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## RESEARCH ARTICLE

# Public sector performance auditing in a political hegemony: A case study of Indonesia

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**Abstract**

Debate over public-sector auditors' independence has focused largely on Western developed democracies. Drawing on Gramsci's theory of hegemony, this study explores how the political hegemony and ideology influence public-sector auditors' independence and audit quality in a developing country, Indonesia. In contrast to the widely accepted belief that public-sector auditors' independence is guaranteed by the legislature, this study argues that active intervention by the political hegemony undermines this independence and thus impairs audit quality. The study's document analysis and in-depth interviews conducted with technical controllers, supervisors and investigators at the Supreme Audit Institution in Indonesia reveal that the political hegemony and ideology influence auditors' cognition. This study enhances understanding of how the political hegemony, supported by the imperium, ruling-class psychology and spheres of influence, substantially erodes auditors' constitutive role, giving rise to concerns about value for taxpayers' money and public-sector effectiveness and efficiency.

**KEYWORDS**

auditor independence, emerging economies, political hegemony, public financial management, public-sector auditing

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## 1 | INTRODUCTION

Drawing on Gramsci's theory of hegemony, this study explores how the political hegemony and ideology influence the independence of public-sector auditors in Indonesia. It is widely accepted that the fewer the audit findings, the higher the potential for reporting an unqualified audit opinion. However, Pamungkas et al.'s (2019) recent study of performance auditing in Indonesia indicates that while the number of audit findings is likely to increase with the size of local government assets, the completion of audit recommendations is likely to decrease. More specifically, local governments in Indonesia are increasingly likely to obtain unqualified audit opinions, despite a continuous increase in audit findings (Pamungkas et al., 2019)<sup>1</sup>. These findings raise complex questions about the quality of public-sector auditing in Indonesia. While it is acknowledged that institutional-level factors may go some way towards explaining the contradictory relationship between audit findings and the reporting of unqualified opinions, this study argues that it is necessary to look well beyond the relationship between these two variables for an insightful explanation. Supporting this argument, Pamungkas et al. (2019, p. 15) propose that studies should 'be performed using government official character variables to test whether these variables affect internal control and compliance issues'. This is the context in which this case study was conducted; namely, to explore how the political hegemony and ideology influence public-sector auditors' independence, which impacts on audit quality.

Public-sector performance auditing is an instrumental practice that reflects value for taxpayers' money and public-sector effectiveness and efficiency within the broad context of New Public Management (NPM) (Funnell, 2011; Gendron et al., 2001; Johnsen, 2019; Power, 1997; Radcliffe, 2008, 2011, 2012). According to Normanton (1966, p. 410), an independent public-sector audit 'is probably the citizen's best defence against misuse (using the word in its broadest sense) of money taken from his pocket'. Whether in the private or public sector, auditors' independence is key to ensuring legitimacy and audit quality (Francis, 2004, 2011; Watkinset al., 2004). Conversely, lack of independence not only tarnishes the profession's reputation, it also has various unintended consequences in terms of financial, non-financial and reporting irregularities, thereby damaging audit quality.

A review of the literature suggests that although private-sector auditors' independence has been much debated over the last three decades, empirical evidence is lacking on how auditors' independence has been undermined in the public sector (e.g., Gendron et al., 2001; Hay, 2017; Hay & Cordery, 2018; Tepalagul & Lin, 2015). Gendron et al. (2001, p. 279) state that:

[I]ndependence is a social construction, in that claims of auditor independence are secured socially. Public understandings and concerns about auditor independence are constructed from a variety of resources, including audit and company laws, professional regulations, audit practices and education about civics and the operation of democracies.

Previous studies identify several underlying factors that may influence public-sector auditors' independence, including the nature of the agency relationship, reporting requirements, management control mechanisms and compliance, along with changing political manifestos and related policy priorities (e.g., Gendron et al., 2001; Hay & Cordery, 2018; Johnsen, 2019; Power, 1997; Radcliffe, 2012). For instance, when public-sector auditors evaluate the effectiveness of government policy, which is highly embedded with political agendas and manifestos, their neutrality may be threatened (Power, 1997). Similarly, achieving the set objectives in public enterprises will be subject to performance incentives; politicians may attempt to monitor public-sector auditors in order to ensure delivery of their promised political outcomes (Baber, 1983; Hay & Cordery, 2018; Zimmerman, 1977). Research also shows that greater political competition influences the level of auditing (Baber, 1983), that political visibility is associated with auditing hours and audit fees (Redmayne et al., 2010) and that politically motivated private audit firms operate in the public sector (L. English, 2003). While this evidence shows that the political hegemony and ideology tend to influence

public-sector auditors' independence in various ways, it is not clear how and to what extent auditors' independence has been undermined.

While democracies have established various mechanisms to ensure public-sector auditors' independence, evaluating the effectiveness of such initiatives is universally recognised to be challenging (Funnell, 1994). In their examination of the extent to which state auditors act within the socially accepted scope of independence, Gendron et al. (2001, p. 305) note that 'democracy is threatened when the state auditor crosses society's accepted boundaries of independence by acting as a consultant and becoming closely involved in management's activities. In the name of accountability, accountability gets lost'. Despite these growing concerns about auditor independence in the public sector, the few empirical studies that have investigated how the political hegemony influences auditors' independence focus largely on Western developed democracies, such as Denmark (Skærbæk, 2009), Canada (Free & Radcliffe, 2009), Australia (L. M. English, 2007; Funnell, 2015), Germany, Italy (Monfardini & Maravic, 2012) and the United States (Radcliffe, 2012). Accordingly, Hay (2017) calls for more public-sector auditing research, particularly in the context of developing countries. For instance, the public sector and developing countries are the settings 'where there is considerable variation in auditing, and where in some cases auditing might not be functioning well. Those are the settings that should appeal to researchers' (Hay, 2017, p. 345). Hay and Corderly (2018) also emphasise that public-sector auditing has not received the attention it merits.

