

Evaluation of the Implementation of the Principal Inspectorate's Role of Agency X in the Performance Audit

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ABSTRACT

A gap exists between Regulation Number 8 of 2021 of the Financial and Development Supervisory Agency (BPKP) and the Implementation of the Principal Inspectorate's Role for Agency X in the Performance Audit of Activity X. In contrast, the agency's target to achieve capability level 4 within the next four years underscores the importance of Research that aims to evaluate the Implementation of the Role of Irtama of Agency X in the Performance Audit of Activity X based on BPKP Regulation Number 8 of 2021 and to provide recommendations for improvement to enhance its capability level to level 4. The Research employs a qualitative evaluation case study approach. Secondary data were obtained from qualitative document instruments, while primary data were collected through interviews and questionnaires. It examines the perspectives of auditors, auditees, and BPKP evaluators. The results indicate that Irtama of Agency X implemented only 9 of 16 statement fulfillment items at Level 3 (56.5%) and none at Level 4 (0%). The implications suggest that Agency X should promptly develop a risk management framework, and the Principal Inspectorate of Agency X should prepare its annual plan based on Agency X's risk management, revise the performance audit guidelines, and ensure that the performance audit results generate 3E findings.

ABSTRAK

Adanya kesenjangan antara Peraturan Badan Pengawasan Keuangan dan Pembangunan (BPKP) Nomor 8 Tahun 2021 dengan implementasi peran Inspektorat Utama Badan X dalam Audit Kinerja atas Kegiatan X, padahal pimpinan Inspektorat Utama Badan X telah menargetkan bahwa 4 (empat) tahun lagi level kapabilitas Inspektorat Utama Badan X berada pada level 4, membuat pentingnya penelitian yang bertujuan untuk mengevaluasi implementasi peran Inspektorat Utama Badan X dalam Audit Kinerja atas Kegiatan X menggunakan Peraturan BPKP Nomor 8 Tahun 2021; dan memberikan rekomendasi perbaikan guna meningkatkan level kapabilitas Inspektorat Utama Badan X dalam audit kinerja menjadi level 4. Strategi penelitian ini adalah studi kasus skenario evaluasi pendekatan kualitatif. Sumber data sekunder dari instrumen dokumen kualitatif dan sumber data primer dari instrumen wawancara dan kuesioner. Penelitian ini melihat dari sudut pandang auditor, auditee dan evaluator BPKP. Hasil penelitian ini adalah Inspektorat Utama Badan X hanya mengimplementasikan 9 (sembilan) dari total 16 butir pemenuhan pernyataan pada Level 3 (56,5%) dan belum mengimplementasikan seluruh butir pemenuhan pernyataan pada Level 4 (0%). Implikasi untuk Badan X agar segera menyusun manajemen risiko dan Inspektorat Utama Badan X segera menyusun rencana tahunan berdasarkan manajemen risiko Badan X, memperbaiki pedoman audit kinerja, dan memastikan hasil audit kinerja terdapat temuan 3E.

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1. INTRODUCTION

Pemerintah RI (2008) mandated that the heads of government institutions ensure the effectiveness of the internal control system (SPI) within their organizations to achieve institutional objectives. To support optimal SPI implementation, it is essential to strengthen the Role of an effective Government Internal Supervisory Apparatus (APIP) (Pemerintah RI, 2008). The Implementation of the APIP's Role in performance audits is assessed based on its ability to provide reasonable assurance regarding the 3E (efficiency, effectiveness, and economy) of an organization, program, function, or activity (Pemerintah RI, 2008; Rai, 2008). To measure the extent of the Implementation of the APIP's Role in performance audits, the Financial and Development Supervisory Agency (BPKP) includes performance audits as one of the topics of the Role and Service element in the APIP capability assessment, as outlined in BPKP Regulation Number 8 of 2021 (BPKP, 2021b). The APIP capability model consists of 5 (five) levels of APIP capability, namely, level 1 (initial), level 2 (structured), level 3 (delivered), level 4 (institutionalized), and level 5 (optimized) (BPKP, 2021b).

This Research is motivated by the existence of a gap between regulatory expectations and the Implementation of the Principal Inspectorate's Role of Agency X in the performance audit of Activity X. Based on the Evaluation Result Report (LHE) issued by BPKP, the performance audit topic of the Principal Inspectorate of Agency X is at Level 3 (delivered) (BPKP, 2024). At this level, the Principal Inspectorate of Agency X should have conducted a performance audit in compliance with applicable standards, producing audit results that provide sufficient assurance regarding the 3E (effectiveness, efficiency, and economy) (BPKP, 2024). However, in its Implementation, none of the 18 findings from the Performance Audit of Activity X were classified as performance (3E) findings (BPKP, 2024; Inspektorat Utama Badan X, 2025a); the Performance Audit Results Report (LHA) of Activity X remains incomplete at the end of BPKP's evaluation period, and none of the 18 findings in the report were subject to follow-up monitoring procedures by the Performance Audit team of Activity X (BPKP, 2024). Moreover, preliminary reviews revealed no supporting evidence related to the Performance Audit of Activity X—out of the 16 statement fulfillment items at Capability Level 3—was documented in the web-based APIP Capability Assessment application.

This situation indicates that it remains uncertain whether the Implementation of the Principal Inspectorate of Agency X's Role in performance audits has contributed to improving or enhancing auditee performance. In fact, the head of the Principal Inspectorate of Agency X has set a target to reach capability level 4 within the next four years, with incremental score improvements from 3.61 in 2025 to 3.9 in 2028 and 4.0 in 2029 (Inspektorat Utama Badan X, 2025b). If this implementation gap in performance auditing is not systematically evaluated and addressed—particularly the absence of 3E-based conclusions, delays in finalizing the Performance Audit Report (LHA), and the lack of follow-up monitoring—then the supervisory function can no longer operate as a performance-based control mechanism. This condition risks weakening the performance improvement cycle of Agency X's strategic programs and activities, reducing the effectiveness of risk management and internal control systems that are prerequisites for achieving the Strategic Plan (Renstra) targets, and ultimately hindering the attainment of Agency X's strategic objectives related to (i) increased utilization of key outputs, (ii) strengthening of core systems and services, and (iii) clean, accountable, effective, and efficient governance (Badan X, 2025; Inspektorat Utama Badan X, 2024).

Given these issues, this Research adopts a qualitative scenario-based case study approach with the following Research question: How is the Implementation of the Principal Inspectorate's Role of Agency X in the Performance Audit of Activity X based on the self-assessment worksheets for APIP capability—specifically Role and Service element, performance audit topic, Level 3 and Level 4 indicators—in Appendix 2. a of BPKP Regulation No. 8/2021? Accordingly, this Research aims to evaluate the Implementation of the Principal Inspectorate of Agency X's Role in the performance audit of Activity X in reference to BPKP Regulation No. 8/2021 and to provide recommendations for improvement to enhance its capability level to Level 4.

