

Quo Vadis Internal Audit Professional Standard In The Public Service Agency

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Abstract—Auditor is a profession that is highly regulated. One of the regulations that guides the internal auditor profession is the internal audit professional standard. In the public domain, the Association of Indonesian Government Internal Auditors has compiled the preparation of Government Internal Audit Professional Practices and Indonesian Government Internal Audit Standards. The Public Service Agency places itself in a unique position as a state-owned institution that manages the nation's indivisible assets. BLU manages APBN funds as well as recruits professionals who have specific expertise in their fields. The purpose of writing this paper is [1] to obtain information on what the actual position of the SPI profession is at BLU in terms of changing the framework and standards used as work guidelines in the implementation of internal audits; [2] To obtain information on the implementation of audit standard applications in Public Service Agencies and what are the obstacles in terms of its implementation, and [3] To obtain information on how best to apply standard audits in Public Service Agencies. The results of the study show that in the personal aspect, a standard is able to provide guidance on how to act or behave in everyday life, while in the professional aspect, a standard is a mandatory component that must be used by professionals in carrying out their practice. In the private sphere, internal auditing standards have been formulated by the IIA. One part of the IPPF is the Internal Auditor Professional Standards. This standard is an important and essential part in realizing the role and performance of internal auditors both individually as professionals and by the internal audit unit as an organ within the company. In the public domain, the Association of Indonesian Government Internal Auditors has compiled the preparation of Government Internal Audit Professional Practices (KP3IP) and Indonesian Government Internal Audit Standards. SAIPI must be applied by APIP leaders and Auditors in all internal control activities, including audit activities as referred to in article 53 of Government Regulation number 60 of 2008. BLU is an institution engaged in the public sector (APBN funding and state financial accountability) but also engaged in private sector (business process). The 'hybrid' mechanism places the internal oversight unit in a unique position. On the one hand, BLU auditors must function as a guarantee to examine aspects of internal control over the use of state finance, but on the other hand, many BLU auditors are not civil servants (Non PNS). Currently there is no confirmation or standard setting that must be adhered to by institutions such as public service agencies. Another aspect that becomes capital in the status of BLU auditors is confirmation whether they are APIP or outside the division as APIP. Auditing standards will protect the auditor as well as the institution (client) being audited. The presumption that the internal auditor is not optimal with the many conditions or findings of the external auditor can actually be overcome by having audit standards. Auditing standards will protect internal auditors if cases occur in internal institutions, both irregularities and fraud. Internal audit standards comprehensively guide internal auditors in carrying out their functions for both the insurance function and the consulting function.

Keywords—auditor, professional standards, state finance, public services agencies.

I. INTRODUCTION

Auditor is a profession that is highly regulated, and internal auditors are no exception. One of the regulations that guides the profession of internal auditors is the internal audit professional standard. Standards can be used as a guide both in personal and professional aspects. In the personal aspect, a standard is able to provide guidance on how to act or behave in daily life. Examples in personal life such as eating, how to dress, how to behave or worship and other personal aspects have their own standards that can provide guidelines whether personal aspects of life are below or exceeding standards. In the professional aspect, standards are mandatory components that must be used by professionals in carrying out their practice. To make work a true profession, a job must have professional implementation standards which are a differentiating factor from work in general besides the existence of a professional code of ethics, professional associations and the need for continuing professional education. Professional standards provide a foundation for practitioners to carry out a profession efficiently and effectively. Thus the conformity of professional practice with the principles stipulated in professional standards is mandatory for members of the profession concerned. Standards are principles that provide a framework for the performance of work. Standards are mandatory requirements, which consist of statements *and* interpretations. The statement is a basic or minimal requirement for the professional practice of internal auditing as well as for evaluating the effectiveness of its performance.

In auditing standards, the most prioritized aspect is *due professional care* or accuracy in carrying out an audit assignment. The absence of internal audit standards will affect internal audit behavior in all aspects of assignments, both planning, implementation and the stages of communication to the client (auditee). Audit standards are also a benchmark *for* the maturity level of the internal control unit (SPI) of an institution. Kolstad et al., (1990) ; Shavel, (1987) ; Calfee and Craswell, (1986) provide an analysis that the absence of standards will have an effect on the uncertainty of audit implementation and encourage auditor negligence so that it has an impact on the level of audit quality produced and the effectiveness of audit implementation. In carrying out its duties and functions, the Internal Supervisory Unit (SPI) as an internal auditor must of course operate in accordance with existing professional standards. In the private sphere, internal audit standards have been formulated by a global professional association known as The Institute of Internal Auditors (IIA). Various studies have been formulated by IIA including the International Professional Practice Framework (IPPF). One part of the IPPF is the Internal Auditor Professional Standards (Standards). This standard is an important and essential part in realizing the role and performance of internal auditors either individually as a professional or also by the internal audit unit as an organ within the company. In the public domain, the Indonesian Government Internal Auditor Association (AAIPI) has developed the Government Internal Audit Professional Practice Framework (KP3IP) and the Indonesian Government Internal Audit Standards (SAIPI). SAIPI must be applied by APIP leaders and Auditors in all internal control activities, including audit activities as referred to in article 53 of Government Regulation number 60 of 2008.

The Public Service Agency (BLU), which was originally a Non-Tax State Revenue Work Unit (Satker – PNBP), places itself in a unique position as a state-owned institution that manages state wealth without separation. On the one hand, BLU manages State Budget (APBN) funds, but on the other hand, to support management and business processes, BLU recruits professionals who have specific expertise in their fields. This is a necessity for BLU to be more professional because the background of the organic employees comes purely from civil servants. The existence of professional doctors is needed by BLU health services. Professionals in the field of natural resource management are needed by BLU in the agricultural and plantation sectors. Non-Civil Servant (Non-PNS) educators or lecturers are also needed by BLU working in the education sector. This pattern also applies to BLUs operating in the financial sector, such as the BLU of Government Investment Center (PIP), which is under the auspices of the Directorate General of Treasury, Ministry of Finance of the Republic of Indonesia.