In responding to this encouragement, this study explores how the political hegemony impacts on public-sector auditors' independence in Indonesia. In order to do so, it draws on Gramsci's (1971) theory of hegemony, which is used to describe situations where social groups or dominant ideologists challenge and attempt to change the status quo (Cooper, 1994). According to Williams (1960, p. 587), hegemony is:

[A]n order in which a certain way of life and thought is dominant, in which one concept of reality is diffused throughout society, in all its institutional and private manifestations, informing with its spirit all tastes, morality, customs, religions and political principles, and all social relations, particularly in their intellectual moral and connotations.

Hegemony may also be reflected in the political leadership to which civil society consents, in its diffusion and propagation of the ruling-class ideology (Bates, 1975; Simon, 1982). This hegemonic relationship is not necessarily imposed and established by force; rather, the dominant class creates a 'false consciousness' (Gramsci, 1971, p. 326) through the socially constructed myths surrounding its political ideologies. Gramsci's concept of hegemony helps to explain how an ideology gains the discretionary consent of the people (Simon, 1982). Moreover, ideologies 'are not individual fancies; rather, they are embodied in communal modes of living and acting' (Simon, 1982, p. 25). Gramsci's notion of ideology is visibly manifested in civil society's everyday activities and lays a strong foundation for the establishment of norms, acceptable conduct and value systems (e.g., Alawattage & Wickramasinghe, 2008; Li & Soobaroyen, 2021; Yee, 2009).

In line with Gendron et al.'s (2001) view of auditors' independence as a social construct and a socially secured phenomenon, this study proposes that the dynamic nature of public-sector auditing performance, as an institutional manifestation, can be explored through Gramsci's theory of hegemony. Specifically, Gendron et al. (2001, p. 306) conclude that:

[A]lthough efficiency auditing is predicated on best practices, the state auditor has to maintain a certain distance vis-à-vis these criteria if he or she wants to comply with society's accepted norms of independence. This is the challenge that state auditors have to overcome in order for their audits to contribute to the functioning of democracy.

A review of the literature suggests that while Gramsci's theory of hegemony has been widely used in the critical and interdisciplinary accounting literature to illustrate its political implications (e.g., Alawattage & Wickramasinghe, 2008; Cooper, 1994; Goddard, 2002; Lehman & Tinker, 1987; Li & Soobaroyen, 2021; Mantzari & Georgiou, 2019;

Richardson, 1989; Yee, 2009), public-sector auditing has received less attention (e.g., Smyth & Whitfield, 2017). One exception is Smyth and Whitfield's (2017) recent study of public-private partnerships in emerging markets, which refers to the Gramscian framework in exploring the nature and role of government auditors in equity sales. The current study contributes to this literature by using Gramsci's theory as a foundation for understanding the influence of the political hegemony on public-sector performance auditing.

The remainder of this paper is structured as follows. Section 2 reviews Gramsci's theory of hegemony, relevant literature on political hegemony and public-sector auditors' independence and the public-sector auditing context of Indonesia. Section 3 briefly describes the research methods, and Section 4 presents an analysis of how the political hegemony, through the imperium, ruling-class psychology, sphere of influence and performative ideology, impacts substantially on public-sector auditors' constitutive role in Indonesia. Section 5 draws some conclusions.

## 2 | THEORY AND BACKGROUND LITERATURE

### 2.1 | Gramsci's theory of hegemony

Gramsci's theory of hegemony views societal order in terms of relationships between the economic base, political society and civil society (Gramsci, 1971). He proposes that the political leadership of whichever social group secures power in society tends to dominate political and civic life. While the economic base lays a foundation for the emergence of a social class, political and civil society strive to influence societal changes. The unique power relationship embedded within political and civil society creates ample space for structural changes in society. Whereas the Marxist concept of the 'superstructure' suggests that power is concentrated within the state, Gramsci perceives power itself as relational (Simon, 1982). Political society has coercive power over civil society, which is exerted through various means, such as the military, the courts and the police (Gramsci, 1971). Similarly, Simon (1982, p. 70) describes political society as:

[T]he coercive relations which are materialised in the various institutions of the state – the armed forces, police, law courts and prison together with all the administrative departments concerning taxation, finance, trade, industry, social security etc., which depend in the last resort for their effectiveness on the state's monopoly of coercion.

In the absence of voluntary consent, political society may diffuse its ideology within civil society through legal means of coercion but tends not to go to the extent of using violence. Political society is not the same as the state; indeed, Gramsci (1971, p. 263) suggests that:

[T]he general notion of State includes elements which need to be referred back to the notion of civil society (in the sense that one might say that State = political society + civil society, in other words hegemony protected by the armour of coercion).

