Auditor (BPKP), considering that BPKP was appointed as APIP supervisor in Indonesia.

Online questionnaires were distributed to auditors at all functional auditor positions within the Inspectorate General of the Ministry of Finance and the National Government Internal Auditor, both Head and Representative Offices, from April 29 to May 1, 2022. Data descriptions are divided into three based on the internal auditor agency’s origin, position level, and experience in implementing CA. The total number of respondents who filled out the questionnaire was 32 auditors. Based on the auditor’s position level, the respondents consisted of 1 chief auditor, three audit managers, six lead auditors, seven senior auditors, one junior auditor, one proficient auditor, and 13 skilled auditors. Then, based on the experience of implementing CA, there are 26 internal auditors from agencies that have implemented CA and six internal auditors from agencies that have not implemented CA. Data was tested using descriptive statistics with a Likert scale from strongly disagree (1) to agree (5) strongly.

RESULTS

Table 1 suggests respondent characteristics who were involved in this research.

<table>
<thead>
<tr>
<th>Level of Functional Auditor Positions</th>
<th>BPKP</th>
<th>Inspectorate General of MoF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>Chief Auditor</td>
<td>0</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Audit Managers</td>
<td>1</td>
<td>5.56</td>
<td>2</td>
</tr>
<tr>
<td>Lead Auditors</td>
<td>1</td>
<td>5.56</td>
<td>5</td>
</tr>
<tr>
<td>Senior Auditors</td>
<td>3</td>
<td>16.67</td>
<td>4</td>
</tr>
<tr>
<td>Junior Auditors</td>
<td>0</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Proficient Auditors</td>
<td>0</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Skilled Auditors</td>
<td>13</td>
<td>72.22</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>100</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Data Processed

Table 2 depicts descriptive statistics on the questionnaire items respondents have filled out.
Table 2. Descriptive Statistics

<table>
<thead>
<tr>
<th>CA Implementation Factors</th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The auditor has knowledge of the CA</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>3.75</td>
<td>0.984</td>
</tr>
<tr>
<td>The auditor has attended CA training formally/informally</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>3.22</td>
<td>1.237</td>
</tr>
<tr>
<td>Agencies provide IT infrastructure that supports CA implementation</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>0.95</td>
</tr>
<tr>
<td>Agencies have policies that support the implementation of risk management</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>4.5</td>
<td>0.568</td>
</tr>
<tr>
<td>Agencies have technical guidelines related to CA</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>3.84</td>
<td>1.247</td>
</tr>
</tbody>
</table>

Source: Data Processed

Based on the table above, some respondents still filled in the survey with a value of 1, which is related to CA training and technical instructions related to CA. This condition shows that not all internal auditors can get CA’s formal and informal training. Besides, not all agencies have technical instructions related to CA. In general, internal auditors already know CA and an IT infrastructure supports the implementation of CA. In addition, related to these conditions, the organization has a policy supporting implementing risk management in general.

**DISCUSSION**

The application of CA by APIP has not been implemented thoroughly, as shown by the percentage of 81.2%. Most auditors have knowledge about CA in general, but some auditors still do not fully understand CA. It can cause the application of CA within the government’s internal auditor to be hampered. This finding aligns with research by Kurniawan (2017) and Zahirah et al. (2021), which stated that one of the obstacles to implementing CA is the lack of human resources who understand CA. Meanwhile, adequate auditor knowledge is needed in the implementation of CA. It is supported by Vasarhelyi et al. (2012), which requires internal auditors to know technology and audit practices.

This study also finds that there are internal auditors who still do not have adequate skills because they have not attended any formal or informal training on CA. One of the reasons for the lack of training on CA is that the auditors’ agency has not yet implemented CA. In contrast, Al-Tarawneh et al. (2020) considered that internal auditors must attend training and competency improvement related to modern computerized and electronic information systems to adapt to digital auditing practices developments. Constraints auditors face from the human resources side include auditors with high positions generally having more knowledge and experience, but the age factor makes it difficult to use current technology. On the other hand, auditors with lower levels of position have more deficient knowledge and can quickly adapt to today’s technology.

Furthermore, several auditors lack the motivation to implement CA. Auditor acceptance influences the success of CA implementation (Kahyaçoğlu et al., 2020; Kurniawan, 2017). One of the obstacles to implementing CA is the auditor’s perception that CA will not replace traditional auditing and that the performance of CA is not the auditor’s responsibility (Skantze, 2017). Obstacles faced by auditors in implementing CA related to information technology infrastructure include hardware specifications that are not yet compatible, so they cannot analyze large amounts of data. Kurniawan (2017) stated that an incompatible system could hinder CA implementation. Then, the technology infrastructure provided by APIP does not fully support the implementation of CA, even when the audit is not application-based, so it can become an obstacle when the auditor accesses data in real-time. Adequate technology infrastructure is needed to support the use of IT for CA implementation, such as data processing and software development (Wagner, 2020).

Moreover, the factor of the availability of policies that support the implementation of risk management at the auditor’s institution. This study finds that the overall APIP has policies that support risk management so that it can become a reference that allows agencies to implement CA. Additionally, the availability of technical and regulatory guidelines related to CA at the auditor’s agency. It indicates that some internal auditors do not yet have proper technical guidelines to be used by auditors as a guide in implementing CA.
It can lead to ambiguity in the stages of CA practice even though one of the significant supporting factors for implementing CA is effort expectancy, including clarity in CA practice (Gonzalez et al., 2012). Also, the need for technical guidance in implementation is supported by standards to ensure the quality of audit results at the same level (Wagner, 2021).

CONCLUSION

This study concludes that most APIPs are ready to implement CA, although some APIPs still have problems implementing it. The human resource factor is the main obstacle factor, such as some experienced employees who experience difficulties using information technology, some auditors who have not attended training, and some auditors who lack the motivation to implement CA. Then on the technology infrastructure factor, there are constraints on several incompatible hardware specifications, and some agencies do not yet have application-based business processes that hinder CA. Furthermore, on the factor of CA technical guidelines, several APIPs do not yet have proper technical guidelines to be used by auditors as a guide for implementing CA.

This study has limitations, such as constraints to reaching respondents with limited research time. In addition, this study only focuses on four factors in measuring APIP’s readiness to implement CA and the data sources used by the authors are based only on survey results. Future studies can review a more in-depth discussion by interviewing or quantitative research examining the factors influencing APIP readiness in implementing CA. The results of this study can be input for the BPKP and the Inspectorate General of the Ministry of Finance in considering support management factors in the Grand Design of the Implementation of Continuous Supervision and Continuous Monitoring.

REFERENCE

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Dina Khairunnisa, Tyara Laritza Gistiani Putri, Rieza Chaniago, Amrie Firmansyah

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