Collaboration between civil servants and non-PNS is a unique combination in the management of an institution like the BLU which is encouraged to have a more corporate paradigm than the bureaucracy. However, on the other hand, this combination has the effect of a lack of recognition *or* actualization of the third line function in *the three lines of defense concept*, namely the Internal Oversight Unit (SPI). SPI-SPI at BLU also has a combination of Civil Servant (PNS) and Non PNS. The existence of civil servants as auditors at SPI BLU also has problems in terms of competence as auditors. On the other hand, non-PNS who already have competence and experience as auditors at BLU do not have a shelter or association. Civil servant auditors at BLU are not Government Internal Supervisory Apparatuses (APIP) who have their own ranks and career paths like auditors at the Inspectorate General, BPKP or BPK. Most of them come from the work units that provide services on fiscal aspects at the Ministry of Finance. This becomes complicated because the BLU auditor's career is not recognized on a *credit point basis* in

terms of audit assignments. On the other hand, non-PNS auditors also have the same constraints in terms of career development. Some of the above obstacles lead to the absence of audit standards that must be guided by SPI BLU.

Based on the background described above, the problems in this study can be formulated as follows: [1] What is the meaning of the Internal Audit Professional Standards for the public sector and the private sector? [2] What is the purpose of implementing audit standards in the Public Service Agency (BLU) and what are the obstacles in implementing it? [3] How should the audit standards that apply to the Public Service Agency (BLU) be?

The purpose of writing this paper is as follows: [1] To obtain information as to what the actual position of the SPI profession is at BLU in terms of determining the framework and standards used as work guidelines in the implementation of internal audits; [2] To obtain information on the purpose of implementing audit standards in the Public Service Agency (BLU) and what are the obstacles in terms of its application; and [3] To obtain information How should the audit standards that apply in the Public Service Agency (BLU)

II. THEORETICAL REVIEW

2.1. Internal Auditing Standards

The word standard comes from the English "*standard*", which is a translation of the French "*norme*" and "*etalon*". According to PP No. 102 of 2000 Standards are technical specifications or something that is standardized including procedures and methods that are prepared based on the consensus of all parties involved with due regard to safety, security, health, environmental requirements, scientific and technological developments, as well as experience, current developments and the future to get the maximum benefit. While Standard according to (Oxford Dictionary) is a certain size that is used as a benchmark. as standard. Standards can also be said to be something that is used as a measure, norm, or model in comparative evaluation. In substance, the standard definition above contains the meaning of consensus from all parties to get the maximum benefit. So that the true standard philosophy is not to limit but rather to gain benefits (outcomes) for interested parties in the application of certain standards. Interested parties in terms of applying a standard are generally related to a particular profession, for example lawyers, doctors, pilots or any other profession, including internal auditors.

Internal audit is an objective and independent consulting effort made in such a way as to provide added value to organizational activities and operations (Muceku and Korsita 2010). The concepts and methodologies underlying contemporary internal auditing began around 1941 pioneered by the Institute of Internal Auditors (IIA). The Institute of Internal Auditors (IIA) is an international professional association founded in Florida, United States of America as an authority, recognized leader, principal advisor, and principal educator in the global internal auditing profession (IIA 2017). The IIA contributes to clarifying and developing internal audit concepts, methodologies and mechanisms. The IIA first issued internal auditing standards in 1978. The standards were the product of strict and unified work rules for internal auditing practices worldwide (Abdolmohammadi 2009). In practice, the IIA standard has undergone several changes reflecting that the practice of the internal audit profession is dynamic and constantly changing (Idiab et al. 2012). In 1999, to meet the growing needs of the organization, the scope of internal audit work increased to include several additional activities. This has led to a paradigm shift in the activities of internal auditors, from those responsible for assurance services related to internal control, to include assurance in the areas of governance and risk management (Cooper et al. 2009). The extension of the paradigm enable internal auditors to provide consulting services to organizational management, board of directors and audit committee. Currently, the standard is updated to cover three areas viz risk management, internal control, and governance (*corporate governance*) as well ensure the involvement of internal auditors for assurance and consulting (IIA 2017). The involvement of internal auditors in consulting aspects is part of the process of adapting internal auditors to today's increasingly dynamic business world. internal audits in all parts of the world are required to ensure the business is running according to various rules and regulations; to provide tactical and strategic forward-looking insights into organizational performance, and to take advantage of emerging technologies and social trends.

How does internal audit strengthen the fundamentals to ensure that there is a strong and relevant internal audit while at the same time meeting the evolving expectations of stakeholders. Values and fundamental things are the basis or principle which is the foundation of a standard. The strength of a building is determined by the strength of the foundation on which it rests and the strength of the main pillars. The higher the achievement target of an internal audit, the more complete and more complex compliance with standards is required.

2.2. The International Professional Practice Framework (IPPF)

Professional internal auditing is based on the IIA's International Standards for professional internal auditing practices, which are part of the International Professional Practice Framework (IPPF). Together, these mandatory principles and guidelines provide the tools to serve their organizations effectively and provide stakeholders with confidence that the internal audit team is functioning to the highest possible standard of professionalism and skill. The IPPF is considered as a guideline and evidence governing the practice of internal auditing in the world under a comprehensive framework of professional standard practices, codes of ethics and guidelines to explain how to implement and carry out practices that are strictly adhered to (Rahahleh 2010). IPPF can assist in increasing the efficiency and effectiveness of the organization, by providing guidelines for audit committees and management to measure the performance of internal auditors. In addition, it is also a guideline for internal auditors to measure themselves so that they can find out the achievements and obstacles in the internal audit activities carried out. Broadly speaking, according to Robert (2016) IIA standards are designed with the aim of: [1] Describe the main principles or basis for internal auditing practice, [2] Provides a framework for conducting and promoting various value-added audit activities, [3] As a basis for measuring internal audit performance, and [4] Assist the development of company or organization operational activities.

