

Application of Business Process Management Concept in BPK Fiscal Sustainability Review

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Abstract

The report on fiscal sustainability review is the newest product of BPK that is issued to advise the government for formulating long-term policies prudently. However, the implementation of fiscal sustainability review since 2020 does not have any guide, such as guidelines, technical instructions, or operational procedures. Without legal guides, the review has been running for two years. This study aims to analyze the process of BPK's review of fiscal sustainability using Business Process Management concept. Then present model of fiscal sustainability review. This study uses the qualitative method. Data used for this study was obtained from interviews and literatures review. Data analysis was carried out using pattern matching of BPM principles. This study aims to encourage the implementation of the fiscal sustainability review to run effectively and efficiently with present the model first. This study explores the application of the BPM principle in business process of fiscal sustainability review. The BPM principles in fiscal sustainability review have been implemented entirely. Implementation of all the principles divided into two categories: principles that have implemented properly and principles has not maximally implemented. This study give theoretical implication, to contribute in application of BPM concept in public institution.

Keywords

business process management;
BPK; fiscal sustainability
review



I. Introduction

In strategic planning of The Audit Board of the Republic of Indonesia or Badan Pemeriksa Keuangan (BPK), improving state financial governance is by accepting three roles of BPK: oversight, insight, and foresight role that the highest level. Since 2020 Government release Fiscal Sustainability is called Long-Term Fiscal Sustainability (LTFS). LTFS consists of long-term forecasts, setting short-term fiscal policies, understanding the sensitivity and vulnerability of fiscal outcomes to long-term external factors, and demonstrating their sustainability. The aim is to achieve a good financial goal. (Badan Pemeriksa Keuangan, 2020). Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

BPK is an independent government audit office according to articles 23E, 23F, and 23G of the 1945 Constitution of the Republic of Indonesia. BPK is committed to improving government financial management through its latest release, the Review Report.

Review by BPK is a new task in the area of responsibility of BPK based on Principle 12 (INTOSAI P-12) about The Value and Benefits of Supreme Audit Institutions.

The review report has been released by BPK and consists of three topics, i.e., fiscal independence, fiscal transparency, and fiscal sustainability. This study discusses the fiscal sustainability review report.

The Sustainability Financial Review aims to provide governments with positive advice on carefully formulating long-term strategies. The results of the review complete the conditions for Indonesia's fiscal sustainability under this year's government policy. However, BPK has criticized content and reports on fiscal sustainability. Published for 2 years, there are no formal guidelines for implementing this review like the instruction of performance (petunjuk pelaksanaan), guidelines, technical instructions (petunjuk teknis), or standards operational procedure (Badan Pemeriksa Keuangan, 2015).

This research describes the implementation of Fiscal Sustainability Review and how Fiscal Sustainability Review works without formal policies. The analysis of of fiscal sustainability review uses Business Process Management (BPM) concept. BPM chose this because it can improve quality, reduce time, reduce service costs or lead times, or achieve other public sector goals. (Shahindra, 2016).

This study according to previous study: (1) E-government Dalam Business Process Reengineering Administrasi Pelayanan Perizinan (Studi kasus Pelayanan Perizinan Mendirikan Bangunan Kota Depok) by Supriadi, Agus (2014), and (2) Analysis of Application of Business Process Management Principles in Development of Regional Financial Management Systems and Procedures in Indonesia by Nordiawan, Deddi and Ayuningtyas Hertianti (2022). Supriadi used three variables: infrastructure, leader support, and human resource support, and the result is "the permission process not effective yet." Nordiawan used ten variables which is the BPM principle. The result of his study said, "BPM principles running quite well: Principle of Holism, Principle of joint understanding, Principle of purpose and Principle of simplicity; BPM principles have implemented but have not been maximized: Principle of continuity, Principle of context-awareness, Principle of involvement, and Principle of technology appropriation; BPM principles not worked well: Principle of enablement and Principle of institutionalization. This study to add repertoire in BPM studies, especially in fiscal sustainability report by BPK.