From an academic perspective, this Research contributes a new analytical framework for evaluating the Implementation of APIP's Role in performance audits from four viewpoints: performance auditors, APIP capability self-assessment auditors, auditees, and BPKP evaluators. For Agency X, particularly its Principal Inspectorate, the Research provides evaluative insights into its role implementation and recommendations to improve its performance audit capability level to

Level 4. For other government institutions with similar contexts, the Research offers a reference framework for simulating and forecasting improvements in APIP capability levels during performance audits.

This Research differs from previous studies, which have primarily focused on evaluating the stages of performance audit implementation by APIP (Setianingsih & Setyaningrum, 2025); examining the Role of performance audits in public sector organizations (Haliah et al., 2020); and exploring the development of performance audits at the Audit Board of Indonesia (BPK) (Andrianto et al., 2021). This study specifically focuses on one capability element—Role and Service, particularly the performance audit topic—while prior Research examined all six APIP capability elements (2023), Yusup (2023), and Simanjuntak (2023). Furthermore, this study includes BPKP evaluators to analyze perspectives on APIP capability self-assessments, a dimension not previously incorporated in prior studies such as those by Airlangga (2023), Yusup (2023), and Simanjuntak (2023).

2. LITERATURE REVIEW

2.1. APIP's Role in the Performance Audit

APIP's Role in performance audit can be considered effective when APIP provides reasonable assurance regarding the 3E—economy, efficiency, and effectiveness—in achieving an institution's objectives and functions (BPKP, 2021b). To evaluate the Implementation of APIP's Role in an effective performance audit, several criteria must be considered: APIP must independently conduct performance audits of government activities, produce Performance Audit Results Reports (LHA), and carry out peer reviews (BPKP, 2021b).

2.2. APIP Capabilities

The effectiveness of APIP's Role in performance audits can be measured through the results of APIP capability assessments, as regulated in BPKP Regulation No. 8/2021 (BPKP, 2021a, 2021b). Three key components determine APIP's capability in performing its supervisory Role effectively: Supervisory Support (*enabler*), Supervisory Activities (*delivery*), and Supervisory Quality (*result*) (BPKP, 2021b). Performance audits fall under the Supervisory Activities (*delivery*). The minimum indicator of effective APIP role implementation in performance audits is the ability to provide reasonable assurance regarding the 3E in achieving

institutional goals, as stipulated in Article 11 of Government Regulation No. 60 of 2008, which corresponds to the Supervisory Activities (*result*) component of oversight quality (BPKP, 2021b).

The quality of the performance audit supervision is reflected through the findings, follow-up actions, and recommendations, and the use of the audit results produced by APIP (BPKP, 2021b). The outcome of the APIP capability assessment process determines the institution's capability level, ranging from Level 1 to Level 5. Level 1 (Initial) indicates the establishment of an APIP organization; Level 2 (Structured) signifies that APIP conducts internal supervision with adequate human resources; Level 3 (Delivered) indicates that APIP conducts supervision activities in accordance with standards and provides reasonable assurance regarding compliance, the 3E, early warnings, risk management effectiveness, and governance improvements (GRC); Level 4 (Managed) signifies that APIP functions as a strategic partner and continuously performs oversight related to GRC; and Level 5 (Optimized) demonstrates that APIP provides reasonable assurance on the achievement of organizational objectives (BPKP, 2021b).

2.3. Previous Research

2.3.1. APIP's Role in the Performance Audit

Several studies have examined the APIP's Role in performance audits, including Setianingsih & Setyaningrum (2025), Haliah et al. (2020), Andrianto et al. (2021), and Volodina et al. (2022). Setianingsih & Setyaningrum (2025) evaluated the alignment of the performance audit stages implemented by APIP at the Inspectorate of Ministry X. Haliah et al. (2020) analyzed the Role of performance audits in public sector organizations through comparative empirical studies in Estonia, Indonesia, New Zealand, and Norway. Meanwhile, Andrianto et al. (2021) examined the development of performance audit methodologies at the Audit Board of Indonesia (BPK). However, none of these studies have examined the Implementation of APIP's Role in performance audits using the self-assessment worksheets for the Role and Service element—specifically the performance audit topic at Levels 3 and 4—under BPKP Regulation Number 8 of 2021.

2.3.2. Improving the APIP Capabilities

Several studies have addressed improving APIP capabilities, including those by Airlangga (2023), Yusup (2023), and Simanjuntak (2023). Airlangga

(2023) evaluated the APIP capability across six elements, focusing on the challenges and obstacles to achieving Level 4 capability. However, this study was limited by the absence of interview respondents from BPKP, even though their inclusion could have provided an external institutional perspective. The study therefore recommended that future Research involve BPKP respondents to enrich the data analysis.

Yusup (2023) examined the APIP capability by comparing the old and new regulatory frameworks, particularly BPKP Regulation No. 8/2021. A key limitation of this Research was the lack of diversity among interview respondents, leading to a recommendation that future studies ensure broader stakeholder representation. Simanjuntak (2023) evaluated the Level 3 Internal Audit Capability Model (IACM) within the Ministry of Agriculture's Inspectorate General using six capability assessment elements. However, the study focused only on a single analysis unit – the Inspectorate General of the Ministry of Agriculture – without including auditees or BPKP evaluators.

The aforementioned studies have not yet examined the context of APIP capability enhancement within the Role and Service element, specifically in the performance audit topic, using the self-assessment worksheets for Levels 3 and 4 of BPKP Regulation Number 8 of 2021. Furthermore, prior studies did not involve BPKP evaluators to analyze external assessors' perspectives in the APIP capability self-assessment process.

2.4. Research Framework

The Research framework of this study is illustrated in Figure 1. Research Framework. The framework highlights the issue of performance audit quality within the Principal Inspectorate of Agency X, which has yet to produce conclusions on the 3E. This condition indicates that the Role of the Principal Inspectorate of Agency X has not yet provided adequate assurance on the effectiveness, efficiency, and economy (3E) of Activity X. Therefore, this study evaluates the Implementation of the Role of the Principal Inspectorate of Agency X in performance auditing by adopting an agency theory perspective, as agency theory provides a conceptual foundation for understanding the Role of internal auditing as a control mechanism within principal-agent relationships in the public sector (Salma, 2022; Singh et al., 2021).

As illustrated in Figure 1, the public sector is characterized by a principal-agent relationship, in which the public acts as the principal. In contrast, the government or public institution (Agency X) acts as the agent entrusted with managing public resources and implementing programs and activities to achieve public objectives (Mattei et al., 2021; Mengiste, 2022; Salma, 2022; Singh et al., 2021). This relationship inherently involves the risk of information asymmetry if not adequately controlled (Salma, 2022; Singh et al., 2021). Within this framework, the Principal Inspectorate of Agency X is positioned as an independent and objective party that verifies and validates performance information reported by the agent and communicates it to the principal or institutional leadership as a representation of the public interest. This Role is consistent with the concept of auditing as a mechanism for mitigating agency problems by providing credible assurance on resource utilization and the achievement of organizational objectives (Salma, 2022; Singh et al., 2021). Based on this agency theory framework, this study formulates recommendations to enhance the Principal Inspectorate of Agency X's performance auditing capability toward achieving Capability Level 4.