Gramsci's clarification of the relationship between the state, political society and civil society distinguishes between two forms of social control: hegemony and domination (Yee, 2008). While hegemony involves winning the consent of civil society, domination is more likely to be achieved through state coercion (Femia, 1981). In order to assure hegemony, political society must exercise intellectual and moral leadership and establish alliances with civil society through political and ideological struggle (Gramsci, 1971). Civil society includes private entities, including schools, religious entities such as churches, trade associations and unions, political parties, cultural associations, mass media and voluntary and non-governmental movements (Bates, 1975; Goddard, 2002; Gramsci, 1971; Simon, 1982; Yee, 2008). It is the domain in which the hegemonic struggle takes place to obtain participants' consent (through coercion) until the hegemonic agenda is established. This consent is constructed through political and material adjustments

with other social groups and ideologies by accommodating their common interests, such as granting them cultural freedom and material goods, offering them political power and inviting them to participate in the dominant system.

More specifically, hegemony 'is the creation of a higher synthesis so that all its elements fuse in a "collective will" (between political and civil society social groups) which becomes the protagonist for political action throughout that hegemony's entire duration' (Mouffe, 1979, p. 187). However, hegemony is not simply limited to these 'instrumental alliances' between social classes. As the cornerstone of 'intellectual and moral leadership', the 'ideology' forms 'collective consent' within the hegemony (Goddard, 2002, p. 658). According to Simon (1982, p. 59):

[I]deologies have material existence in the sense that they are embodied in the social practices of individuals and the institutions and organisations within which these social practices take place. These organisations include ... those ... forming part of the civil society; the various apparatuses of the state; and economic organisations ... all these bodies play a part in elaborating, sustaining and spreading ideologies.

Therefore, depending on the nature of the power relationships, political and civil societies may overlap.

The political hegemony within a civil society originates from four elements: the imperium (supreme power), the ruling-class psychology, the sphere of influence and the ideology of performativity (Gramsci, 1971; Butler, 1997). First, the imperium, also referred to as an invisible 'superstructure', has extraordinary authority and informal power to influence civil society (Bates, 1975; Gramsci, 1971). Gramsci suggests the primary focus of the ruling class is to establish and maintain its imperium and supremacy over subordinate classes through voluntary consent rather than coercive enforcement (Bates, 1975). It operates in parallel with the coercive boundaries set up by the political state and consists of an invisible political power structure, work ethics and rituals. According to Gramsci (1978), the ruling class not only justifies and maintains its dominance, it also manages to win the consent of the society that it controls, which diffuses to the rest of society. These superstructures exist mainly within political society and are invisibly run by the political state in power, although extant literature shows that they may also derive from civil society through radical political movements or social media (Hall, 1985). The superstructure usually drives civil society toward a planned mission (Gramsci, 1971; Kimura, 2015).

Second, the psychological impact of the ruling class plays a critical role in securing subordinates' voluntary consent. The ruling-class ideology is likely to be based on the value system that dominates social thinking and individuals' subjectivity and behavioural patterns in social relations (Hall, 1986; Yee, 2009). The extent to which the ruling-class ideology is purposely diffused within subordinates' social relations, giving rise to their collective consent, will determine the construction of the ruling class's political hegemony and sphere of influence (Goddard, 2002; Yee, 2009). More specifically, the politically driven ruling-class ideology tends to be well positioned within the formal institutional structure, making it difficult to separate it from social relations (Goddard, 2002; Simon, 1982). In Gramsci's (1971) terms, this creates the foundation for the third route of political hegemony, the sphere of influence, which reflects the politically driven mission that influences a particular social class (see also Ferris et al., 2002; Katzenstein, 2005; Kimura, 2015).

Fourth, the ideology of performativity relates to individual or group performance that should not be changed or manipulated (Butler, 1997). However, the ideology of performativity gives rise to situations and conditions in which hegemonic politics may direct individuals to perform according to the imperium's desires (Gramsci, 1971). A performative ideology also reflects situations in which performance varies from normative standards but may be judged to be in line with predetermined standards (Butler, 1997). For instance, the political hegemony in Indonesia focuses on gaining public legitimacy through the consent of the Supreme Audit Association (SAI) to produce unqualified audit opinions on public-sector institutions, including state-owned enterprises (Dwiputrianti, 2011; Pamungkas et al., 2019). Recent evidence shows that despite identifying major financial irregularities, unlawful activities, malpractices and inefficiencies, SAI gives unqualified audit opinions on public-sector entities (*The Jakarta Post*, 21 July 2020).

In this context (see Simon, 1982), public-sector performance auditing can be understood as being part of a political hegemony struggle whose aim is establishing a consensus in the professional domain. Public-sector performance

auditing in Indonesia thus provides a unique case in which the hegemony may be reflected in the form of consensus in civil society on the one hand and the dominance of a particular social group on the other. Gramsci (1971) also discusses the counter-hegemonic tendency ('hegemonic crisis') and possible transformation of the hegemony, which may occur when the ruling class fails to secure consent from groups in civil society, even whilst maintaining coercive power through state institutions. However, this transformative dimension is not relevant to this study since the analysis reveals that Indonesia exhibits a relatively static form of political hegemony.