BPM is a management discipline focused on using business processes as a significant contributor to achieving an organization's objectives through the improvement, ongoing performance management, and governance of essential business processes (Jeston & Nelis, 2014). Ten principles of BPM namely, the principle of context-awareness, Principle of enablement, Principle of continuity, Principle of holism, Principle of institutionalization Principle of involvement, Principle of joint understanding, Principle of purpose, Principle of simplicity, and

Principle of technology appropriation (Brocke, et al., 2014).

There are many ways to initiate BPM activities in your organization, depending on many factors, including: Organizational culture, process maturity, and business drivers. BPM has six components. That is, compatibility between BPM and all corporate strategies, good transparent governance, methods used, use of information technology, human resources, and organizational culture (Nordiawan & Hertianti, 2022). The components of BPM are modeling, integration, monitoring, and optimization.

Firstly, is modeling. Organizations need to graphically define and design the structure of each business process (Nuraini, 2013). Process managers can easily design processes and all their elements, rules, subprocesses, parallel processes, exception

handling, error handlers, and workflows without special programming knowledge or the assistance of IT staff (IPQI, 2020). Many modeling languages and tools for process design, including flowcharts, event-driven process chains, and Business Process Modeling Notation (BPMN). BPMN was accepted worldwide as a new standard in a very short time. As Paschek et al (2016) shows, BPMN is a BPM tool that is used globally, accurately and formally to describe end-to-end business processes. Benefits of process modeling include creating transparency in business processes. Make business process automation clear and comprehensive. Promote business process communication and process understanding. Business process analysis, measurement, control, benchmarking, and optimization. And Board Risk and Compliance (Igor, 2020).

Secondly, Integration. BPM connects all the elements in a process so that they can work together, share information, and achieve goals. Integration means that you can take advantage of the workspace on your device to perform tasks according to your role in business processes. Use of application programming interfaces (APIs) and messaging (IPQI, 2020).

Then monitoring, the implementation of the ongoing business process can be controlled and monitored by the user as well as the performance of the executives involved in the business process (IPQI, 2020). Users can also be involved in retrieving information. The running process is complete with the data it contains (IPQI, 2020). And the last is optimisation. If inefficiencies are found, decision makers perform analysis and live monitoring to enable rapid decision making. Decision makers can also modify the process to improve efficiency (IPQI, 2020).

II. Research Method

This study uses a qualitative method through interview and literature study. A data analysis approach was used to identify the importance of the phenomenon (Creswell, 2012). This study focused on one problem called a single-case study (Yin, 2018). Therefore, this study is suitable for using the concept implementation to answer problem: How are BPM modeling applied in planning, processing, and reporting fiscal sustainability review?

The interview uses a purposive sampling method based on specific goals or considerations (Akbar & Husaini, 1995). The question consists of four categories, i.e., hypothesis question, devil's advocate question, ideal position question, and interpretative question (Merriam & Tisdell, 2016). Interview results are described as descriptive data. Descriptive data contains what the researcher sees, hears, and feels.

Data analysis turned into performed the use of pattern matching. Then this study shows the BPM model in Fiscal Sustainability Review. Triangulation uses for validity check. Triangulation is a validity check using data as a comparison (Moleong, 2010). This study uses three triangulations, i.e., data triangulation, investigator triangulation, and triangulation theory (Patton, 1999). Data triangulation through interviews with all teams of fiscal sustainability review, directors, Directorate of Research and Development, and legal section. Investigator triangulation through consulting and coordinating with academics, practitioners, and public accounting experts.

III. Result and Discussion

Strategic planning (Renstra) 2020-2024 stated that the fiscal sustainability report expected to anticipate the losses risk because of inharmonious management of state finances (Badan Pemeriksa Keuangan, 2020). The most critical issue is pandemic COVID. BPK spotted fiscal sustainability after the pandemic.