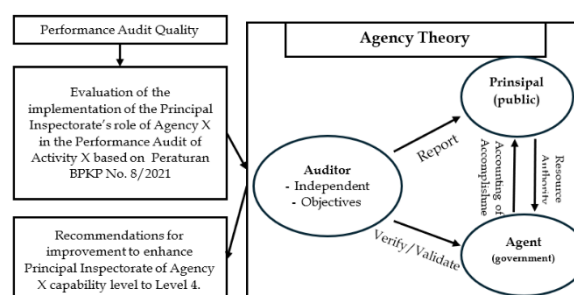


Figure 1. Research Framework

Source: Agency Theory by IIA (2012) and reprocessed by the author

3. RESEARCH METHODOLOGY

3.1. Research Strategy, Research Approach, Data Source, and Instruments

This study employs a case study strategy with an evaluation scenario, as outlined by Ellet (2018), using a qualitative approach. Secondary data were obtained from qualitative document instruments, while primary data were collected through interviews and questionnaires. The qualitative document analysis was sourced from the list of supporting evidence contained in the web-based

APIP Capability Assessment application. The interviews were semi-structured, with the researcher preparing a set of guiding questions and being allowed to develop relevant follow-up questions based on respondents' answers. The questionnaire consisted of nine questions—eight closed-ended questions with binary "Yes" or "No" options to indicate agreement or disagreement with the statements, and one open-ended question.

The respondents in this study comprised auditors, including the audit team that conducted the Performance Audit of Activity X (hereafter referred to as the audit team) and the APIP Capability Team 2024 (hereafter referred to as the capability team); auditees; and BPKP evaluators. The audit team respondents were the technical controller (PTA), team leader (KTA), and team member (ATA). The sampling technique for selecting PTA and KTA respondents was the researcher's purposive judgment sampling, while ATA respondents were selected through snowball sampling based on PTA and ATA. The reason these three respondents were selected was to obtain perspectives from each audit team assignment position (technical controller, team leader, and team member). Meanwhile, the capability team respondents were the team leader (KTB) and team members (ATB). The sampling technique for selecting KTB and ATB was purposive judgment sampling based on the researcher's judgment. The reason these two respondents were selected was to obtain perspectives from each capability team assignment position (team leader and team member).

The auditee respondents were the Activity X Unit Director (DRC) and the Activity X Team Leader (KTC). The sampling technique for selecting DRC and KTC respondents was purposive judgment sampling by the researcher. The reason these two respondents were selected was to obtain perspectives from the auditee assignment position. BPKP evaluator respondents were the team leader of the BPKP evaluator (KTD). The sampling technique for selecting KTD was the researcher's purposive judgment sampling, due to time constraints and confirmation that only KTD was available for the interview. The respondent was chosen to provide the evaluator's perspective on the APIP capability self-assessment 2024.

3.2. Analytical Process

The analytical process of this study is illustrated in Figure 2. Analytical Process

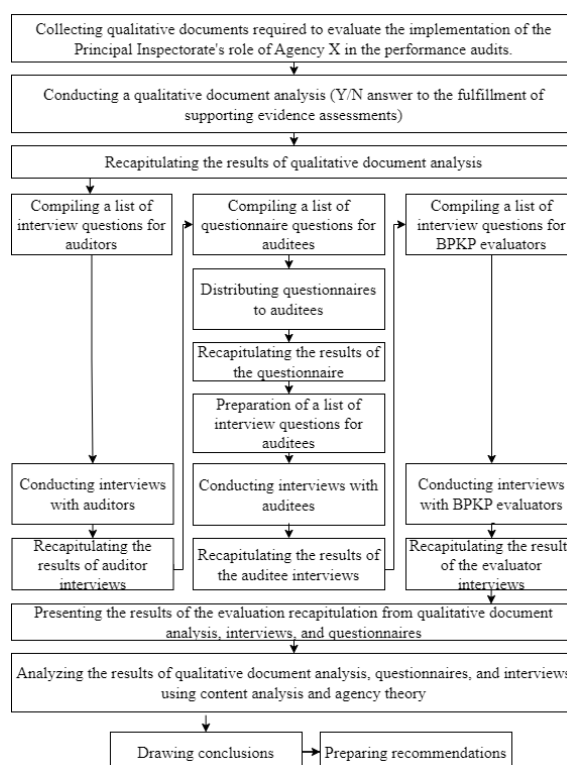


Figure 2. Analytical Process

Source: Author's processed results

3.2.1. Qualitative Document Analysis

The evaluation began with a qualitative document analysis based on BPKP Regulation Number 8 of 2021, Appendix 2. a, specifically the self-assessment worksheet for APIP capability in the Role and Service element for performance audit topics at Levels 3 and 4. The framework was divided into Level 3 Compliance and Level 4 Compliance. Level 3 Compliance consisted of Supervision Activities and Supervision Quality. Supervision Activities were further divided into Planning, Implementation, and Results. Each statement compliance item in the qualitative document analysis framework was assigned a Y/T answer based on the criteria presented in Table 1. Y/T Answer Criteria. After coding all items, the Y/T responses were summarized and used as the basis for subsequent stages.

3.2.2. Auditor Interviews

Following the document review, the next stage involved confirming the review results with the audit team and the capability team through interviews. The interview guide for auditors was developed based on BPKP Regulation Number 8 of

2021, a follow-up analysis of the qualitative document, and prior studies by Setianingsih (2024) and Airlangga (2023). Each interview question was evaluated using the same Y/T answer criteria shown in Table 1. Y/T Answer Criteria. After coding the Y/T responses from the auditor interviews, they were compiled and used as the basis for subsequent stages.

3.2.3. Questionnaire Distribution and Auditee Interviews

After completing the qualitative document analysis and auditor interviews, the next step was to confirm the results with the auditees of the Performance Audit of Activity X (hereinafter, the auditee) through questionnaires and follow-up interviews. The questionnaire was developed based on BPKP Regulation Number 8 of 2021; further analysis of the Supervision Quality section of the quantitative document analysis; insights from the auditor interviews; and previous studies by Setianingsih (2024) and Airlangga (2023).

The questionnaire used was an electronic type using Google Forms. Before distribution, a pilot test was conducted with six respondents selected via purposive judgment sampling to refine the instrument. The final questionnaire was then distributed to the auditee.

Following the questionnaire phase, the results were reconfirmed through interviews with the same respondents. The interview guide was again based on BPKP Regulation Number 8 of 2021; further analysis of the Supervision Quality section of the document, qualitative analysis; further analysis of the auditor interviews results section Supervision Quality, further analysis of the questionnaire distribution auditee results; as well as previous studies by Setianingsih (2024) and Airlangga (2023). Each interview question was evaluated using the same Y/T answer criteria shown in Table 1. Y/T Answer Criteria. After coding the Y/T responses from the auditee interviews, they were compiled and used as the basis for subsequent stages.