## 2.2 | Political hegemony and public-sector auditors' independence

The extant literature offers little evidence on the social position and independence of public-sector auditors (Radcliffe, 2008, 2011; Smyth & Whitfield, 2017). However, thanks to growing interest in this area, recent studies appear to question the extent to which public-sector auditors' findings and audit opinions are independent of political manifestos and policy agendas (Funnell, 2011; Radcliffe, 2008, 2011). Interestingly, Radcliffe (2011, p. 722) emphasises that 'it is naïve to argue that auditors are essentially divorced from the world of politics and policy. Instead, auditors work within discursive frameworks of what is possible in ways that are more nuanced and practical'. In support of public-sector auditors' independence, Funnell (2011, p. 720) highlights that:

[T]heir independence is meant to ensure that they will be [able to protect and further the public interest, to be the means by which the legislature as the elected representatives of the people is provided with the means to hold the Executive accountable.

However, in practice, it is a challenging task to draw conclusions on whether and how public-sector auditors should deal with government matters and the potential impact on their independence. In response to growing criticism and given the complex nature of the concept, Gendron et al. (2001) describe auditors' independence as a 'state of mind'. M. Power (2003) argues that although auditors must be somewhat dependent on the auditee, it is difficult to determine how far this dependence should extend.

Conversely, auditors' independence cannot be determined without considering the social and political context in which performance auditing is practised (Cooper & Neu, 2006). Under NPM, the auditor's role is viewed as administrative: assessing performance measures, contributing to government policies and promoting legitimacy. The administrative-policy relationship seems 'crucially inter-connected, and this inter-connection has implications for idealizations of auditors' independence and for understandings of expertise in performance measurement' (Gendron et al., 2007, p. 127). Similarly, highlighting policy and scientific expertise and procedures, Latour (1983, p. 183) contends that 'the politician has no laboratory and the scientist [and, we argue, the auditor] has one'. In this regard, while auditors' expertise and independence are essential, auditors must use these for the betterment of society (Gendron et al., 2007). Drawing on case-study evidence from Australian public-private partnership performance auditing, L. M. English (2007) argues that systems-based, pre-contracting audits are more likely to legitimise government policies than ensuring independent oversight. In contrast, Free and Radcliffe (2009) elucidate how the Auditor General's severe criticism of Canada's decentralisation policy helped to bring accountability to the political debate. In a similar context, Skærbæk (2009) reveals how Denmark's national audit office succeeded in playing two conflicting roles, as an 'independent auditor' and as a 'moderniser', in carrying out performance auditing in support of NPM reforms. Skærbæk (2009, p. 986) suggests that 'in future research, how the identities of various groups of people within the auditee are reconfigured in audit processes should attract more attention'.

Both researchers and policymakers also highlight the importance of balancing auditors' independence within NPM reforms (Kells, 2011). For instance, Monfardini and Maravic's (2012) study of control in municipalities in Germany and Italy suggests that factors such as audit implosion and institutional, cultural and political settings are likely to influence the public-sector audit process and direction of change. Nevertheless, previous literature makes several proposals to

ensure public auditors' independence, in terms of strengthening existing legislative provisions and incorporating the principles of the International Organization of Supreme Audit Institutions (INTOSAI, 2003; see Clark & De Martinis, 2003; Clark et al., 2007). Stressing the importance of SAIs' independence in ensuring their public value, Cordery and Hay (2018) note that SAIs are more likely to focus on public-sector efficiency and effectiveness rather than governmental policy implications. Cordery and Hay (2018) highlight the necessity of developing alternative approaches, such as emphasising legal provisions, reviewing the appointment and terms of SAIs and integrating the influence of INTO-SAI, to demonstrate SAIs' relevance to public value, as they are unable to recognise the negative consequences of their own practices.

Regardless of the effectiveness of these suggestions, safeguarding auditors' identity, professional recognition and independence has become crucial for effective and efficient public-sector performance auditing (Jeppesen, 2012). For instance, Funnell (2015) finds that after much debate, the Australian Government ultimately accepted that the Auditor General's mandate and reputation in performance auditing is a strong mechanism for strengthening political legitimacy. However, Gendron et al. (2007, p. 103) claim that 'there has been limited research on the process by which state auditors' claims of expertise are legitimized in the public sector, where claims to auditor independence are an established element of democratic accountability'. Most studies in this strand of literature have been based on successful cases in developed countries, whereas this study explores how the political hegemony influences public-sector auditors' independence in a developing country.

### 2.3 | Public-sector auditing in Indonesia

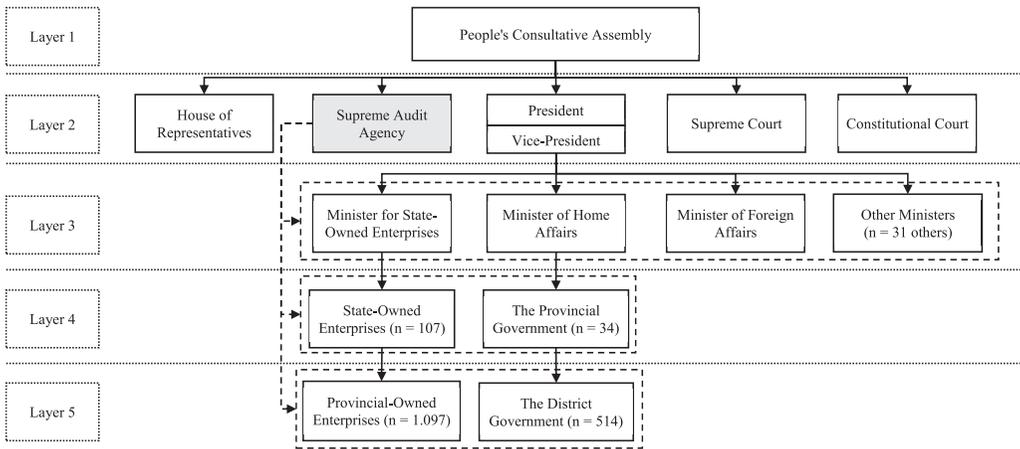
NPM reforms have introduced various structural and policy changes to public financial management practices in Indonesia (Harun et al., 2015; Prabowo et al., 2017). As a result, public-sector audit reforms have been brought in to overcome traditional drawbacks, such as lack of auditor independence and public-sector financial accountability (Nasution, 2008). In Indonesia, SAI's Public-Sector Auditing Law No. 5/1973 has been replaced with the Law of the Examination of the Management and Responsibility of the State Finance Act 15/2004 and the Law of SAI Act 15/2006. Under the State Audit Law Act 15/2004, the SAI of the Republic of Indonesia (Badan Pemeriksa Keuangan or BPK) has been given authority to conduct all public-sector auditing in Indonesia.