The three intermediate goals reach the ultimate goal of making SAI change the lives of its citizens. Therefore, SAI acts as an agent for public change. The Pyramid of INTOSAI Principle 12 is described below.



Source: INTOSAI

Figure 2. Principle 12 INTOSAI

INTOSAI Principle 12 is related to the Sustainable Development Goals (SDGs). BPK participated in achieving one of the goals of SDG 16 by supporting published long-term budget

forecasts. Long-term fiscal forecasts help set the framework for short-term fiscal policy in the form of a set of long-term fiscal goals. Short-term fiscal policy, like expand the business cycle, understand the sensitivity and vulnerability of fiscal outcomes to long-term extrinsic forces, and demonstrate the outcome of current policies.

According to respondent interview, Fiscal sustainability review for BPK to encourage combating corruption, increase transparency, ensure accountability, and improve economy, efficiency, ethics, fairness value, and effectiveness. Implementation of fiscal sustainability review consist of planning, processing, and reporting step.

Planning starts with forming a planning team, who are prepare an assignment, review program, and review team composition. The review process begins when the planning team notifies review team members of their position. The review team then informs the entity to begin the first meeting. A program will be performed and all activity documents will be saved in the spreadsheet which called *Kertas Kerja Pemeriksaan* (KKP). This is reported to the entity when the team has some insights. The results will be edited for reporting. The quality managers need to approve draft report reviews. The review team then discusses the draft with the entity and provides feedback. Upon completion, the team will present the review report to stakeholders.

3.1 Analysis of Business Process Management (BPM) Model

The analysis of the implementation of BPM principles in the financial sustainability review process shows that there are two categories: implementation of good and implementation of not maximally implemented. The following the result is given in the table:

Table 1. The Analysis Result of BPM Principle Implementation

No	Principle	Good Implemented	Not Maximally Implemented
1	Principle of context-awareness	√	
2	Principle of enablement	√	
3	Principle of continuity		√
4	Principle of holism	√	
5	Principle of institutionalization	√	
6	Principle of involvement	√	
7	Principle of joint understanding		√
8	Principle of purpose	√	
9	Principle of simplicity	√	
1	Principle of technology appropriation	√	

Source: author

The results of the analysis show that the non-maximized implementation is based on the principles of continuity and joint understanding. The model presented by the author not only provides a driving force for applying the principles of continuity and joint understanding, but also aims to present a model of the fiscal sustainability review could be implemented by BPK is below.

The first step is the planning. The planning step involves four internal BPK parties: task providers (Top BPK executives) and a review planning team. Review planning teams are typically structural and functional reviewers, structural personnel (eselon officers) and secretariats unit (supporting). The following is the model proposed at the planning stage.

