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THE PUBLIC SECTOR AUDIT EXPECTATIONS GAP IN INDONESIA: PAPUA PROVINCE

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ABSTRACT

This study aims to examine the opinions of public sector auditors with the perceptions of users of financial statements on audited reports in Papua province. The population in this study is the external auditor of the public sector represented by BPK, the users of the financial statements represented by the DPR, Local Government (Pemda), and the Community (Accounting Students, KAP) existing in Jayapura City of Papua Province. Sampling method using survey method with sampling tool changed the questionnaire that spread in four categories of respondents.

KEY WORDS

Expectation Gap, accountability, audit concepts, users of financial statements.

Public sector audit currently assessed by the government is not transparent to the public regarding the actual financial condition. The vulnerability is the misuse of funds in the public sector so that strict rules and independent audits are required to audit the financial statements of government agencies. Audit of the public sector is very important, it is a form of responsibility of central and local governments to account for funds that have been used by an agency. The public also has the right to be able to know the allocation of the use of funds whether it has been implemented according to existing procedures and standards or not.

Good governance is characterized by three main pillars which are the interrelated elementary elements (Prajogo, 2001), namely; participation, transparency and accountability. Good governance must open the door as wide as possible so that all parties involved in the government can participate. The Supreme Audit Agency or Badan Pemeriksa Keuangan (BPK) as the external auditor and state institution having a constitutional mandate to investigate or audit the responsibility of state financial management by the government, including local government (Pemda).

Community participation is a manifestation of the demands of public accountability and regional autonomy. Problems with accountability can occur if local governments do not present a financial statement information that is relevant, reliable, and understandable to the community as its constituency (Mahmudi, 2007). The Governmental Accounting Standards Board (GASB) in Concepts Statement No.1 on Objectives of Financial Reporting states that; accountability is the basis of financial reporting in government. The financial statements published by the local government should be fairly presented free from material misstatements so as not to mislead the users of the financial statements.

The expectations of the users of the audit financial statements often go beyond the roles and responsibilities of the auditor. The high public demand for auditor professionalism leads to the large expectation gap (Yeni, 2000). Guy and Sullivan (1988) argue that differences in public expectations and auditors can lead to several things, including: (1) fraud detection and illegal acts, (2) improving the effectiveness of audits, (3) communicating more intensive audit results to the public and committees audit.

Research on the expectation gap in the public sector in Indonesia, especially in the region of Papua is still very rarely studied. Broad regional autonomy is given to regional governments in order to improve the efficiency, effectiveness, and accountability of local governments that are ultimately expected to achieve good governanc. So the researcher wishes to investigate whether or not there is an expectation gap between external auditors

and users of financial statements in Papua Province, especially Jayapura city and district in the midst of special autonomy that is underway in local government to be studied.

This study will review and further examine the existence of an expectation gap in the users of local government financial statements and external auditors on the roles and responsibilities of government auditors in Papua Province. To provide empirical evidence whether there is an audit expectation gap between BPK and users of local financial statements seen in terms of accountability, materiality, audit evidence, opinions (Free From Bias And Dishonesty), integrity, and objectivity.

LITERATURE REVIEW

Expectation Gap. Ligio in Yulianti (2007), defines the first expectation gap as the difference between the levels of expected performance "as envisioned by the independent accountant and the user of financial statements". He defines an audit expectation gap as an expected difference as has been witnessed by users of a financial statement and an independent accountant. Porter (1993) argues that the expectation gap is the gap between society's expectations of auditors and auditors' performance, as perceived by society. Porter then explains the gap between public expectations of auditors and auditor performance perceived by the public. From this definition we can draw a conclusion of expectation gap as a difference between the expectations of the public on the work of the auditor with the results by the auditor.

Prior research provides empirical evidence of the existence of an expectation gap from some previous research, Porter (1993) in Pongsapan (2008) divides the components of the expectation gap including: (1) reasonable Gap, ie the difference between what is expected by the public to be achieved by the auditor and what is most likely to be achieved by the auditor, and (2) Gap performance, ie the difference between what the public expects most likely to be achieved by the auditor and what the auditor feels can be achieved.