The structure of internal auditing professional practice standards is divided into attributes and performance. The nature and characteristics of organizations and auditors that perform internal audits and apply to all internal audit services are discussed in the attribute standards. While the nature of internal audit activities and quality criteria that can measure service performance are discussed in performance standards. These two standards apply to all areas of internal audit services as well as internal auditors (IIA 2017). In addition to internal audit professional standards, the internal audit profession also needs to understand the professional code of ethics. The IIA code of ethics was formed with the aim of promoting an ethical culture for the internal auditing profession (Robert 2016). By implementing a code of ethics within an organizational environment, it will support the confidence of users of internal audit services regarding the objective guarantees provided regarding internal control, risk management and governance. This code of ethics is based on the principles of integrity, objectivity, confidentiality and competence of internal auditors (Robert 2016). These principles are norms of good behavior that internal auditors must apply and are intended to guide their ethical behavior. The IIA's code of ethics applies to individuals and entities that provide internal audit services.

The internal audit profession standard continues to be refined. It started in 1941 and began to be refined since 1947 with only financial aspects. Then in 1957 the standard was revised by expanding the scope of the assignment not only to focus on financial aspects but also on the assurance aspects of operational activities. Then this statement of responsibility for the internal auditors was continuously revised in 1971, 1976, 1981 and 1990. The internal auditors' professional standards themselves were first formulated in 1978 and continued to be updated in 2002, 2009, 2013 and 2017. These standards continues to experience dynamics and updates in accordance with developments in the business world, technology, and the concept of governance, risk management and internal control . Then it was continued in 1968 for the first time the IIA formulated a code of ethics which was then revised in 2000. Prior to the current changes, although not yet perfect, the IPPF consisted of the following components: [1] *Mandatory guidance*, consisting of: (1) definition of internal audit; (2) international standard of internal audit; and (3) internal audit code of ethics, [2] *Strongly recommended guidance*, consisting of: (1) *position papers* ; (2) *practice advisories* ; and (3) *practice guides*.

Some of the changes that are expected to occur are: [1] Addition of an internal audit mission component (mission), [2] Adding new elements to the mandatory guidance component in the form of core principles of *internal* audit, [3] Changes in the content of internal audit standards (standard), [3] *Strong* component name change *recommended guidance* becomes *recommended guidance* with new elements in the form of *implementation guidance* and *supplemental guidance*.

The Figure 1 explains the changes to the IPPF standard from the old version to the new version which came into effect in 2014. Changing the name of the strongly recommended guidance component to become recommended guidance with new elements in the form of implementation guidance and supplemental guidance. The old elements are treated as follows: (1) the position paper will still be issued by IIA but will not become part of the IPPF because its purpose is more focused on communicating to internal audit stakeholders; (2) practice advisories are replaced with implementation guidance; (3) all practice guides, Global Technology Audit Guides (GTAGs), and Guides to the Assessment of IT Risks (GAIT) automatically become part of the recommended supplemental guidance.

Now some of the points of change above have been realized. The most obvious change is the inclusion of an official internal audit mission (mission) as a component of the IPPF since July 2015. The mission indicates the ideals of internal audit to be achieved within an organization. The mission is deliberately included in the framework to demonstrate that internal audit practitioners will utilize the entire framework in an effort to support their ability to achieve the mission.

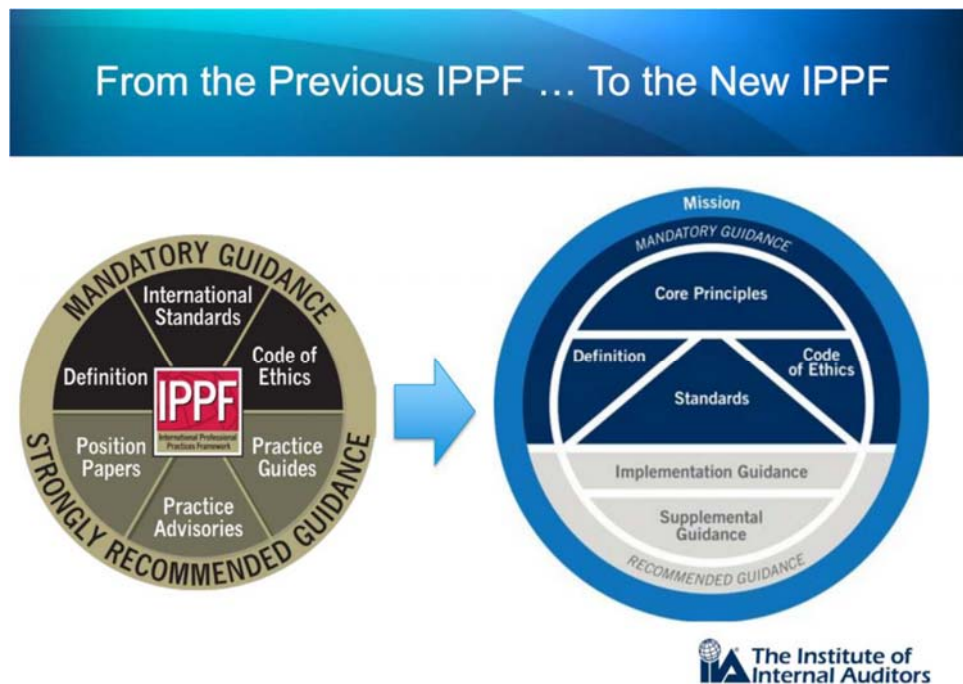


Figure 1 Changes to the Auditor Professional Standards Framework

2.3. Indonesian Government Internal Audit Standards (SAIPI)

Article 53 Government Regulation Number 60 of 2008 concerning the Government's Internal Control System mandates that in order to maintain the quality of APIP audit results, it is necessary to have audit standards prepared by the auditor's professional organization with reference to the guidelines set by the government. The guideline used as a reference for the preparation of the standards referred to in Article 53 is the Regulation of the Minister of Administrative Reform Number PER/05/M.PAN/03/2008 concerning Audit Standards for Government Internal Supervisory Apparatuses, which was stipulated several months before the issuance of Government Regulation Number 60 of 2008 .

Since the mandate for setting standards according to Article 53 of Government Regulation Number 60 of 2008 until early 2014, there has been a vacancy in government internal audit standards because the establishment of an auditor professional organization authorized to compile the standards itself has taken quite a long time, so that during this vacancy period, APIP continues to refer to on PER/05/M.PAN/03/2008 as a standard for audit activities. It was only in November 2012 that a professional organization was officially formed called the Association of Indonesian Government Internal Auditors (AAIPI). The standard formulation process could not be completed immediately after AAIPI was formed.