Source: author

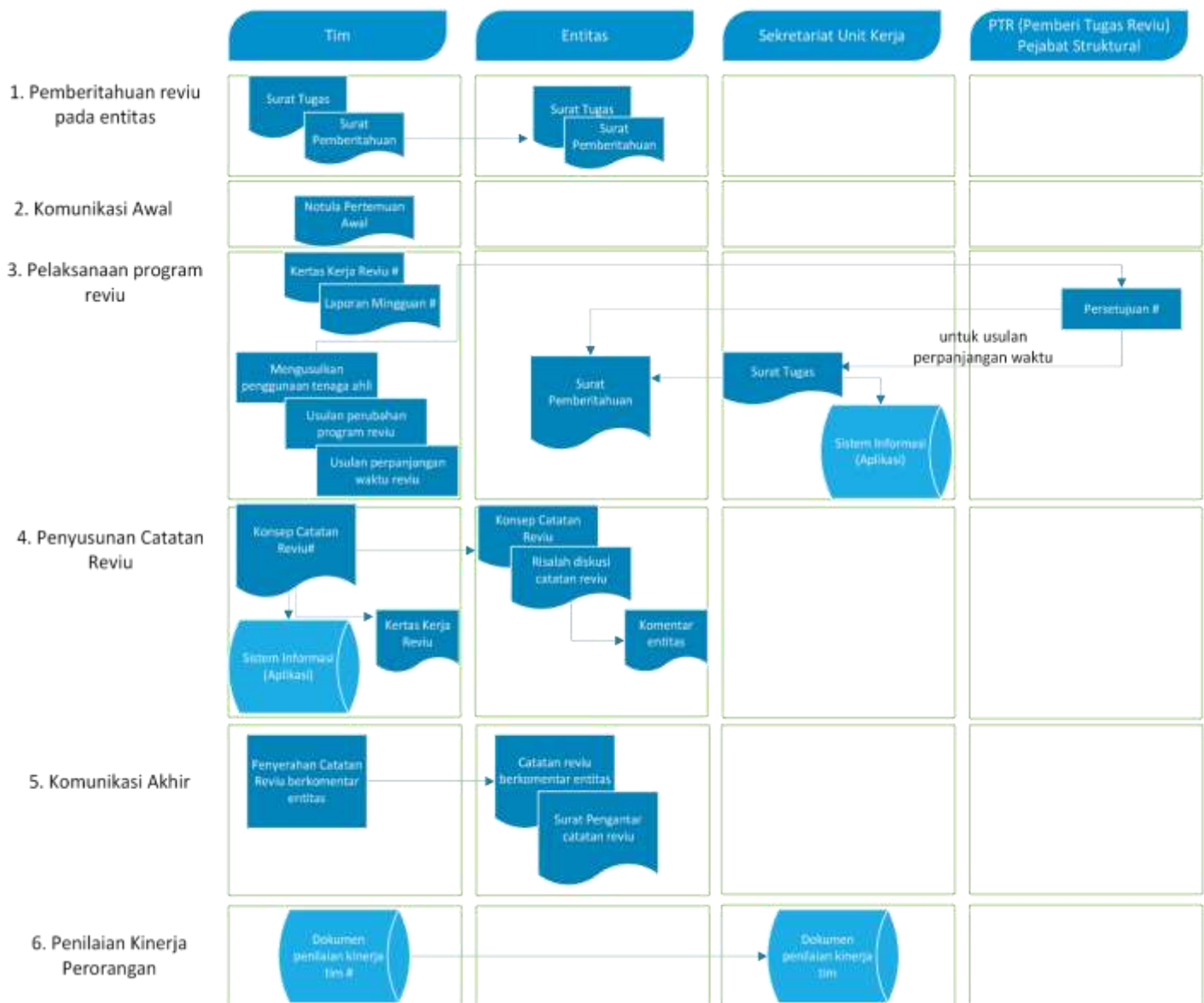


Source: author

Figure 1. Planning of Fiscal Sustainability Review

Based on the figure above, there are six subprocesses in the planning stage.

1. Formation of Review Planning Team (TPR)
Structurers set up TPR according to budget work plans, management instructions, and strategic plans. The composition of TPR consists of consideration of the capabilities and experience of functional officers (called PFPs) (Badan Pemeriksa Keuangan, 2015).
2. Understand the subject of the review
To understand the subject of the review, team have to meet entities. The TPR needs to understand the company being review, including the company's business processes, company risk, internal control system, results of previous reviews, company development, and applicable laws and regulations. The result of this subprocess is knowledge of the complexity of the review as the basis for determining the team structure and the need for professional use.
3. Preparation of review program
After that, PFP will gradually develop the concept of a review program according to its responsibilities. The verification program consists of legal basis, standard, purpose, verification target organization, scope, intern control, standard, methodology, and cost.
4. Review team decision
The Structure Officer considers factors such as company size, complexity, PFP availability, required special skills, PFP independenc, implementation time, continuous and regular rotation of PFP, and training opportunities to decide on a plan for staffing needs. Assignment letters are created and managed by the work unit's secretariat. Approval of assignments is phased by structural parties so that they are approved by the client. Approval is granted by signing the assignment letter. Creating review programs and tasks and expecting tasks are part of the review program package. The assignment letter will be uploaded to the information system (applicationform) by the secretariat. Each team assigned to the assignment letter must complete the Declaration of Independence. If there is a impairment of independence, the parties must justify itwith a declaration of impairment of independence. If there is a revocation decision, a new allocation notice will be issued.
5. Creating a personalized work program
After the review program is approved, the team leader divides the task among the individual team members. The evaluation program is uploaded to the information system (application) by himself.
6. Support Management
Support documents includes issuing official travel orders financial, accommodation and transportation arrangements, and professional provision. That is organized by the secretariat. Finish the planning, then move to implementation step. Implementation step is presenting below.