The government auditor in performing the audit is not only for the interest of the client (Government), but the parties concerned to the audited financial statements. As explained by Mardiasmo (2005) the users of government financial statements are: Tax Payer, Grantors, Investors, Fee-paying Service Recipients, Employees, Vendors, Legislative, Management, watchdog Halim (2003) describes the external parties of Local Government as the users of the local government financial statements are: DPRD (Regional People's Legislative Assembly), Financial Supervisory Board, Investors, Creditors, and Donors, Economic Analysis and Observer of Local Government, Other Regional Government.

Accountability Theory. Public accountability according to Mahmudi (2007) is the government's obligation to manage resources, report and disclose all activities and activities relating to users of public resources to mandate (principal). Similarly, Mardiasmo (2005) explains in the context of governmental organizations that public accountability is the provision of information and disclosure of activities and financial performance of the government to the parties concerned with the report. Meanwhile, according to the United Nations Development Program (UNDP), accountability is an evaluation of the implementation process of organizational activities to be accountable and as feedback for the leadership of the organization to be able to further improve organizational performance in the future.

Materiality Theory. The Financial Accounting Standards Board (FASB) defines materiality as a misstatement of financial information by taking account of the situation, causing considerations made by those who rely on such information to be altered or affected by the misstatement. While Jones and Bates (1990), mentioned the materiality of the audit related to audit needs to consider the level of guarantee implied by the user group being audited and the expected reactions and readers of the audit report. Audit evidence relates to time and cost in the audit process, the scope of the audit and the perceived user information needs affect the process of gathering evidence.

Audit Evidence Theory. Mulyadi (1998) defines audit evidence as supporting information presented in the financial statements, which can be used by the auditor as a basis for expressing his opinion. Audit evidence supporting the financial statements consists

of accounting and corroborating information data available to the auditor. Arens (2000) define audit evidence "as any information used by the auditor to determine whether the information being audited has been declared in accordance with established criteria".

Free From Bias and Dishonesty Theory. Fair opinions in public sector audits have the same meaning in private sector audits (Chowdhury et al., 2005). The fair opinion in the audit report in Indonesia implies that the financial statements presented are in conformity with the Prinsip Akuntansi Berterima Umum (PABU). While performance audits, only applicable to the public sector which emphasizes the efficiency and effectiveness of the operation and effectiveness of the results achieved. Sarjono (2012) Opinion is a professional statement as the examiner's conclusion about the fairness of the information presented in the financial statements. According to the professional standards of accountants (PSA 29), the audit opinion consists of five types, namely: (1) Unqualified Opinion, (2) Unqualified Opinion with modified unqualified opinion, (3) Opinion fair with qualified opinion, (4) Opinion Opinion, (5) Opinion does not give opinion (Disclaimer of opinion).

Integrity Theory. Section 100 in Standards of Public Accountant Profession (SPAP) issued by IAI describes Integrity, that is to be straightforward and honest in all professional and business relation. Rogers and Shoemaker (1971), stated that integrity is the degree to which the source or channel of communication is deemed to be reliably believed and competent by the recipient objectively. While Goodwin (1999), mentioned integrity in evalusai as high or low associated with evidence provided by the source evidence. Jenny also examined the auditor's sensitivity to the integrity of evidence sources. Joyce and Biddle (1981) found that auditors should be sensitive to the objectivity of evidence. While Hirst (1994) found that interaction between competence and objectivity is a significant factor only when competence is high.

Objectivity Theory. The Section 100 Standards of Public Accountant Profession (SPAP) issued in the IAI explains objectivity of not allowing bias, conflict of interest, or undue influence from others, which may exclude professional or business judgment. Wibowo (2006) explains that auditors demonstrate professional objectivity at the highest level when collecting, evaluating, and reporting on information on the activity or process being tested. In addition, the definition of objectivity according to Rahayu and Suhayati (2009) is to be free from conflict of interest and should not allow material misstatement.