3.2.4. Evaluator Interviews

The subsequent stage involved confirming the combined results of the document review, auditor interviews, and questionnaire and auditee interviews with the BPKP evaluator responsible for assessing the 2024 Self-Assessment of the Principal Inspectorate Capability of Agency X (hereafter referred to as the BPKP evaluator). The interview

guide was developed based on BPKP Regulation Number 8 of 2021; follow-up analyses from all previous stages, and prior studies by Setianingsih (2024) and Airlangga (2023).

Each interview question was evaluated using the same Y/T answer criteria shown in Table 1. Y/T Answer Criteria. After coding the Y/T responses during the BPKP evaluator interviews, the responses were compiled and used as the basis for subsequent stages.

To conduct the interviews, the researcher followed BPKP's official Research request procedure, consisting of five stages: (1) submission through Pejabat Pengelola Informasi dan Dokumentasi (PPID) via email, (2) submission of required documents (university endorsement letter, Research proposal, and interview/data request list), (3) online presentation, (4) revisions based on feedback, and (5) issuance and distribution of a Research permit letter by BPKP.

3.2.5. Presenting the Evaluation Result, Analysis, Conclusion, and Recommendation

After presenting the evaluation summary results derived from qualitative document analysis, auditor interviews, auditee questionnaires and interviews, and BPKP evaluator interviews, the evaluation summaries were analyzed using content analysis. Content analysis was applied to explore the interview results by examining the frequency of recurring words and themes, identifying which respondents articulated specific viewpoints, and assessing the consistency and inconsistency of statements across respondents (Diana & Shauki, 2023). The interview data from multiple respondents were then compared and triangulated to identify convergences and divergences in perspectives among auditors, auditees, and BPKP evaluators.

The results of the content analysis were subsequently interpreted through the lens of agency theory to determine whether performance auditing had functioned as a control mechanism within principal-agent relationships, particularly by providing adequate assurance on effectiveness, efficiency, and economy (3E) and by driving performance improvement. These findings served as the basis for drawing conclusions and formulating recommendations to enhance the Principal Inspectorate of Agency X's performance auditing capabilities toward achieving Capability Level 4.

3.3. Analysis Unit

The analysis unit in this study is shown in Figure 3 – Analysis Unit.

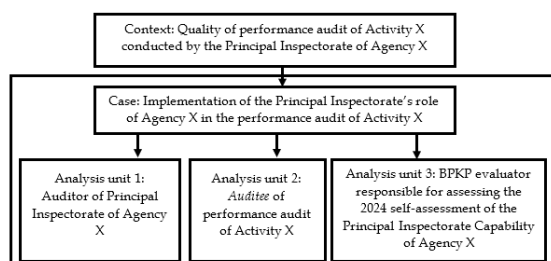


Figure 3. Analysis Unit

Source: Author's processed results

According to Yin (2018), this study employs a single-case design with embedded multiple units of analysis, investigating a single case through several analytical units within a single context. The rationale is as follows: 1) the study examines one main case – the Implementation of the Principal Inspectorate's Role of Agency X in performance audits; 2) it involves multiple units of analysis – auditors from the Principal Inspectorate of Agency X, auditees of Activity X, and the BPKP evaluator responsible for the capability self-assessment 2024; and 3) all analyses are conducted within one unified context – evaluating the Implementation of the Principal Inspectorate's Role in the performance audit of Activity X.

Table 1
Y/T Answer Criteria

No	Y/T Answer Criteria	Description
(1)	(2)	(3)
1	Y	<ul style="list-style-type: none"> - For each statement compliance item, select "Y" if the Principal Inspectorate of Agency X has implemented the item and it can be clearly supported by adequate evidence. - For each statement compliance item under the Supervision Quality parameter, select "Y" if the parameter is met. - For the Level 3 compliance summary and Level 4 compliance summary: the answer "Y" is selected if all statement compliance items contain the answer "Y." - At Level 4, the answer "Y" may only be selected if the Principal Inspectorate of Agency X has demonstrated continuous Implementation for at least the past three years.
2	T	<ul style="list-style-type: none"> - For each statement compliance item, the answer "T" is selected if the Principal Inspectorate of Agency X has not implemented the statement compliance item because it cannot be clearly supported by adequate evidence. - For each statement compliance item under the Supervision Quality parameter, select "T" if the parameter is not met. - For the Level 3 compliance summary and Level 4 compliance summary: the answer "T" is selected if all statement compliance items contain the answer "T" or if not all items contain the answer "Y."

Source: BPKP Regulation Number 8 of 2021

Tabel 2
Presenting the Evaluation Result Criteria

Evaluation Point	Evaluation Result Criteria		
	Fully Implemented	Partially Implemented	Not Implemented
(1)	(2)	(3)	(4)
1. Level 3 Compliance	All sixteen statement compliance items were answered with a Y answer (100%)	Out of sixteen statement compliance items, Y answer ranged between one to fifteen items ($\frac{x}{16} \times 100\%$)	All sixteen statement compliance items were answered with a T answer (0%)
1.1. Supervision Activities			
1.1.1. Planning	All five statement compliance items were answered with a Y answer (100%)	Out of five statement compliance items, Y answer ranged between one to four items ($\frac{x}{5} \times 100\%$)	All five statement compliance items were responded with a T answer (0%)
1.1.2. Implementation	All six statement compliance items were answered with a Y answer (100%)	Out of six statement compliance items, Y answer ranged between one to five items ($\frac{x}{6} \times 100\%$)	All six statement compliance items were re-answered with the answer percentage
1.1.2. Results	All two statement compliance items were responded with a Y answer (100%)	Out of two statement compliance items, Y's answer is one item ($\frac{x}{2} \times 100\%$)	All two statement compliance items were responded with a T answer (0%)
1.2. Supervision Quality	All three statement compliance items were answered with a Y answer (100%)	Out of three statement compliance items, Y answered between 1 and 2 items ($\frac{x}{3} \times 100\%$)	All three statement compliance items were responded with a T answer (0%)
2. Level 4 Compliance	All three statement compliance items were answered with a Y answer (100%)	Out of three statement compliance items, Y answer ranged between one and two items ($\frac{x}{3} \times 100\%$)	All three statement compliance items were responded with a T answer (0%)

Source: BPKP (2021b), Setianingsih (2024)

Notes:

- 16 : Total number of statement compliance items in Level 3 compliance summary (13 items in Supervision Activities (5 items in Planning + 6 items in Implementation + 2 items in Results) + 3 items in Supervision Quality)
- 5 : Total number of statement compliance items in Planning in Supervision Activities in Level 3 compliance
- 6 : Total number of statement compliance items in Implementation in Supervision Activities in Level 3 compliance
- 2 : Total number of statement compliance items in Results in Supervision Activities in Level 3 compliance
- 3 : Total number of statement compliance items in Supervision Quality in Level 3 compliance
- 3 : Total number of statement compliance items in Level 4 compliance

4. DATA ANALYSIS AND DISCUSSION

4.1. Analysis of the Evaluation of the Implementation of the Principal Inspectorate of Agency X in Performance Audits

This section is divided into four subsections: qualitative document analysis, auditor interviews, questionnaire distribution and auditee interviews, and interviews with BPKP evaluators. A summary of the evaluation results is presented in Table 3–Evaluation Results.