Finally, on April 24 2014, AAIPI officially issued the Government of Indonesia Internal Audit Standards (SAIPI), which was approved by the AAIPI National Board through Decree Number KEP-005/AAIPI/DPN/2014. This decree contains in full the Enforcement of the Indonesian Government's Internal Auditor Code of Ethics, the Indonesian Government's Internal Audit Standards, and the Indonesian Government's Guidelines for Peer Review of Internal Auditors.

With the issuance of this SAIPI, the mandate of Article 53 of Government Regulation 60 of 2008 has been fulfilled and automatically all APIP Ministries/Institutions/Regional Governments (Provinces/Districts/Cities) throughout Indonesia are required to enforce and implement the SAIPI. Permenpan no.5/2008 defines the meaning of audit standards as criteria or

minimum quality measurements for conducting audit activities that must be guided by the Government Internal Supervisory Apparatus (APIP). The purpose of preparing this APIP audit standard is to: [1] establish the basic principles that represent what audit practices should be; [2] provide a framework for implementing and enhancing internal audit activities that have added value; [3] establish the basics of audit performance measurement; [4.] accelerating the improvement of operational activities and organizational processes; [5] assess, direct and encourage the auditor to achieve audit objectives; [6] become a guideline in audit work; and [7] the basis for assessing the success of audit work.

As a minimum quality measure, APIP audit standards for auditors and APIP function in carrying out main tasks and functions (tupoksi) that can represent audit practices that should, provide a framework for implementing and improving audit activities that have added value and establish the basics measurement of audit performance, including evaluating the effectiveness of follow-up on monitoring results and the consistency of presenting audit reports.

By paying attention to the definition of the APIP audit standard, the objectives and functions of the APIP audit standard, and if all Auditors and APIP carry out their main duties and functions properly, the hope for creating good and clean governance can start from the APIP agency. Table 2.1 describes the audit standards applied by the Government Internal Supervisory Apparatus (APIP) which are divided into 4 components namely: basic principles, general standards, internal audit implementation standards and internal audit communication standards.

Table 1 Indonesian Government Internal Audit Standards

Basic Principles	1000	Vision, mission, objectives, authorities and responsibilities of APIP
	1100	Independence and objectivity
	1200	Compliance with the code of ethics
Common Standards	2000	Continuous professional competence and rigor
	2100	Auditors' obligations
	2200	Development program and quality assurance.
Internal Audit Implementation Standards	3000	Management of internal audit activities,
	3100	The nature of the work of internal audit activities
	3200	Internal audit assignment planning
	3300	Implementation of internal audit assignments
Internal Audit Communication Standards	4000	Communication of internal audit assignment results
	4100	Follow-up monitoring.

2.4. Internal Audit Standards as Internal Auditor Protection

Standards will protect the auditor as well as the institution (client) being audited. Auditors can also be held liable if they neglect their duties entrusted to them or if they fail to provide internal audit output either assurance or consultancy by failing to conduct an audit in accordance with auditing standards. Within the scope of the external auditor, the biggest risk is to be wrong in giving an opinion on the financial statements. This is because the main output of the external audit is to provide an opinion on the financial statements. The auditor's failure to adhere to the criteria given above has dire consequences for both the auditor and the audit firm itself. There have even been actual incidents that have occurred where auditors have been punished together with business entities for the failure of the founders to maintain their independence in conducting audits and this failure for example is what has happened that led to the collapse of Enron. In short, the United States Department of Justice convicted KAP Arthur Andersen guilty of conspiracy to commit Enron's fraudulent financial statements. Arthur Andersen continued to accept the negative consequences of the Enron case and eventually declared bankruptcy.

Errors in giving opinions also occurred in national cases, namely in Garuda Indonesia's financial reports. Garuda's Annual Financial Report was declared flawed after the fact was discovered that Garuda Indonesia recognized revenue related to the cooperation made with PT Mahata Aero Technology for the payment that Garuda would receive after signing the agreement so that this had an impact on Garuda's Profit and Loss Report.

The Ministry of Finance through the Financial Professional Development Center then conducted an examination of the Public Accountants Kasner Sirumapea and KAP Tanubrata, Sutanto, Fahmi, Bambang & Rekan (members of the international audit organization BDO) who conducted an audit of the Financial Statements of PT Garuda Indonesia Tbk for the 2018 financial year. The examination found two important issues regarding audit standards and KAP quality control systems. The Ministry of Finance found that there had been a violation of the Auditing Standards (SA) - Public Accountant Professional Standards (SPAP) SA 315, SA 500, and SA 560 which were carried out by Auditors from KAP which affected the opinion of the Independent Auditor's Report (LAI). SA 315 is an auditing standard that deals with identifying and assessing the risks of material misstatement through understanding the entity and its environment, while SA 500 deals with audit evidence and SA 560 deals with how the auditor considers subsequent events in the audit. The risk of being wrong in giving an opinion can actually be avoided if the auditor complies with the auditing standards that apply to external audits, namely the Public Accountant Profession Standard (SPAP). SPAP is able to protect the auditor from both civil and criminal sanctions if there are legal implications for an audit activity.

Within the scope of internal audit, there is often an assumption that if there are many findings from external auditors then the role of internal auditors is not optimal. This is not entirely wrong because the findings (findings) apart from coming from the non-optimal role of internal audit can also be caused by a lack of support from the leadership of an institution (*tone of the top*). The findings of the external auditors are not actually a 'defect' or an auditee's fault. Findings or conditions accompanied by good recommendations will certainly bring goodness to the organization in improving its *internal control function*.

The presumption that the internal auditor is not optimal with the many conditions or findings of the external auditor can actually be overcome by having audit standards. Audit standards will protect internal auditors if cases occur within the internal institution, both irregularities and *fraud*. Internal auditing standards comprehensively guide internal auditors in carrying out their functions for both the assurance function and the consulting function. For example, the initial phase of internal audit implementation, namely audit planning, is regulated in the 2200 standard, which in essence is a process that according to the standard must be carried out carefully and based on institutional risk mapping.