Research Hypotheses. Considering about the previous literates, we have six hypotehses:

H1: An audit expectation gap between BPK auditors and the users of local financial reports in terms of accountability.

H2: An audit expectation gap between BPK auditors and the users of local financial reports in terms of materiality.

H3: An audit of the expectation gap between BPK auditors and the users of the local financial statements in terms of audit evidence.

H4: An audit expectation gap between BPK auditors and the users of local financial statements in terms of the opinion of the fair (free from bias and dishonesty).

H5: An audit expectation gap between BPK auditors and the users of local financial reports in terms of integrity.

H6: An audit expectation gap between BPK auditors and the users of local financial statements in terms of objectivity.

METHODS OF RESEARCH

The location of this study was conducted in Papua Province with the consideration that there is no research looking at the expectation gap between BPK auditors and users of local financial reports in Papua Province, while this is considered very important to know for the sake of improving local finances in the future. Sampling method and data adopted in this research is Purposive sampling method. Purposive sampling according Sugiyono (2009) is a technique in determining the sample with certain considerations. Margono (2004), said in choosing a group of subjects in purposive sampling should be based on certain

characteristics that are considered closely related to the criteria for the sample unit to be used for research purposes itself. In detail the respondents of this study are as follows:

1. The Government Auditor of this research population is the auditor at the VIII BPK-RI Representative in Jayapura.

2. User financial report of sector auditor, Government is:

a. Members of the Regional People's Legislative Assembly (DPRD) consist of: DPRD Provinsi Papua, DPRD Kota Jayapura, DPRD of Keerom Regency, Regency of Jayapura Regency, which is commissioned by Commission XI, covering work task finance, national development plan, banking and finance bureau.

b. Echelon 2, echelon 3, echelon 4, and inspectorate officials, to local government (Pemda).

c. The community, which consists of student academics, especially accounting students, NGOs.

Reliability test (Pearson Correlation Product Moment) questionnaire data in this research is used to know a measuring tool free from bias, so as to give consistent measurement result between time and item in an instrument.

Validity test (KMO-MSA) data in this research is used to know and can provide information ability of an instrument in expressing object which become measurement in research, becoming instrument of research. The declared item is invalid, then the item of the statement can not be used in subsequent tests. The questionnaire is said to be valid if a question in the questionnaire can be able to reveal something that will be measured by the questionnaire (Danang, 2009).

Homogeneity test of questionnaire data in this research is used to find out whether the measured score variance in both samples have the same variance or not. Populations with the same variance are called populations with homogeneous variance, whereas populations of unequal variance are called populations with heterogeneous variance.

Hypothesis test in this research tested using Independent Samples by SPSS 22.0. Independent Samples T Test is a type of statistical test used to compare the average of two groups or groups of non-paired and related data. Unpaired groups can mean that research is done for two different sample subjects, or using independent data.

RESULTS AND DISCUSSION

The hypothesis in this study will be tested using independent samples t-test tool, which is to test two mean differences (average) of data coming from 2 (two) independent. Independent samples test is a special form of statistical analysis in experimental studies. The t test for the data variant is used using the Polled Variances formula. The test equipment used a significant level of 0.05: $2 = 0.025$ (2-sided test) the results obtained for t table amounted to 1,976 as the benchmark value. The value of t-count < t-table and significance value < 0.05 means that the hypothesis is accepted statistically (there is an expectation gap), whereas t-value > t-table and its significance > 0.05 means the hypothesis is statistically rejected (no expectation gap).

Accountability(H1). The result of statistical test of Independent samples test on the first hypothesis (H1) which states there is audit expectation gap between BPK auditors with the user of local financial report in terms of accountability can be seen through the table 1.