Source: author

Figure 2. Implementation of Fiscal Sustainability Review

Five parties are involved in the implementation phase. Based on the image above, there are six subprocesses in the implementation phase. A description of each subprocess is as follows:

1. Confirmation Notice

The team leader creates a review plan. The review plan is sent to the entity along with the engagement letter and review letter notification. In that letter can request initial data / information from the entity.

2. Entry Meeting

The initial communication with the entity leader is intended to explain the objectives, scope and duration of the activity plan, document requirements, and team composition, as indicated in the engagement letter.

3. Implementation of the Review Program

The Review Program is implemented by team members according to individual work programs. The purpose is to obtain sufficient and competent evidence to draw conclusions as a result of the review. This activity is documented in KKP. The progress of each program will be reported in weekly. If any suggestions such as suggestions for expert use, suggestions for changing the review program, suggestions for duration extending , etc., which can be submitted. If the proposed additional deployment time is approved, it will be notified to the entity and the secretariat will upload it to the information system (application).

4. Creating a review finding

The findings are some issues that arise during the review. Findings documented in KKP and uploaded to the information system (application). A draft review report is submitted to entityfor response and the results of the discussion are documented in discussion note.

5. Exit Meeting

The administrator or representative forwards the review report to entity with their comments. At the same time, a cover letter also submitted.

6. Performance evaluation

A step-by-step performance assessment is performed based on the review working paper and PFP observations.

The last step is reporting step, which also has six subprocesses. The description of each subprocess is as follows:

1. Arrange Draft Report

Team leaders create draft of report caldde Laporan Hasil Review (LHR). The LHR draft includes review findings found in the previous step.

2. Review of Draft Report

The technical manager reviews the draft of LHR by considering factors such as conditions, standards, results, causes, and recommendations to ensure that language usage. Then compare the condition complies with applicable regulations.

3. Submitting LHR draft and getting feedback from entity

The structural officer prepares and signs a cover letter for the LHR draft to be submitted to the entity. The entity submits an action plan to the team, along with a response to the review notescontained in the LHR draft.

4. Finalization of LHR draft

Action plans and entity responses are reviewed by the team leader. If the team leader disagrees with the entities response, a response can be discrepancy or accepted.