2.5. Audit Standards Applicable in Indonesia

In Indonesia, the auditing standards that apply are Public Accountant Professional Standards (SPAP), Auditing Standards (SA), Financial Information Review Standards (SR-IK), External Service Standards (SJE), and Public Accountant Professional Ethics Standards (SEPA). The following is a more detailed explanation of the auditing standards that apply in Indonesia: [1] Public Accountant Professional Standards (SPAP). SPAP is a standard that regulates general principles, guidelines, and professional ethical requirements for public accountants in carrying out audit assignments and other services. SPAP includes four principles, namely integrity, objectivity, professional competence, and confidentiality. [2] Standards (SAs). SA is a standard that regulates guidelines and procedures in carrying out an audit of a company's financial statements. SA consists of 17 standards which are divided into three categories, namely general standards, implementation standards, and reporting standards. [3] Standard Review of Financial Information (SR-IK). SR-IK is a standard that regulates guidelines in carrying out a review or review of company financial information that has not gone through an audit process. SR-IK includes guidelines for carrying out the review process, compiling review reports, as well as professional ethics requirements that must be complied with by auditors. [4] Standards (SJE). SJE is a standard that regulates guidelines and requirements in carrying out other external services such as consulting, appraisal, and other services besides auditing. SJE includes guidelines for performing external services, compiling external service reports, as well as professional ethical requirements that must be complied with by auditors. [5] Standards (SEPA). SEPA is a standard that regulates professional ethics requirements for public accountants in carrying out audit assignments and other services. SEPA covers principles such as integrity, objectivity, professional competence, confidentiality, and professional conduct.

III. RESULT AND DISCUSSION

3.1. Institution Overview

The state is obliged to serve every citizen and resident to fulfill their basic rights and needs within the framework of public services. This is the mandate of the 1945 Constitution of the Republic of Indonesia. The government is obliged to build public trust in public services that are carried out so that they are able to fulfill the rights and needs of the community as mandated by the law. According to Osborne and Gaebler (1992) one way to build public trust is through government entrepreneurial innovation in a new paradigm known as the *Reinventing Government paradigm*. One of the concepts of *Reinventing Government* is the implementation of entrepreneurship known as Enterprising Government. This concept describes the development of an entrepreneurial spirit in administering government. In maximizing public services so that they can compete with the business sector, the government has representatives or agents in carrying out the Enterprising the Government concept. The agency is the Public Service Agency or BLU. The concept of BLU is different from State-Owned Enterprises (BUMN), which we often hear about. In SOEs, the government includes its capital and the BUMN assets are separated from State assets. Whereas in BLU, all assets are part of the state's wealth. BLU revenue is also considered as Non-Tax State Revenue (PNBP) in the structure of the State Revenue and Expenditure Budget (APBN). Thus BLU remains an integral part of the Government.

BLU is also different from the Work Unit (Satker) Non-Tax State Revenue (PNBP) where the Work Unit or better known as the Satker is an agency that is the forerunner to the emergence of the Public Service Agency (BLU) with the conditions that apply. Satker is a work unit formed by the government as an effort to provide services to the community and obtain funding from the government. In carrying out its functions, the work unit can only use funds originating from the government or collect fees from the public for the goods/services that have been provided, provided that there are tariff rules. Periodically the work units are required to make budget realization reports so that their performance can be assessed based on their productivity, efficiency and effectiveness. In order to achieve the three performance appraisal indicators, the government through Law no. 17 of 2003 concerning State Finance made a change in budgeting policy from traditional to performance-based budgeting.

Changes in traditional financial management methods (*non-profit* /as long as the government's budget is used up) by the work unit, into performance-based budgeting (not for profit/conducting healthy business practices) gave rise to the term *enterprising the government* or entrepreneurship in government agencies. It is called that because on a performance basis, government agencies can be more productive in terms of performance and are expected to be able to meet all their material needs independently. This can happen if the work unit, which then transforms into a BLU, is able to carry out sound business practices, or in other words, does not experience any losses in carrying out its operational activities.

BLU terminology began to enter the public domain since the birth of Law no. 1 of 2004 concerning the State Treasury, especially articles 68-69 concerning Financial Management of Public Service Bodies. In this regulation, the definition of a Public Service Agency is defined as "a government agency formed to provide services to the community in the form of supplying goods and/or services that are sold without prioritizing profit and in carrying out its activities based on the principles of efficiency and productivity."

Table 2 Differences in the conception of PNBP Satker, BLU and BUMN

ASPECTS	SATKER	BLU	BUMN
Orientation	Not Profit	Non Profit	Profit
Asset	Not Separated	Not Separated	Separated
Management	Centralized	Autonomus	Autonomus
Regulation	Governance Rigid	General → Regulator Detail → BLU	General → Regulator Detail → BUMN
State Budget RM Portion	All	RM Allocation	Equity Capital
Tarif	Government Regulations	Finance Minister Regulation	State-Owned Enterprises

			Regulations
Income	Treasury Fund	Managed	Managed
Business Development	No Develope	Develops	Develops
Surplus	No Surpluses	Surpluses	Surpluses
Human Resource	Civil Servant	Civil Servant – Non Civil Servant	Non Civil-Servant
Taxation	Non Subject	Non Subject	Subject

Table 3. BLU Ministry of Finance

No	BLU	TECHNICAL SUPERVISOR	FINANCIAL SUPERVISOR	MAIN ROLE
1	Badan Pengelola Dana Perkebunan Kelapa Sawit (BPD PKS)	Dit SMI -DJPb	Dit PKBLU – DJPb	Management of oil palm plantation funds
2	Pusat Investasi Pemerintah (PIP)	Dit SMI -DJPb	Dit PKBLU – DJPb	coordinator of ultra micro financing funding
3	Badan Pengelola Dana Lingkungan Hidup (BPD LH)	Dit SMI -DJPb	Dit PKBLU – DJPb	management of funds for the environment
4	Lembaga Pengelola Dana Pendidikan (LPDP)	General Secretary	Dit PKBLU – DJPb	management of education endowment fund
5	Lembaga Manajemen Aset Negara (LMAN)	General Secretary	Dit PKBLU – DJPb	state asset management operator
6	Lembaga Pengelola Dana Kerjasama Pembangunan Internasional (LPDKPI)	Ditjen Perimbangan Keuangan	Dit PKBLU – DJPb	management of international development cooperation funds