Table 1 – Independent samples test (Accountability)

Variable		T-test for Equality of Means						
		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
							Lower	Upper
Accountability	Equal variances assumed	2.422	148	0.157	1.344	0.946	0.524	3.213
	Equal variances not assumed	2.350	103.821	0.180	1.344	0.996	0.631	3.320

Testing results of the first hypothesis (H1) in the test table Independent samples test above shows the value of 2.422 with a value of significance value of 0.157. This result means that with $t\text{-count} > t\text{-table}$ ($2,422 > 1,976$) and $\text{sig } 0.157 > 0.05$ the hypothesis (H1) is statistically rejected. The results of this statistical test can be concluded which is also the answer to the first problem that there is no audit expectation gap between BPK auditor with user of local financial report represented by Local Government, DPR, and society / student from accountability side in Papua province.

The result of this research is also in line with previous research done by Yandi (2013) in Jambi city by obtaining same result, ie no audit expectation gap between auditor and user of financial report from accountability side. This finding is not in line with the research conducted by Rusliyawati (2007) who conducted the same study using accountability variables in Pontianak (West Kalimantan) who found an audit expectation gap between auditors and users of financial statements.

These findings reinforce Mardiasmo (2005) opinion which states in the context of governmental organizations, public accountability is the provision of information and disclosure of activities and financial performance of government to the parties concerned with the report. Also reinforced by data obtained from BPKP Papua province which stated opinion of unqualified opinion or Wajar Tanpa Pengecualian (WTP) by BPK on LK K / L / Pemda Year 2008 - 2013 shows improvement of accountability quality of financial reporting as seen in following graph.

Graph 1 – Unqualified Opinion (WTP) by BPK

The graph above shows the opinion of WTP from BPK, where there is an increase in the quality of government financial report. Increase in WTP opinion, or the quality of accountability of state financial reporting, is best at K / L level, then followed at the provincial government level in Papua and the last at district / municipal level. The performance of BPK RI representatives of Papua province itself as the external auditor of the government in the province of Papua has been working properly and provide local financial statements that have been audited or have been checked to the public to parties who need the financial statements. The transparency of the use of the budget can be accessed by the parties in need, accompanied by the role of local government to report accountability of the use of local budget (APBD) at each SKPD (Satuan Kerja Devan Daerah) in Jayapura and Papua provinces.

Materiality (H2). The second hypothesis (H2) which states Audit expectation gap between the auditors BPK with the users of local financial reports in terms of materiality can not be continued to the analysis phase, because in reliability testing by using Pearson's Correlation Product Moment, done previously considered unreliable. The second hypothesis (H2) that is materiality is not considered reliable because the answers of respondents in each

population are inconsistent and unstable from question one to the next question, so it can be concluded that the second problem question can not be analyzed the answer.

Audit Evidence (H3). Independent test samples test results of hypothesis three (H3) which states that the audit expectation gap between BPK auditors with the users of local financial statements viewed from the side of audit evidence, the results can be seen through the following table.

Table 2 – Independent samples test (Audit Evidence)

Variable		T-test for Equality of Means						
		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
							Lower	Upper
Audit evidence	Equal variances assumed	1.225	148.000	0.000	3.117	2.544	8.144	1.911
	Equal variances not assumed	1.447	113.754	0.000	3.117	2.154	7.385	1.151

Testing results of the first hypothesis (H3) in the above table shows the value of t-count 1.225 with a significance value of 0.000. This result means that with t-count value $< t\text{-table}$ ($1.225 < 1.976$) and sig value $0.000 < 0.005$ then hypothesis (H3) is accepted statistically. So that the result of this statistical test can be concluded which is also the answer to the third problem that there is audit expectation gap between BPK auditor with user of regional financial report represented by Local Government, DPR, and society / student from side of audit evidence in Papua province.

The findings of this study in accordance with previous research conducted by Yandi (2013) in the city of Jambi obtained the same results that there is audit expectation gap between auditors with users of financial statements from the side of audit evidence. Audit expectation gap between auditors and users of financial statements occurs from the side of audit evidence in Papua province, according to the researchers as a result of weak local financial management.