As enshrined in the 1945 constitution, SAI is the highest authority on the evaluation of the management and accountability of public finance, including central government, local governments, state-owned enterprises, state banks, public service boards and all other institutions that manage state finance (GOI, 2004, 2006). SAI must submit its final audit evaluations to the national, regional and local Houses of Representatives (GOI, 2004, 2006). The legal statutes of SAI are equal to those of the president, supreme court and constitutional court. SAI is an independent state institution but is not superior to the government. It is elected by the House of Representatives and is answerable to parliament. Figure 1 depicts SAI's position within the constitutional framework of Indonesia.

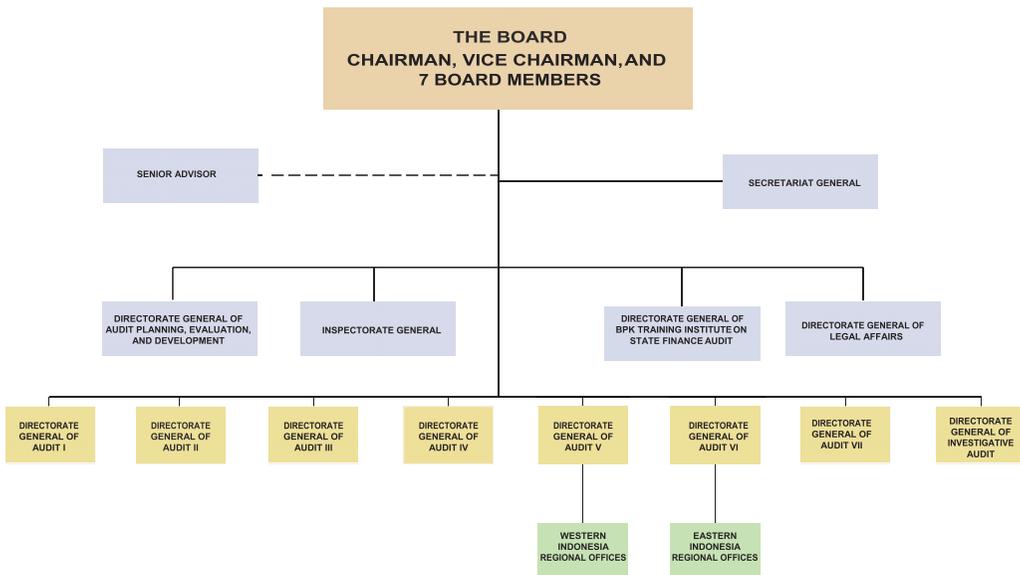
SAI's board of directors consists of nine members: chairman, vice chairman and seven board members. This board is supported by senior advisors, a secretariat general and four supporting units, namely, audit planning, evaluation and development, inspectorate general, training on state finance audit and legal affairs. SAI's audit divisions consist of seven directorate generals of audit, the directorate general of investigative audit and regional offices. Figure 2 depicts SAI's organisational structure. The specific roles and functional responsibilities of the SAI board are provided in Appendix A.

At the functional level, quality and technical control auditors are responsible for overseeing institutional-level audit assignments. Depending on the nature of audit assignments (low versus high complexity), controllers allocate them to junior or senior audit teams. Figure 3 shows the hierarchy of SAI's functional-level audit assignments.

SAI categorises public-sector auditing in Indonesia into public-sector financial auditing, special purposes auditing and performance auditing. The purpose of performance auditing in the context of NPM reforms is to ensure the efficiency and effectiveness of public-sector financial management and administration (Prabowo et al., 2017).