4.1.1. Qualitative Document Analysis

Based on the qualitative document analysis, it was found that Level 3 Compliance contained a T answer, as only one of the 16 statement compliance items received a Y answer. This indicates that the Principal Inspectorate of Agency X has only partially implemented the statement compliance item under Level 3 Compliance (16.67%). The following section provides a detailed explanation of the results for each sub-point under the Level 3 Compliance.

Within the Planning point, all five statement compliance items had a T answer, indicating that the Principal Inspectorate of Agency X has not implemented any of the items under Planning (0%). During data collection, the only supporting documents attached were the Performance Audit Assignment Letter (ST) and the Performance Audit Work Program (PKA). From the ST, the researcher could not confirm whether the Planning of the Performance Audit on Activity X had been properly communicated to the auditee. Ideally, at this stage, the audit team should have conducted an entry meeting or a formal task briefing with the auditee. The attached ST alone could not serve as sufficient evidence that such communication or briefing occurred.

Furthermore, the following documents were not attached: the preliminary survey working paper, the auditee's risk register, the results of the risk register evaluation, the assignment letter and its quality control (KM) form, and the minutes of agreement on performance parameters. Therefore, the researcher concluded that the Performance Audit on Activity X did not take into account the business process, failed to identify and assess strategic and operational risks, and did not establish agreed-upon objectives, scope, and criteria.

Although supporting evidence for the PKA was attached, there was no proof of review or approval by the technical controller, as the relevant signature fields remained blank. According to BPKP Regulation Number 8 of 2021, the PKA must be reviewed and approved before the audit begins. Consequently, the researcher recorded a T answer for this item, as there was insufficient assurance that the Performance Audit on Activity X had developed an approved PKA.

Within the Implementation point, all six statement compliance items had a T answer, indicating that the Principal Inspectorate of Agency X has not implemented any of the items under Implementation (0%). Supporting evidence, such as competency certificates, working papers, and audit finding memos, was not attached. Therefore, the researcher could not confirm whether the Performance Audit on Activity X was conducted by personnel competent in performance auditing.

Within the Results point, one out of two statement compliance items contained a Y answer, indicating that the Principal Inspectorate of Agency X partially implemented the statement compliance items under Results (50%). The only supporting evidence provided was the Performance Audit Result Report (LHA). In contrast, other relevant documents – such as follow-up agreement minutes, follow-up monitoring documents, implementation evidence, and the auditee's risk register – were not attached. The attached LHA covered the objectives, scope, and audit results.

Within the Supervision Quality point, all three statement compliance items received a T answer, indicating that the Principal Inspectorate of Agency X has not implemented any of the items under Supervision Quality (0%). The only document provided was the LHA, while follow-up reports and evidence of the auditee's use of the audit results had not been attached.

Based on the attached LHA, the researcher found that none of the 18 findings were performance-related (3E: economy, efficiency, effectiveness). The agreed-upon effectiveness criteria from the planning phase were mentioned but not applied in describing the conclusions. Thus, the researcher concluded that the LHA did not contain any 3E findings.

The overall conclusion for Level 4 Compliance also included a T answer, as all three statement compliance items under Pemenuhan Level 4 did. This indicates that the Principal Inspectorate of

Agency X has not implemented any of the compliance items under Level 4. There was no supporting evidence attached for this level. Based on these qualitative document analyses, further confirmation was deemed necessary through interviews with auditors, auditees (specifically concerning the Supervision Quality point), and BPKP evaluators.

4.1.2. Auditor Interviews

Auditor interviews were conducted with three members of the audit team, namely the Technical Controller (PTA), the Team Leader (KTA), and an Audit Team Member (ATA). Meanwhile, interviews with the capability team were conducted with two members, namely the Team Leader (KTB) and a Team Member (ATB). After confirming the results of the qualitative document review with the audit team and the capability team, it was found that 10 of 16 statement compliance items received the Y answer. This indicates that the Principal Inspectorate of Agency X has partially implemented the statement compliance item under Level 3 Compliance (62.5%). Compared with the document review results, 10 items changed from T to Y answer. The following analysis elaborates on each sub-point of Level 3 Compliance.

Within the Planning point, four out of five compliance items contained the Y answer, indicating that the Principal Inspectorate of Agency X partially implemented the statement compliance items under Planning (80%). Compared to the document qualitative analysis, four items changed from T to Y answer: (1) performance audit planning was communicated to the auditee, (2) business process understanding was considered, (3) objectives, scope, and criteria were determined, and (4) the PKA was developed. The only remaining T answer concerned the identification and assessment of strategic and operational risks.

Within the Implementation point, out of six statement compliance items, only five contained the Y answer, indicating that the Principal Inspectorate of Agency X has partially implemented the statement compliance items under Implementation (83.33%). Compared with the qualitative document analysis, five items previously marked as T have changed to Y.

The statement compliance items that changed to Y answer include the following: the performance audit was carried out by competent personnel, risks and control effectiveness were identified and analyzed,

suboptimal performance and its causes were identified, audit procedures and results were properly documented, and supervision and hierarchical reviews were conducted. The remaining item that still received the Y answer concerned the formulation of conclusions and the preparation of recommendations.

Consistent results were also observed in the Results and Supervision Quality points compared with the qualitative document analysis. Out of two statement compliance items under Results, only one received a Y answer, while all three items under Supervision Quality received a T answer. This indicates that the Principal Inspectorate of Agency X has only partially implemented the statement compliance items under Results (50%) and has not implemented any under Supervision Quality (0%).

The statement compliance item under Results that received a Y answer was that the performance audit results had been communicated to the auditee through the Performance Audit Result Report (LHA). Meanwhile, the item that received a T answer concerned the lack of follow-up monitoring procedures for audit recommendations. The three statement compliance items under Supervision Quality that received a T answer were as follows: (1) the existence of 3E (economy, efficiency, and effectiveness) findings in the performance audit report, (2) the follow-up implementation of audit recommendations, and (3) the utilization of performance audit results by the auditee. Based on these findings under Results and Supervision Quality, the researcher deemed it necessary to conduct further confirmation with BPKP evaluators to understand their perspective. Specifically, for the Supervision Quality point, additional confirmation was obtained from the auditee to capture their perspective.

Furthermore, similar results were observed under Level 4 Compliance. Compared with the qualitative document analysis, the Level 4 Compliance conclusion still contained T answer for all three statement compliance items, indicating that the Principal Inspectorate of Agency X has not implemented any of the statement compliance items under Level 4 (0%).

The three statement compliance items under Level 4 Compliance that received a T answer were as follows: (1) performance audits have been conducted continuously, (2) performance audit guidelines and Implementation have been evaluated, and (3) performance audits have

consistently and sustainably improved the quality of governance, risk management, and compliance (GRC). Based on the results of the auditor interviews, the researcher found it necessary to seek confirmation from the auditee (particularly regarding Supervision Quality) and the BPKP evaluators to validate the auditors' statements and understand the differing perspectives of both parties.