The results of this study are not in accordance with Mulyadi (1998) opinion which states that all information supporting the figures or other information presented in the financial statements, which can be used by the auditor as the basis for expressing his opinion. Caused in the provinces of Papua and Jayapura city there is still a lot of evidence of liability that is not submitted to BPK. Lack of accountability evidence not submitted to BPK, thus making BPK difficult to do this examination submitted by Frederik (2015), but the CPC still issued an opinion PAPs in LKPD Jayapura city and Papua province in fiscal year 2015. So that impact on society dissatisfaction of financial report from side of objectivity.

Free from bias and Dishonesty (H4). The result of statistic test Independent samples test on the fourth hypothesis (H4) which states that there is audit expectation gap between BPK auditor with the user of local financial report from free side bias and dishonesty, can be seen through table below.

Table 3 – Independent samples test (Free from bias and Dishonesty)

Variable		T-test for Equality of Means						
		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
							Lower	Upper
Free from bias and dishonesty	Equal variances assumed	1.667	148.000	0.000	2.478	0.029	0.642	3.314
	Equal variances not assumed	1.709	133.278	0.000	2.478	0.014	0.669	3.267

The result of the fourth hypothesis test (H4) in the above table shows the t-count value of 1667 with significant value 0.000. This result means that with t-count value $< t\text{-table}$ value ($1.667 < 1.976$) and significant value $0.000 < 0.05$, then hypothesis (H4) is accepted statistically. The results of this statistical test can be concluded which is also the answer to

the fourth problem that there is an audit expectation gap between BPK auditors with users of local financial statements represented by the Regional Government, the House of Representatives, and the community / student from the opinion side of the fair (free from bias and dishonesty) audit in province of Papua.

This research is in line with previous research conducted by Rusliyawati (2007) in Pontianak city, West Kalimantan province got the same result, that is audit audit gap between auditor with user of financial report from free side bias and dishonesty in city Pontianak, however, contrary to the research conducted by Yandi (2013) who conducted the same research using the free of bias and dishonesty in Jambi area found that there is no audit expectation gap between the auditor and the users of the financial statements.

The findings of this study are not in accordance with the Standards of Public Accountant Profession (SPAP) 2011, and the State Finance Regulatory Standard (SPKN) 2017, used by BPK by adopting the General Accounting Principles (PABU) in giving opinion. Public expectations as users of audited financial statements with the results provided by BPK on the opinion of the unqualified opinion (WTP) (Unqualified) in LKPD Provinsi Papua FY 2015 is not appropriate, so the result of this study there is an indication of audit expectation gap.

Integrity (H5). The result of statistical test of Independent samples test to the fifth hypothesis (H5) which states that the audit expectation gap between BPK auditors with the users of local financial statements in terms of integrity, can be seen through the table below.

Table 4 – Independent samples test (Integrity)

Variable		T-test for Equality of Means						
		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
							Lower	Upper
Integrity	Equal variances assumed	1.218	148.000	0.003	2.339	0.054	2.255	4.423
	Equal variances not assumed	1.277	137.231	0.002	2.339	0.027	2.308	4.370

Testing results of the first hypothesis (H5) in the table above shows the value of t-count of 1.218 with a significance value of 0.003. This result means that with t-count value <t-table value (1.218 <1.976) and sig value 0.003 <0.05, then hypothesis (H5) is accepted statistically. The result of this independent test samples test can be concluded which is also the answer to the fifth problem that there is audit expectation gap between BPK auditor with user of local financial report represented by Local Government, DPR and community / student from integrity side in Papua province.

Although the findings of this study are inappropriate and inconsistent with the 10-point Section of the Public Accounting Standards (SPAP) on integrity issued by the IAI are inconsistent with what is happening in the provinces of Papua and Jayapura, but in line with research conducted by Nyoman (2016) found that integrity influenced moderate the effect of positive expectation gap on acceptable auditor performance. The difference of understanding or expectation gap on the integrity of the auditor according to the researcher is because the auditor still lack understanding of the integrity ethics listed in SPAP section 10, so the public judge this not yet according to their wishes as the user as well as observer of the government's financial report.