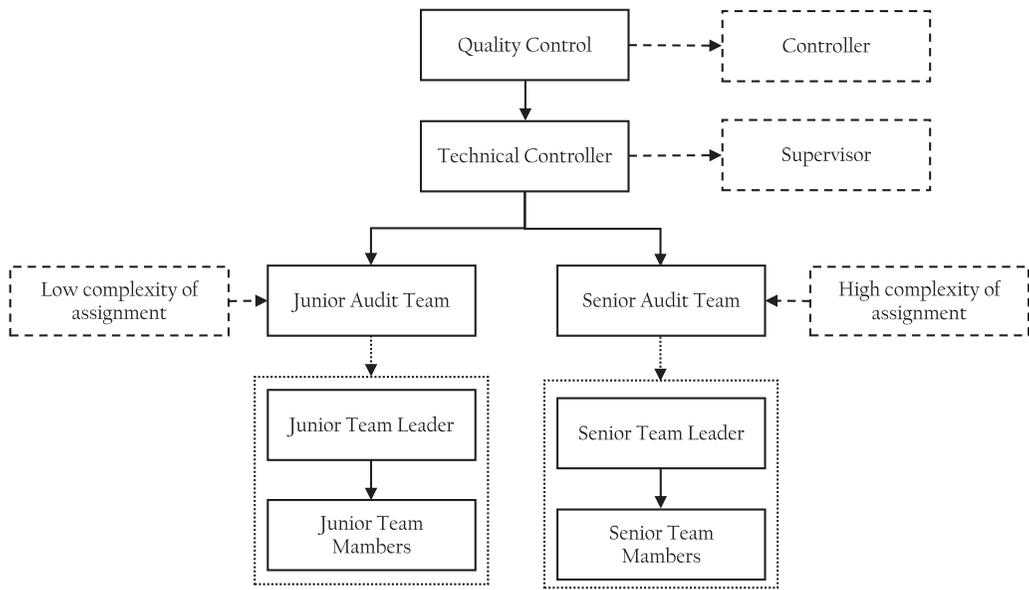


**FIGURE 1** SAI's position within the constitution in Indonesia. Source: The Audit Board of the Republic of Indonesia



**FIGURE 2** Organisational structure: The Audit Board of the Republic of Indonesia. Source: The Audit Board of the Republic of Indonesia [Colour figure can be viewed at wileyonlinelibrary.com]

Public-sector performance auditing is a complex and controversial issue, and the role and independence of public-sector auditors have been much debated. For instance, owing to concerns with regard to independence and accountability, SAI was set up as an equal authority to the legislature (the parliament) and executive (the president) (Prabowo et al., 2017). State finance auditing standards (Act No. 1/2007) and a public-sector auditors' code of conduct (Act No. 2/2011) were later introduced as a means to strengthen SAI's independence and accountability. NPM-related auditing reforms have also placed particular emphasis on detecting financial management irregularities, corruption, misconduct and fraud (SAI, 2007). SAI has been given delegated authority to access and collaborate with other public-sector institutions and to ensure transparency and accountability in compliance with public-sector auditing standards (Nasution, 2008). The State Audit Law Acts 15/2004 and 15/2006 introduced special provisions regarding how SAI should



**FIGURE 3** Auditors' functional jobs at the audit field. Source: The Audit Board of the Republic of Indonesia

demonstrate its integrity and independence in the auditing process, including audit examination, planning, implementation (e.g., time and method), preparation and presentation of audit reports. State Financial Inspection Standards guide SAI's fieldwork, including the design of audit plans, inspection procedures, auditing standards and regulations, training and supervision.

Various regulations and policies have been introduced in line with the NPM-related auditing reforms; however, government reports, international agencies and academic research increasingly reveal that the majority of public institutions and public services are corrupt and are neither transparent nor accountable according to established best practices on public financial management (e.g., Harun et al., 2015; Pamungkas et al., 2018, 2019). For instance, the Ombudsman of the Republic of Indonesia (2017) reports that only 12% of government agencies comply with service standards, while 43% are less compliant and 45% are non-compliant. Indonesia's corruption index (40) is below the world average of 43 (Transparency International, 2019), and the country is ranked 85th out of 180. Martini (2012, p. 1) identifies several critical factors that facilitate corruption in Indonesia, including 'vested interests and politically connected networks, poorly paid civil servants, low regulatory quality and weak judicial independence'. She also finds that 'local officials are given wide discretionary power and resources without proper accountability and enforcement mechanisms' (Martini, 2012, p. 1). Empirical evidence reveals that, historically, the Executive (president, governors, regents and mayors) has purposely neglected SAI's function of ensuring public accountability (Dwiputrianti, 2011). More specifically, Dwiputrianti (2011, p. v) claims that:

[I]n the past, BPK [SAI] auditors lacked independence as the Executive influenced its administration and finances ... Parliament's lack of willingness to politically oversee the Executive, insufficient serious "buy-in" by government to implement audit recommendations, and an unintegrated approach by authorised investigators to follow up on audit findings that indicate criminality and corruption.

As Indonesian public-sector auditors are civil servants, their independence should be explored within a context in which various sociocultural, political and regulatory factors are imbued with corruption and poor bureaucratic administrative systems. Legislative provisions enabling the appointment and dismissal of SAI's audit board and audit staff