4.1.3. Questionnaire Distribution and Auditee Interviews

Two questionnaires were distributed to the auditees: DRC, the Director of the Activity X work unit, and KTC, the Team Leader of Activity X. The questionnaire results were subsequently confirmed through interviews with the same respondents. The only point confirmed with the auditee concerned Supervision Quality. After the confirmation process conducted through questionnaire distribution, it was found that all three statement compliance items under Supervision Quality contained a Y answer (100%). However, upon verification through interviews, all of these items were reassessed as T answer (0%). This indicates that the Principal Inspectorate of Agency X has not implemented any of the statement compliance items under Supervision Quality.

During the questionnaire phase, the auditee defined the 3E findings based on their own understanding. After further clarification, it was confirmed that there were no 3E findings, meaning that the "utilization" referred to by the auditee could not be included as valid evidence in this study. Based on the questionnaire results and auditee interviews, the researcher considered it necessary to obtain further confirmation from the BPKP evaluators to validate the findings from the previous stages and to obtain alternative perspectives.

4.1.4. Evaluator Interviews

After confirming with the BPKP evaluator, namely KTD, the Team Leader, it was found that the conclusion for Level 3 Compliance still showed a T answer because, out of 16 statement compliance items, only 3 contained a Y answer. This indicates that the Principal Inspectorate of Agency X has only partially implemented the statement compliance items under Level 3 Compliance (18.5%).

Compared with the auditor interview results, eight compliance items were considered to have a Y answer by auditors, while BPKP evaluators assessed

them as T answers. The detailed analysis for each sub-point under Level 3 Compliance is presented below.

Within the Planning point, all five statement compliance items contained a T answer, indicating that the Principal Inspectorate of Agency X has not implemented any of the compliance items under Planning (0%). Differences were found compared to the auditor interview results, in which four compliance items were assessed as Y by auditors but T by BPKP evaluators. The following items were completed: performance audit planning was communicated to the auditee; the business process for Activity X was understood; audit objectives, scope, and criteria were determined; and the Audit Work Program (PKA) was developed. The only compliance item that both the auditors and BPKP evaluators consistently rated T was the identification and assessment of the strategic and operational risks of Activity X.

Within the Implementation point, only 2 of 6 statement compliance items had the Y answer, indicating that the Principal Inspectorate of Agency X has partially implemented the statement compliance items under Implementation (33.33%). Compared with the auditor interview results, three items were rated Y by auditors but T by BPKP evaluators. These items were as follows: performance audit implementation identified and analyzed risks and control effectiveness; performance audit implementation identified suboptimal performance and its causes; and performance audit implementation documented procedures and results. The items consistently rated Y by both auditors and BPKP evaluators were competent human resources carrying out audit implementation, and the audit being conducted under a structured system of supervision and review. Meanwhile, both parties agreed that the compliance item "audit implementation produced conclusions and recommendations" remained unimplemented.

Within Results and Supervision Quality, consistent results were obtained compared with the auditor interview findings. Of the two statement compliance items under Hasil, only one received a Y response, indicating that the Principal Inspectorate of Agency X has partially implemented the statement compliance items (50%). In comparison, all three statement compliance items under Kualitas Pengawasan received a T answer, indicating that the Principal Inspectorate of Agency X has not implemented any of them (0%).

Lastly, the results for Pemenuhan Level 4 were consistent with the auditor interview findings. The conclusion for Pemenuhan Level 4 showed a T for all three statement compliance items, indicating that the Principal Inspectorate of Agency X has not implemented any of the items under Pemenuhan Level 4 (0%).

During the Research process, the researcher faced a limitation in not conducting benchmarking with inspectorates or government internal auditors whose performance audit practices have reached Capability Level 4. As a result, the study was unable to identify relevant best practices in performance auditing.

4.1.5. Agency Theory Analysis Result

Based on agency theory, the Principal Inspectorate's Role of Agency X in conducting a Performance Audit of Activity X reflects the principal's oversight function in ensuring public performance accountability through the agent. The auditors act as a control mechanism to reduce agency costs by providing reasonable assurance regarding the efficiency, effectiveness, and economy (3E) of the auditee's activities.

The findings reveal that at Level 3 Compliance, the Principal Inspectorate of Agency X has only partially delivered its supervisory function in accordance with its mandate. The performance audit planning process was not yet fully risk-based, resulting in less-than-optimal audit implementation. Consequently, the audit outcomes have not yet provided comprehensive conclusions regarding the 3E dimensions. This condition implies that the principal-agent relationship within the performance audit context remains imbalanced, as the oversight function has not effectively bridged the information asymmetry between the public and Agency X.

Furthermore, agency theory posits that to achieve Level 4 (Managed), the oversight mechanism must function strategically to reduce information asymmetry and strengthen accountability relationships among stakeholders, auditees, management, and the internal audit function (APIP).

In this Research context, the analysis indicates that the Principal Inspectorate of Agency X needs to enhance the integration of audit recommendations into organizational decision-making systems and establish a sustainable follow-up monitoring mechanism. Strengthening the competence of performance auditors, coupled with top

management's commitment, is also essential to reinforcing the Principal Inspectorate of Agency X's position as a trusted advisor.

Accordingly, adopting a more mature application of agency principles would enable the transformation of the Principal Inspectorate of Agency X from a mere administrative oversight function into a strategic supervisory role that provides added value to the organization—consistent with the characteristics of Level 4 in the APIP capability maturity model.

4.2. Discussion of the Evaluation of the Implementation of the Principal Inspectorate of Agency X in Performance Audits

The conclusion of the evaluation of the Implementation of the Principal Inspectorate's Role of Agency X in the Performance Audit of Activity X was drawn based on a comparison of the results obtained from qualitative document analysis, auditor interviews, questionnaire distribution, and auditee interviews, as well as interviews with BPKP evaluators, as summarized in Table 3—Evaluation Results.

This section is divided into two parts: (1) the discussion of the evaluation results of Level 3 Compliance and (2) the discussion of the evaluation results of Level 4 Compliance. The discussion of Level 3 Compliance is further divided into two points: Supervision Activities and Supervision Quality. The Supervision Activities consist of three components: Planning, Implementation, and Results.

4.2.1. Level 3 Compliance

After comparing the results of document reviews, auditor interviews, questionnaire distribution, and auditee interviews, and interviews with BPKP evaluators, it was concluded that the overall assessment for Level 3 Compliance still contained a T answer, as out of 16 statement compliance items, only nine received a Y answer (56,25%). This indicates that the Principal Inspectorate of Agency X has only partially implemented the compliance items at Level 3. The details are presented in the following subsections: 4.2.1.1 Supervision Activities and 4.2.1.2 Supervision Quality.