Objectivity (H6). The result of the independent test samples test on the sixth hypothesis (H6) which states that the audit expectation gap between the BPK auditors with the users of local financial statements viewed from the side of objectivity, can be seen in table 5.

Testing results of the first hypothesis (H6) in the above table shows the t-count value of 3.559 with a significance value of 0.001. This result means that with t-count value <t-table value (1.559 <1.976) and sig value 0.001 <0.005 then hypothesis (H6) is accepted statistically. The result of this independent test samples test can be concluded which is also the answer to the sixth problem that there is audit expectation gap between BPK auditor with

user of local financial report represented by Local Government, DPR and community / student from objectivity side in Papua province.

Table 5 – Independent samples test (Objectivity)

Variable		T-test for Equality of Means						
		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
							Lower	Upper
Objectivity	Equal variances assumed	1.559	148.000	0.001	2.406	0.676	1.070	3.741
	Equal variances not assumed	1.661	132.752	0.000	2.406	0.666	1.088	3.723

The presence of an audit expectation gap between the auditor and the users of the local financial statements in the Papua province may provide clues that despite the general declaration stated in the 2007 State Financial Management Standards (SPKN), which states that "In all matters relating to inspection work, examiners and examiners, should be free in the mental attitude and appearance of personal, external, and organizational disturbances that may affect its independence".

SPAP (Professional Standard of Certified Public Accountants) section 120, not in accordance with the reality that occurred, which should declare in the SPKN become a handle by all accountants working in the public sector of Papua province and Jayapura city. Expectation gap occurred on the objectivity side of Papua province and Jayapura city caused by dissatisfaction of society as user as well as observer of financial report to result of audited financial report issued by BPK, this is supported by result of hypothesis test on variable of H3 that is audit evidence. Lack of accountability evidence not submitted to BPK, thus making BPK difficult to do this examination submitted by Frederik (2015), but the CPC still issued an opinion PAPs in LKPD Jayapura city and Papua province in fiscal year 2015. So that impact on society dissatisfaction of financial report from side of objectivity.

CONCLUSION

Based on the results of hypothesis testing that has been done before, and then taken some conclusions which is also an answer to research questions that have been proposed in the previous chapter as follows:

Analysis of hypothesis 1 testing (accountability) can be concluded that there is no audit expectation gap between external auditors of BPK with user of local financial report represented by local government, parliament, and society / student from side of accountability in Papua province.

Hypothesis 2 (materiality) can not be analyzed the answer because in the test reliability found the results are not reliable. The second hypothesis (H2) that is materiality is not considered reliable because the answers of respondents in each population are inconsistent and unstable from one question to the next, so it can be concluded that the second question question can not be analyzed.

Analysis of hypothesis 3 testing (audit evidence) can be concluded that there is an audit expectation gap between BPK's external auditors and users of regional financial reports represented by local government (Pemda), DPR, and community / students from the side of audit evidence in Papua province.

Analysis of hypothesis 4 testing (fair opinion) can be concluded that there is an audit expectation gap between BPK's external auditors with users of local financial statements represented by local governments, parliament, and the public from the free opinion side (dishonesty) of the province of Papua.

Analysis of hypothesis 5 (objectivity) testing can be concluded that there is audit expectation gap between external auditor of BPK with user of local financial report represented by local government, DPR, and society / student from integrity side exist in Papua province.

Analysis of hypothesis 6 (Integrity) testing can be concluded that there is audit expectation gap between external auditor of BPK with user of local financial report represented by local government, DPR, and society from side of objectivity in Papua province.

Based on the results of research, the limitations of research results, then by researchers can provide some suggestions to various parties as follows:

1. The need for further research on the expectation gap of the public sector by including or replacing the variable that has been used or not reliable with other factors that can cause an expectation gap in the financial statements between auditors with users of financial statements in the public sector.

2. This research is only conducted in Jayapura city and Papua provincial office, therefore it is necessary to do the same research in other districts within Papua province, in order to be able to be compared where the regions or districts are still there is difference of perception (gap) between auditors with users of financial statements.

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