In 2025 BLU revenue is projected to reach IDR 85.2 trillion and contribute 26% of the total PNB in that year. This condition certainly gives a positive signal for potential state revenue in the future because BLU continues to adapt and develop in line with the mindset of financial flexibility it adheres to. Financial flexibility is certainly needed in facing the challenges of fluctuating globalization. The protectionism and trade wars that have been haunting lately need to be anticipated from within by strengthening the muscles of the economic foundation through the development of human resources (human resources). Superior human resources have the creativity, innovation and speed to compete globally so they can leapfrog other nations in the world. This is in line with the theme of the 2020 State Budget, namely Excellent Human Resources. To increase national competitiveness is to improve the quality of Human Resources (HR), as capital to enter the digital-based economy era. This is where the role of the BLU becomes important as a government representative that directly serves the community in various sectors such as education, health and the economy to form competent human resources. Optimizing BLU services is the government's key to accelerating the formation of superior and internationally competitive human resources. Based on official data from the Directorate for Development of Financial Management (Dit. PPK BLU) of the Directorate General of Treasury, there are currently 251 BLUs spread throughout Indonesia. The BLUs are divided into 6 groups, namely Health BLU, Education BLU, Fund Management BLU, Area Management BLU, and Other Goods and Services Management BLU. The most BLU cluster is Education BLU with 114 BLU followed by health BLU with 106 BLU. The Ministry of Finance has 6 BLUs consisting of 2 groups, namely Fund Managers BLU and Other Goods and Services Providers BLU. Details of BLU within the Ministry of Finance are explained in Table 3.

3.2. Internal Audit Unit (SPI) at the Public Service Agency

The Internal Audit Unit is a work unit directly under the leadership of the BLU which is tasked with conducting internal inspections. This is also regulated in Government Regulation number 23 of 2005 concerning Financial Management of Public Service Bodies as amended by Government Regulation number 74 of 2012, article 35. The duties of SPI in Minister of Finance Regulation (PMK) number 129/PMK.05/2020 concerning Guidelines for Management of Public Service Agencies article 253 are as follows:

- a. Develop and implement the Internal Control plan;
- b. test and evaluate the implementation of internal control and risk management systems;
- c. carry out inspections and assessments of efficiency and effectiveness in finance, accounting, operations, human resources, marketing, information technology, and other activities;
- d. provide suggestions for improvements and objective information about the activities supervised at all levels of management;
- e. make a report on the results of Internal Supervision and submit the report to the Head of BLU and the Supervisory Board;
- f. provide recommendations for improvement/enhancement of governance processes and efforts to achieve BLU's business strategy;
- g. monitor, analyze, and report on the implementation of follow-up on supervisory recommendations by the SPI, the Government's internal control apparatus, the Government's external inspection apparatus, and BLU supervisors
- h. conduct a review of financial reports;
- i. Conducting special inspection if needed;
- j. prepare and update work guidelines as well as systems and procedures for carrying out SPI tasks; And
- k. carry out other tasks based on assignments in accordance with the provisions of laws and regulations .

The PMK also regulates SPI HR, which consists of 1 (one) internal auditor or more and is led by the head of SPI. The number of internal auditors referred to above is adjusted to the size and level of complexity of BLU activities. SPI internal auditors may consist of civil servants and/or non-PNS professionals. Furthermore, in article 265 it is stated that the SPI internal auditor must meet the following requirements:

- a. have integrity and behave professionally, independently, honestly and objectively in carrying out their duties;
- b. have knowledge and/or experience regarding audit techniques and/or other scientific disciplines relevant to their field of work;
- c. have knowledge of legislation in the field of BLU financial management regulations and other related laws and regulations;
- d. have the skills to interact and communicate both orally and in writing effectively;
- e. willing to comply with the professional standards and code of ethics issued by the internal control association;
- f. maintain the confidentiality of BLU information and/or data related to the implementation of duties and responsibilities of Internal Audit unless required by law or a court order/decision;
- g. understand the principles of Good Governance and risk management; And
- h. willing to continuously improve their knowledge, expertise, and professionalism.

Especially for the head of the SPI must have adequate expertise regarding audits. The expertise referred to is the expertise that is recognized in the internal auditor profession by obtaining the appropriate professional certification. In the event that professional certification cannot be fulfilled, it can be replaced with temporary requirements as follows: [a] have experience as an auditor for at least 3 (three) years; and/or [b] have knowledge related to accounting and finance. The Head of SPI who is appointed with the requirements as referred to above must obtain professional certification within 2 (two) years of appointment.