A. Supervision Activities

Planning

Of the five statement compliance items under Planning, only three received a Y answer (60%). This indicates that the Principal Inspectorate of Agency X has only partially implemented the statement compliance items under Planning. The statements that have been implemented include: the performance audit planning considered the business processes of Activity X; the audit objectives, scope, and criteria were determined; and the Audit Work Program (PKA) was developed. Meanwhile, the statements that have not yet been implemented are that the audit planning was communicated to management/auditees of Agency X and that strategic and operational risks of Activity X were identified and assessed.

This condition occurred because the Principal Inspectorate of Agency X did not communicate the performance audit planning to management or auditees at the beginning of the fiscal year. This situation is also influenced by the absence of an enterprise-wide risk management system within Agency X, which prevents the audit team from identifying and assessing strategic and operational risks of Activity X and from planning annual audit activities based on risks derived from Agency X's risk management. To fulfill all Planning-related statements, Agency X needs to establish an enterprise risk management framework, and the Principal Inspectorate of Agency X needs to plan performance audits by identifying and assessing strategic risks and by adopting a risk-based performance audit approach aligned with Agency X's risk profile.

Implementation

Out of the six statement compliance items under Implementation, only five received the Y answer (83.33%). This indicates that the Principal Inspectorate of Agency X has partially implemented the statement compliance items under Implementation. The statements that have been implemented include: the performance audit was conducted by competent personnel; risks and the effectiveness of controls were identified and analyzed; suboptimal performance and its causes were identified; audit procedures and results were documented; and the audit process was subject to tiered supervision and review. Meanwhile, the statement that has not been implemented is the formulation of audit conclusions and recommendations.

This condition occurred because the Principal Inspectorate of Agency X did not formulate

conclusions and recommendations in accordance with the agreed audit criteria established during the planning stage with the auditee. This situation is also influenced by the absence of a risk-based performance audit guideline that regulates the weighting and criteria of the 3E (effectiveness, efficiency, and economy). To fulfill all Implementation-related statements, the Principal Inspectorate of Agency X needs to revise its performance audit guidelines to adopt a risk-based approach and explicitly regulate the weighting and criteria for 3E.

Results

The findings under Results were consistent across the data sources: document qualitative analysis, auditor interviews, questionnaire distribution, auditee interviews, and BPKP evaluator interviews. Of the two statement compliance items, only one received a Y answer (50%), indicating that the Principal Inspectorate of Agency X has only partially implemented the statement compliance items under Implementation. The implemented statement is that the performance audit results were communicated to the auditee through the Performance Audit Report (Laporan Hasil Audit Kinerja/LHA). The statement that has not been implemented is that the audit results were supported by follow-up monitoring procedures for audit recommendations.

This occurred because the Principal Inspectorate of Agency X did not conduct follow-up monitoring of the recommendations issued. Monitoring was not carried out because, at the time, there was a possibility that Activity X would not be implemented in the subsequent year due to government budget constraints and potential changes in the methodology of Activity X. Given the uncertainty regarding the continuation of the activity, the audit team did not perform follow-up monitoring procedures. To fulfill all Results-related statements, the Principal Inspectorate of Agency X should plan performance audits based on Agency X's risk profile, selecting activities with high strategic risk, and continue follow-up monitoring after completing performance audits.

B. Supervision Quality

The findings related to Supervision Quality were also consistent across all data sources: document review, auditor interviews, questionnaire distribution and auditee interviews, and BPKP evaluator interviews. Out of the three statement compliance items, all received a T answer (0%). This

indicates that the Principal Inspectorate of Agency X has not implemented any of the statement compliance items under Supervision Quality. The statements that have not been implemented include: the existence of 3E findings in the Performance Audit Report, follow-up on audit recommendations, and the utilization of performance audit results by the auditee.

This condition occurred because the findings presented in the Performance Audit Report were not performance findings based on effectiveness, efficiency, and economy (3E). In the absence of performance findings (3E), there are no recommendations to follow up, as follow-up in the context of performance auditing refers to the Implementation of recommendations arising from performance findings. Furthermore, the auditee did not use the performance audit results, as their use is conceptually linked to the use of 3E-based findings and recommendations as a basis for performance improvement. Accordingly, performance findings (3E) serve as the basis for assessing whether recommendations are followed up on and whether the auditee utilizes audit results. When no performance findings (3E) exist, there are automatically no follow-up actions and no audit results that can be utilized.

During the planning stage, auditors and auditees agreed on the assessment criteria; however, during the audit, ineffective communication occurred among the Technical Controller (PTA), the Team Leader (KTA), the Audit Team Members (ATA), and other team members. As a result, the findings presented in the audit report were not aligned with the criteria agreed upon with the auditee. In addition, during Implementation, there were no guidelines governing the weighting and criteria of 3E, leading the audit team to conduct the performance audit without adequate reference to existing performance audit guidelines.

To fulfill all Quality of Supervision-related statements, the Principal Inspectorate of Agency X

needs to revise its performance audit guidelines to adopt a risk-based approach and regulate the weighting and criteria of 3E; ensure that audit conclusions are aligned with the criteria agreed upon with the auditee; conduct follow-up monitoring; and monitor the utilization of performance audit results by the auditee.

4.2.2. Level 4 Compliance

The findings for Level 4 Compliance were consistent with the document qualitative analysis, auditor interviews, questionnaire distribution, auditee interviews, and BPKP evaluator interviews, indicating that all statement compliance items received a T answer (0%). Of the three statement compliance items, none were fulfilled. This means that the Principal Inspectorate of Agency X has not implemented any of the statement compliance items under Level 4 Compliance, namely: conducting continuous performance audits (for at least 3 consecutive years) and institutionalizing them; revising performance audit guidelines; and ensuring consistent performance audit quality.

This condition occurred because performance audits have been conducted for only 2 consecutive years; performance audit guidelines have not yet been revised to adopt a risk-based approach and to regulate the weighting and criteria for 3E; and consistent, sustainable supervisory quality has not yet been achieved. To fulfill all Level 4 fulfillment statements, the Principal Inspectorate of Agency X needs to conduct continuous performance audits (for at least 3 consecutive years) and institutionalize them; revise performance audit guidelines to adopt a risk-based approach and regulate the weighting and criteria for 3E; and ensure consistent, sustainable supervisory quality.