have laid a strong foundation for auditors' independence in Indonesia. To address the major shortcomings of Indonesia's 1945 Constitution, audit reforms between 2001 and 2009 implemented various approaches to strengthen auditors' independence and matters related to human resource management of audit staff (e.g., Article 23F, paragraphs 1 and 2 of the third amendment of the 1945 Constitution). In particular, the Audit Laws of 2004 and 2006 (e.g., Articles 16 and 17 of the Law on BPK 2006) and the Auditing Standards 2007 delegate authority to SAI on deciding the recruitment of cadres, training and development, expected qualifications and promotions, rewards and punishments. By replacing the previous seniority-based appointments, the new system promotes performance-based appointments, dismissals, promotions and work allocations, giving autonomy, flexibility and independence to the SAI authorities. As per the audit reforms, auditors should not engage and accept any assignment if (i) they have any immediate family relationships or relationships arising from marriage to the auditee, (ii) have direct or indirect financial interests in the auditee, (iii) have previously (during last two years) worked or provided services to the auditee, (iv) have any form of personal relationship with the auditee and (v) have direct or indirect involvements with the auditee in terms of providing assistance and consultancy services, etc. Although SAI's auditors are categorised as civil servants, their human resource management practices have been administered by the SAI authorities instead of the public service administrator since the audit reforms. The reforms also introduced a code of ethics for both the audit board and audit staff. For instance, auditors are not expected to accept any personal benefits or financial resources from the auditees. Moreover, as a means of ensuring auditors' independence, SAI's budget should be approved by the parliament, not the government. Moreover, since 2004, the government has introduced independent external peer review programmes to assess the independence and performance of SAI's auditors. For instance, the Auditor General of New Zealand and the Netherlands Court of Audit conducted two independent external reviews in 2004 and 2009, respectively. Similarly, as per the audit standards of SAI (SAI 2007, paragraph 19), audit entities must implement an internal quality control system to assess whether auditors' independence is affected by personal disruptions.

Academic researchers have also raised concerns about factors influencing audit findings and audit opinions of municipal (Pamungkas et al., 2018) and district governments (Pamungkas et al., 2019). Pamungkas et al. (2018) find that non-compliance with government accounting standards and statutes (e.g., regional financial losses) significantly influence these bodies' audit opinions. Furthermore, Pamungkas et al. (2019) raise concerns about the positive relationship between audit findings and the number of unqualified audit opinions in financial audits of district governments. While the authors claim that asset size and completion of audit recommendations tend to explain this positive relationship, this study contends that explanations must be sought well beyond internal institutional factors. In responding to calls for in-depth studies to investigate the reasons behind these contradictory outcomes (see Pamungkas et al., 2018, 2019), this study proposes that attention needs to be paid to the influence of the political hegemony and ideology on public-sector performance auditing practices.

### 3 | RESEARCH METHODS

The findings discussed in this paper are based on a case study approach (Yin, 2002), as the study explores a relatively novel aspect of public-sector auditing in a developing country context. A purposive sampling approach was adopted to identify relevant participant categories. SAI categorises auditors into three levels: technical controllers, supervisors and investigators. In order to represent all three groups, in-depth face-to-face interviews were conducted with 24 auditors, eight in each category. Each full interview lasted between 30 and 45 min, although the main questions relating to hegemonic impact and experiences of performance auditing took 22 min on average. At least 1 week prior to the interviews, semi-structured interview questionnaires were posted to the interviewees in order to familiarise them with the interview context and questions and to obtain informed consent. As most of the interviewees were working in extremely busy work environments, this pre-circulation of the questionnaire helped save valuable time. The respondents had an average of 10 years' experience in the audit service, and six of the 24 respondents were female. Table A1 (see Appendix B) provides details of the participants' demographic profiles and interview duration.

With the prior written approval of the head of the institution, all interviews were conducted at SAI's head office. The researchers had no personal or professional connections with the respondents. In accordance with the research ethics guidelines of the first two authors' university, the respondents were told that the information and opinions they provided would be anonymised. The interview guide consisted of several broad questions, including factors influencing auditor independence, the impact of external and internal pressures, auditors' responses and perceptions of these influences, their attitudes and professional commitment (see Appendix C). All interviews were audio-recorded with the participants' written informed consent. They were conducted in Indonesian, translated into English and verified by a senior academic specialist in language studies. In addition to semi-structured in-depth interviews, the study also drew on various publicly available documents, such as auditing standards, audit manuals, finance acts, annual audit reports, state audit laws, SAI's policies, professional best practices and newspaper articles. Regulatory evidence has been primarily referred to explain the auditing context in Indonesia. Moreover, we referred to documentary evidence to support the structure and responsibilities of the SAI in Indonesia. Additionally, we have incorporated direct quotes from newspaper articles, such as those published by *Jakarta Globe*, *The Jakarta Post* and *Liputan News* to substantiate our primary data collected from the interviews. However, the researchers did not have access to confidential audit documents, such as auditors' fieldwork evidence.

The qualitative data analysis method of narrative analysis was conducted on the interview transcripts (Bruner, 1986; Denzin, 1989; Rosenweld & Ochburg, 1992). Conceptual themes were derived from Gramsci's framework and public-sector performance auditing processes. The drivers of political hegemony and ideology were broadly categorised into four themes: imperium, ruling-class psychology, sphere of influence and performativity. Five auditing themes were derived with reference to Indonesia's State Financial Inspection Standards: designing the audit plan, inspection procedures to obtain sufficient and reliable evidence, discovering incongruity between actual circumstances and standards and regulations, training and supervision and reporting and communicating audit opinions. The narrative analysis of the interview transcripts highlighted patterns in how the auditors perceived and experienced the influence of the political hegemony in the performance auditing process. To mitigate the possibility of decontextualising the interview transcripts, interview quotes were analysed in a subsection format using a narrative unit approach. The authors met several times during the analysis to discuss the consistency and accuracy of the coding process.

## 4 | LESSONS LEARNED: INFLUENCE OF THE POLITICAL HEGEMONY

This section illustrates how the political hegemony, in the form of the imperium (supreme power), performativity, ruling-class psychology and sphere of influence, undermines auditors' constitutive role in the context of Indonesia's SAI.