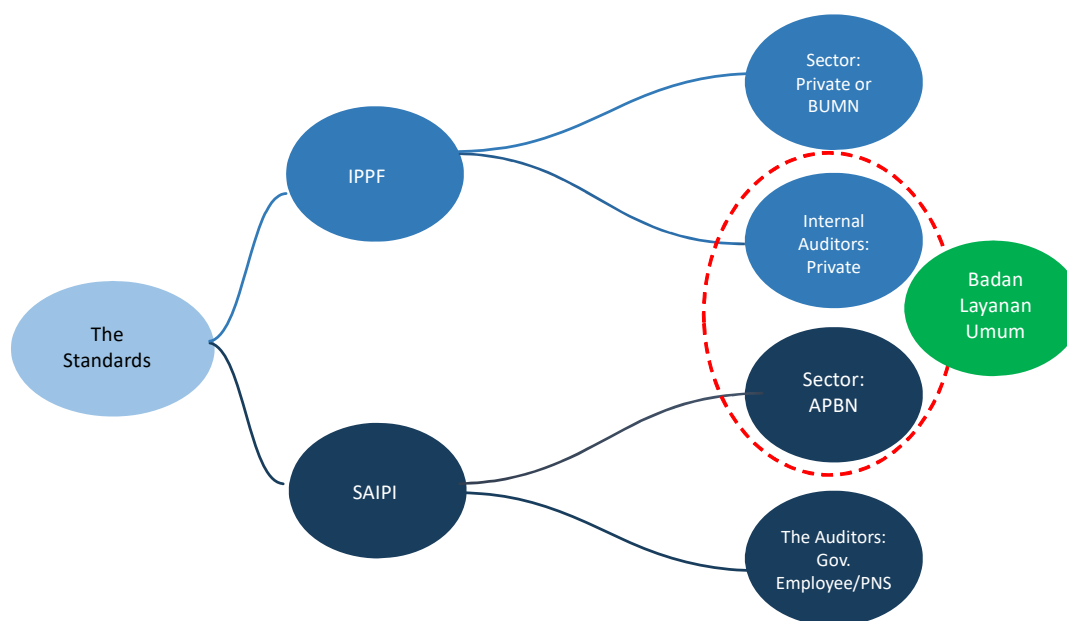


Figure 2 Tranches in Indonesia

3.3. BLU Auditor in Internal Audit Standards in Indonesia

The IIA's International Standards for the Professional Practice of Internal Auditing, or better known as The Standards, are statements that focus on the key principles of internal auditing and provide a framework for implementing and promoting the profession of internal auditing. Internal audit standards in Indonesia are divided into 2 branches (tranches), namely: [1] The IPPF is enforced as a standard for the private sector or BUMN with internal auditors coming from the private sector [2] SAIPI which is enforced as a standard for the public sector with the scope of state finances (APBN) with internal auditors coming from civil servants. On the other hand, BLU is an institution that operates in the public area (APBN funding and state financial accountability) but also operates in the private area (business processes). The 'hybrid' mechanism places the internal oversight unit in a unique position. On the one hand, BLU auditors must function as assurance to examine internal control aspects of the use of state finances, but on the other hand, many BLU auditors are not civil servants (Non PNS).

Permenpan No. 5/2008 defines the definition of an audit standard is a criterion or minimum quality measure for conducting audit activities that must be guided by the Government Internal Supervisory Apparatus (APIP). The definition of this Permenpan contains an explicit meaning that SAIPI only applies to APIP both within the Ministries, State Institutions and Regional Governments. This definition does not provide any confirmation or standard setting that must be adhered to by an institution such as a public service agency. Another aspect that becomes a void in the status of BLU auditors is an affirmation of whether they are APIP or outside the section as APIP.

3.4. Benefits of Standard for BLU

First, Setting and Meeting Expectations. Standards provide consistency in auditing practices, ensure the quality of any audit work performed, and assist the Chief Audit Executive/Chief of Internal Audit (CAE) in aligning stakeholder expectations with the actual service provided by internal audit. The auditor may need to educate stakeholders on what to consistently expect from internal auditing and then deliver it - a process that the Standards very much enable. In terms of meeting stakeholder expectations, standards help the independent aspects of internal audit because standards function as a third line of defense (third line) in relation to management and various risk and compliance functions that are on the second line. Independence guarantees the effectiveness of internal audit. If there is uncertainty about the facts surrounding a particular initiative, or different parts of the business are in dispute, then internal audit can be relied on to provide an independent and objective view of the matter at hand. The position of independence of internal audit makes it possible to provide consultancy to the single platform project team to help remind them of the internal control posture that must still be met in the context of this massive change.

Second, Achieving Conformity. Finding the right principles to strengthen a position allows internal auditors to address today's emerging challenges, such as artificial intelligence and information complexity. The audit function in all types of organizations/entities, both business entities and public entities, will develop, gain maturity, and have excellent relevance if it follows the standards. Without this maturity and relevance, the audit function will not be able to respond in a timely manner to the rapid technological developments facing the organization. According to the IIA's regular research project, the Common Body of Knowledge (CBOK), the percentage of CAEs who say they are fully compliant with the standard fluctuates. In 2005 56% of CAEs said they were compliant; this figure fell to 42% in 2010, and then rose to 54% in the most recent 2015 survey. For some who read the numbers, this is a disheartening reality because in one year only about half of the CAEs achieve what should be the basic professional requirements to operate as internal audit. Even in the CBOK report led by James A Bailey, it was reported that 11% of respondents had not fully implemented standards at all. However, for the author, these figures are actually the result of an evaluation of the application of an audit standard and can serve as feedback on the extent to which the standards are applied by members of their profession. If this evaluation were applied to BLU, which currently has 261 units throughout Indonesia, of course the results of this evaluation would be wishful thinking or a mirage because the quo vadis is the implementation of internal audit standards within BLU.

Third, Achieved External Quality Assurance Assessment. CBOK's findings seem to indicate that some CAEs do not see the value of an independent external party's quality assurance/quality assurance assessment of the internal audit organization they lead. In organizations with small audit functions, stakeholders are often less demanding or knowledgeable about what internal audit should achieve compared to audit committees of public companies where quality assurance review of internal audit is essential. However, to become a professional internal auditor, one must comply with all standards, including those on quality assurance, and that is much easier to achieve than one might think. With this quality assurance assessment, we will learn a lot about the proper function of internal audit and gain many tangible benefits. For example, if the audit function finds there is a lack of sufficient training, it can use evidence from the quality assurance review to request funding from authorized stakeholders. The CAE may require all persons pursuing a career in internal auditing to take the Certified Internal Auditor (CIA) exam issued by the IIA. Furthermore, a quality assurance review will eliminate potential conflicts of interest in terms of independence. It will help align the internal audit organization's expectations with internationally recognized best practices so that stakeholders can feel confident that internal audit is performing its function properly.

Fourth, Unique Profession. Internal auditing as a global profession and by following standards internal auditing sets the benchmark for how the work should be done. Internal auditing is practiced in the same way regardless of industry, geography, size of organization, and whether the field is for-profit, not-for-profit, or for the public service. This is not the case in the legal or accounting professions, for example, where local laws and practices vary widely. Wherever an internal auditor goes, the individual can still practice the profession, talk to fellow internal auditors, and learn from what people in a variety of industries and regions are doing.