Tabel 3

Evaluation Result

Evaluation Point	Qual. Doc. Analysis	Auditor		Auditee		Evaluator	Summary
		Interview	Questionnaire	Interview	Questionnaire		
(1)	(2)	(3)		(4)		(5)	(6)
1. Level 3 Compliance	Partially implemented $(\frac{1}{16} \times 100\% = 6,25\%)$	Partially implemented $(\frac{10}{16} \times 100\% = 62,5\%)$	*	*		Partially implemented $(\frac{3}{16} \times 100\% = 18,75\%)$	Partially implemented $(\frac{9}{16} \times 100\% = 56,25\%)$
1.1. Supervision Activities							

Evaluation Point	Qual. Doc. Analysis	Auditor	Auditee		Evaluator	Summary
		Interview	Questionnaire	Interview	Interview	
(1)	(2)	(3)		(4)	(5)	(6)
1.1.1. Planning	Not implemented $(\frac{0}{5} \times 100\% = 0\%)$	Partially implemented $(\frac{4}{5} \times 100\% = 80\%)$	*	*	Not implemented $(\frac{0}{5} \times 100\% = 0\%)$	Partially implemented $(\frac{3}{5} \times 100\% = 60\%)$
1.1.2. Implementation	Not implemented $(\frac{0}{6} \times 100\% = 0\%)$	Partially implemented $(\frac{5}{6} \times 100\% = 83,33\%)$	*	*	Partially implemented $(\frac{2}{6} \times 100\% = 33,33\%)$	Partially implemented $(\frac{5}{6} \times 100\% = 83,33\%)$
1.1.3. Results	Partially implemented $(\frac{1}{2} \times 100\% = 50\%)$	Partially implemented $(\frac{1}{2} \times 100\% = 50\%)$	*	*	Partially implemented $(\frac{1}{2} \times 100\% = 50\%)$	Partially implemented $(\frac{1}{2} \times 100\% = 50\%)$
1.2. Supervision Quality	Not implemented $(\frac{0}{3} \times 100\% = 0\%)$	Not implemented $(\frac{0}{3} \times 100\% = 0\%)$	Fully implemented $(\frac{3}{3} \times 100\% = 100\%)$	Not implemented $(\frac{0}{3} \times 100\% = 0\%)$	Not implemented $(\frac{0}{3} \times 100\% = 0\%)$	Not implemented $(\frac{0}{3} \times 100\% = 0\%)$
2. Level 4 Compliance	Not implemented $(\frac{0}{3} \times 100\% = 0\%)$	Not implemented $(\frac{0}{3} \times 100\% = 0\%)$	*	*	Not implemented $(\frac{0}{3} \times 100\% = 0\%)$	Not implemented $(\frac{0}{3} \times 100\% = 0\%)$

Source: BPKP (2021b), Setianingsih (2024), and reprocessed by the author

Note:

* : The distribution of questionnaires and interviews with the auditee was conducted solely to confirm compliance with the statement items related to Supervision Quality.

5. CONCLUSION, IMPLICATION, LIMITATIONS, AND SUGGESTION

5.1. Conclusion

This study was conducted to evaluate the Implementation of the Principal Inspectorate's Role of Agency X in the Performance Audit of Activity X. The results conclude that the Principal Inspectorate of Agency X has implemented only nine out of a total of sixteen statement compliance items at Level 3 Compliance (56.5%) and, has not implemented any of the three statement compliance items at Level 4 Compliance (0%). The nine implemented statement compliance items consisted of three out of five under Planning (60%), five out of six under Implementation (83.33%), and one out of two under Results (50%).

The three implemented statements under the Planning component are: performance audit planning considered the business processes of Activity X, determined the audit objectives, scope, and criteria, and developed the Audit Work

Program (PKA). The five implemented statements under the Implementation component are: the performance audit was conducted by competent personnel; risks and the effectiveness of controls were identified and analyzed; suboptimal performance and its causes were identified; audit procedures and results were documented; and the audit process underwent tiered supervision and review. The single implemented statement under the Results component is that the performance audit results were communicated to the auditee through the Performance Audit Report (Laporan Hasil Audit Kinerja/LHA).

However, under the Planning component, the Principal Inspectorate of Agency X has not communicated the performance audit planning to the management/auditee of Agency X. It has not identified or assessed the strategic and operational risks of Activity X. Under the Implementation component, the Principal Inspectorate of Agency X has not formulated audit conclusions and recommendations. Under the Results component, the Principal Inspectorate of Agency X has not

conducted follow-up monitoring procedures on audit recommendations. Under the Quality of Supervision component, the Principal Inspectorate of Agency X has not identified any 3E findings in the Performance Audit Report, has no supporting evidence that recommendations have been followed up, and has no supporting evidence that the auditee has utilized the performance audit results. Under the Fulfillment of Level 4 component, the Principal Inspectorate of Agency X has not conducted performance audits continuously (for at least 3 consecutive years) and institutionalized them, has not revised the performance audit guidelines, and has not achieved consistent performance audit quality.

Based on these conditions, to enhance the Principal Inspectorate of Agency X's performance auditing capability to Capability Level 4, Agency X needs to establish an enterprise risk management framework. Meanwhile, the Principal Inspectorate of Agency X needs to plan performance audit activities by identifying and assessing strategic risks and by adopting a risk-based performance audit approach aligned with Agency X's risk profile; revise performance audit guidelines to adopt a risk-based approach and regulate the weighting and criteria of effectiveness, efficiency, and economy (3E); ensure that audit conclusions are aligned with the criteria agreed upon with the auditee; consistently conduct follow-up monitoring after audits; monitor the utilization of performance audit results by the auditee; conduct performance audits on a continuous and institutionalized basis (at least three consecutive years); and achieve consistent and sustainable supervisory quality.

During the Research process, the researcher faced a limitation in not conducting benchmarking with inspectorates or government internal auditors whose performance audit practices have reached Capability Level 4. As a result, the study was unable to identify relevant best practices in performance auditing.

5.2. Implication

From an academic perspective, this study contributes new insights into the evaluation of the APIP's Role in performance audits, examined from four viewpoints: the performance auditors, the auditors conducting the APIP capability self-assessment, the auditee, and the BPKP evaluator.

The practical implication for Agency X is that the agency should promptly develop and implement a

risk management framework for use by the Principal Inspectorate in preparing its annual audit planning. For the Principal Inspectorate of Agency X, the practical implications include: developing annual audit plans based on the agency's risk management results; preparing the annual performance audit plan (PKPT) and communicating it to management/auditees in the prior year or early in the current year; revising the performance audit guidelines; and enhancing the quality and outcomes of performance audits by ensuring that 3E findings (economy, efficiency, and effectiveness) are identified and that follow-up monitoring of audit results is consistently conducted.

Furthermore, this study contributes to improving the Audit Performance topic level to Level 4, which would increase the APIP Capability Level score of the Principal Inspectorate of Agency X by 0.1 points. Another practical implication for both the Principal Inspectorate of Agency X and other public sector entities with similar contexts is the provision of a simulation format that can predict improvements in the performance audit conclusion score. This simulation format can be accessed via the following link: <https://s.id/FormatSimulasi>.

5.3. Limitation and Suggestion

This study has a limitation in that the researcher did not conduct benchmarking with inspectorates or government internal auditors whose performance audit practices have reached Capability Level 4. As a result, the study was unable to identify relevant best practices in performance auditing. Therefore, future Research is recommended to conduct benchmarking with inspectorates or government internal auditors that have achieved Capability Level 4 in performance auditing to identify areas for improvement and formulate recommendations to enhance the capability of government internal auditors.

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Conflict of Interest

I declare that I am free from conflicts of interest in this Research, whether financial, professional, personal, organizational membership, relationships

with relevant entities, or personal beliefs related to this Research topic.

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