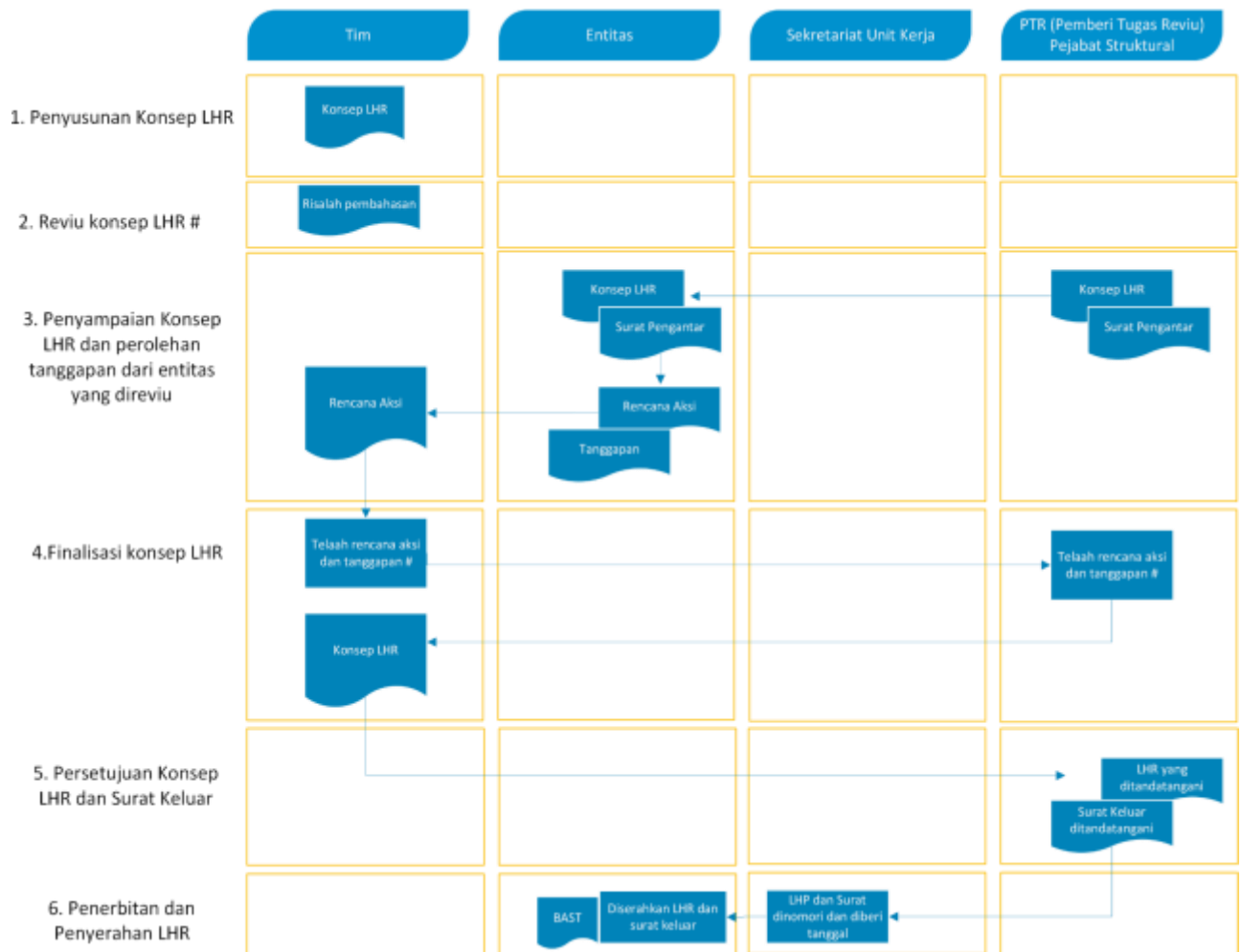
5. LHR draft and Cover Letter

The structurist forwards the LHR and cover letter to the top executives to be signed.

1. Issuance and Submission of LHR

The signed LHR and cover letter will be accompanied by the letter number and date with secretariat. Then documented in record of transfer (BAST).

For clearly explanation will be present with figure below.



Source: author

Figure 3. Reporting of Fiscal Sustainability Review

IV. Conclusion

BPM principles in fiscal sustainability review has been accomplished completely two categories' implementations qualities. There are: principles that have implemented properly and principles has not maximally implemented. The BPM principles have labored properly namely, the principle of context-awareness, the principle of enablement, the principle of holism, the principle of institutionalization, the principle of involvement, the principle of purpose, the principle of simplicity, and the principle of technology appropriation. The BPM principles that have been implemented but not maximized are the principle of continuity and the principle of joint understanding.

From the analysis result, there are present model of fiscal sustainability review. The model consists of three steps, planning, implementing, and reporting step. This study give theoretical implication, to contribute in application of BPM concept in public institution. Through this study, it is proven that BPM can be used as a benchmark for assessing how good business processes.

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