Fifth, Advancing the Profession. Conformity of internal audit to standards that are still not optimal is a challenge. Even in Indonesia, which is part of the Asia-Pacific region, the percentage of compliance with standards for the Asia-Pacific region is 46%, which means below the world average. Improving it is a challenge and a joint process involving all internal auditors in Indonesia in particular.

3.5. Continuing Professional Education (PPL) and SPI BLU Auditor Career Path

The definition of APIP includes the Functional Position of Auditor (JFA) and the Functional Position of Supervisor for the Implementation of Government Affairs in the Regions (JFP2UPD) whose position is as functional technical executor in the field of supervision within the Government Internal Supervisory Apparatus (APIP). Meanwhile, agencies where APIP is under the auspices of both the central and/or regional governments include BPKP, Inspectorate General/Inspectorate/Internal Supervision Unit at the Ministry/Ministry of State, Main Inspectorate/Inspectorate of Non-Ministry Government Institutions, Inspectorate/Internal Supervision Unit at the Secretariat of State Higher Institutions and Institutions State, Provincial/District/City Inspectorate, and Internal Control Unit in other Government Legal Entities in accordance with statutory regulations.

In standard 1230 it is required for Internal Auditors to continue to improve their knowledge, skills and other competencies through continuous professional development. It was further suggested by The IIA that Internal auditors are responsible for continuously undergoing education to maintain and improve their skills. Internal auditors should stay informed about

developments in the latest internal audit standards, procedures and techniques, including SIPPAT from The IIA. Continuing professional education (PPE) can be obtained through membership, participation, and volunteering in professional organizations, attendance at conferences, seminars, and in-house training programs; completion of college education; and involvement in a research project.

Quo vadis also occur in the PPE program area for BLU internal auditors. This happens because the majority of the BLU auditors' input does not come from the auditor's genetics. SOEs and the private sector even require that their internal auditors must have expertise and experience as auditors for a certain period of time. Whereas at the BLU this has actually been regulated in PMK 129/PMK.05/2020 but only requires the qualification of the head of the SPI, while auditor staff are not required in the PMK to qualify as auditors.

This is a separate problem if the SPI staff input is not an auditor but comes from a work unit whose duties and functions are not related to internal control. To increase the understanding capacity of internal auditor staff, it cannot be done through the APIP educational pathway at the BPKP Pusdiklatwas due to the status of the auditor who is a non-PNS. The current solution is to improve their qualifications through certification and other PPE education at the Internal Audit Education Foundation (YPIA). Increasing the capacity of BLU auditors is homework that must be completed by both the Pusbin JFA BPKP and the Inspectorate General of the Ministry of Finance of the Republic of Indonesia so that BLU auditors can be recognized as APIP with the aim of overseeing state financial accountability and making them trusted advisors . for their institution.

IV. CONCLUSION AND RECOMMENDATION

In the personal aspect, a standard is able to provide guidance on how to act or behave in daily life, whereas in the professional aspect, a standard is a mandatory component that must be used by professionals in carrying out their practice. To make work a true profession, a job must have professional implementation standards which are a differentiating factor from work in general besides the existence of a professional code of ethics, professional associations and the need for continuing professional education.

In the private sphere, internal auditing standards have been formulated by the IIA. One part of the IPPF is the Internal Auditor Professional Standards (Standards). This standard is an important and essential part in realizing the role and performance of internal auditors either individually as a professional or also by the internal audit unit as an organ within the company. In the public domain, the Indonesian Government Internal Auditor Association (AAIPI) has developed the Government Internal Audit Professional Practice Framework (KP3IP) and the Indonesian Government Internal Audit Standards (SAIPI). SAIPI must be applied by APIP leaders and Auditors in all internal control activities, including audit activities as referred to in article 53 of Government Regulation number 60 of 2008.

BLU is an institution that operates in the public area (APBN funding and state financial accountability) but also operates in the private area (business processes). The 'hybrid' mechanism places the internal oversight unit in a unique position. On the one hand, BLU auditors must function as assurance to examine internal control aspects of the use of state finances, but on the other hand, many BLU auditors are not civil servants (Non PNS) . Currently there is no confirmation or standard setting that must be adhered to by institutions such as public service agencies. Another aspect that becomes a void in the status of BLU auditors is an affirmation of whether they are APIP or outside the section as APIP.

Auditing standards will protect the auditor as well as the institution (client) being audited. The presumption that the internal auditor is not optimal with the many conditions or findings of the external auditor can actually be overcome by having audit standards. Audit standards will protect internal auditors if cases occur within the internal institution, both irregularities and fraud. Internal auditing standards comprehensively guide internal auditors in carrying out their functions for both the assurance function and the consulting function.

Internal Audit Standards for BLU auditors are a necessity that cannot be underestimated. The urgency of setting audit standards for BLU must become a roadmap and become part of state financial accountability. For this reason, the BPKP Auditor Functional Position Development Center (Pusbin JFA) and the Inspectorate General of the Ministry of Finance of the Republic of Indonesia should conduct a more in-depth study of the existence of BLU internal auditors considering that the current number of BLUs has reached 251 BLUs with total managed state financial assets of 1,050 trillion. The Directorate of Public Service Agency (BLU) Financial Development needs to think about strategic aspects of the existence of internal auditors within the BLU

environment. BLU internal auditors who comply with audit standards are able to provide quality work results in carrying out their functions both as assurance and as *trusted advisors*.

BLU auditor career paths must also be a concern of stakeholders. This is a guarantee of independence for BLU auditors in carrying out their functions as a *strategic partner for clients*. The Heads of Internal Control Units of all BLUs should have the same *awareness* regarding the absence of standards for BLU auditors. This should be disseminated to the respective BLU stakeholders (Ministries) as an effort to realize better aspects of BLU supervision in the future. BLU auditors should form a special BLU internal supervisory association as SOE internal auditors form a special association. With the existence of an association, the voice or aspirations of the BLU auditors can be implemented with the birth of policies that benefit all parties.

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