### 4.1 | The influence of imperium (supreme power) on auditors' performativity

The evidence reveals the existence of an invisible superstructure that is supposedly promoted by the political state and/or powerful territorial units and functions outside and above the formal boundaries set up by state policies, regulations and procedures. This superstructure tends to operate as an imperium (supreme power) over the work of public-sector auditors in Indonesia. For instance, according to local newspapers (*Liputan News*, 29 May, 2017), at the request of the Ministry of Village, Development of Disadvantaged Regions, and Transmigration of the Republic Indonesia, two members of SAI changed a qualified audit opinion to an unqualified audit opinion. Unqualified audit opinions from SAI are often used as political capital by regional heads contesting re-election.

Interestingly, many respondents revealed that while they are aware of the existence of this superstructure in political society, they are unaware of its origins and who controls it. However, they perceived that it emanates from above

SAI level, which is an invisible domain in terms of their own remit and power. In this context, a technical controller highlighted that:

Usually my boss [quality controller] thinks of conveying the political and economic aims of government's policy to our team members. As a result, it [the auditee's financial statements] is quite affected so that the reliability of the public financial statements is questionable.

Most respondents said that they must adhere to various requirements established by the imperium of the political state in power. For instance, auditors must change their routine practices, procedures and accepted norms in order to comply with the invisible political power structure's expectations. One senior supervisor emphasised that some senior audit professionals of SAI influence and shape auditors' beliefs, attitudes and behaviours while representing the interests of this superstructure:

Up to now, I could not distinguish a strict line between what the audit chairman asked. Although my knowledge is enough to reject his view, I finally follow what the audit chairman asked without any exception.

The respondents commented that they are often asked to change their audit domain, the quality of their fieldwork and their audit opinions. In other words, auditors are expected to follow the political power structure's requirements in order to accept ideas that come through in the form of orders (Jervis, 2006). This is in line with the proposition that the political state maintains its governing power by winning the consent of public-sector auditors (Ferris, Perrewé & Douglas, 2002). A respondent shared his experience of how the political state influences regional staff replacements:

When I was having my lunch, a senior auditor suddenly entered the restaurant. I know him personally. I remember his expression when he stated that the SAI had been crazy. He informed me that a politician had ordered a staff placement for the Regional Audit Chairman position.

The Regional Audit Chairman is the head of a particular geographical region responsible for auditing the financial management and accountability of regional governments, regional-owned enterprises and related entities within the audit scope of SAI audits.

The findings also reveal some uniquely constructed practices and policies embedded in the domain of public-sector auditing in some territories of Indonesia (Jervis, 2006). For instance, territories such as Papua (specific autonomy funds), Aceh (specific area) and Yogyakarta (exclusive province) follow a predetermined, autonomous and restricted monetary policy. Auditors working in these territories noted that their unique territorial practices and policies tend to create a parallel imperium that influences the formal/coercive government systems and procedures, including nationally adopted governmental auditing practice. Furthermore, these territorially autonomous units have their own political power structures, work ethics and rituals that public-sector auditors must follow without question. For example, respondents noted that in the case of Papua's specific fund, its invisible territorial superpower expects auditors to be lenient in their fieldwork and in delivering their audit opinions. One respondent shared his experience of auditing in Yogyakarta province, describing how he had felt under pressure to be lenient and that this went against his professional judgment and independence. Respondents from these territories repeatedly stressed that the existence of the imperium had undermined their professional beliefs, morals and attitudes. For example, a junior auditor spoke of how the territorial imperium had affected him through social pressure and subjective norms, which had ultimately tarnished not only his independence but also his professionalism:

I succeeded in identifying some audit findings related to asset misappropriation and recorded those in the audit worksheet. However, as I was instructed to change the truth of auditees' financial position,

I manipulated the audit findings with some tolerable errors and irregularities. Finally, I knew that my senior auditors, fieldwork chairman and technical controllers are also not clean.

The findings also reveal that powerful senior SAI auditors ideologically affiliated with the political state influence junior auditors by imposing inappropriate and subjective norms. Some junior auditors claimed that this enables the senior SAI auditors to accomplish their tasks smoothly in line with imperium orders. Accordingly, it is evident that imperium orders, driven by the invisible superstructure's mission, tend to dictate auditors' behaviour and intervene throughout the auditing procedures (see also Koch & Salterio, 2017; Tepalagul & Lin, 2015). A senior supervisor commented:

I try to maintain my independence in audit assignments. Yet I also exert influence on others professionally, I mean in the audit-based manner and sound audit practices for junior team members, i.e., investigators. However, in order for the audit to run effectively, I expect all team members to agree with the audit planning, audit procedures, methods and techniques that I submit.

This indicates that imperium orders not only influence the auditors directly, they also establish a momentum through the senior auditors of SAI whereby juniors feel pressurised to blindly follow their seniors' politically motivated work ethics and rituals. For instance, although what influences auditors' opinions is uncertain, evidence from this study shows that SAI auditors give unqualified audit opinions even when there is clear evidence of corruption, irregularities and unlawful action. A local newspaper reported:

The Supreme Audit Agency has given the 2019 central government's financial report an unqualified opinion, the best audit grade, despite irregularities found in several issues, including the recent financial scandals involving state-owned insurance companies (The Jakarta Post, 21 July 2020).

When responding to the media, the Chairman of SAI commented on the malpractices found in auditing procedures:

We have audited the government's financial reports and there are several problems, ranging from internal monitoring systems to unlawful practices ... irregularities in the pension programme have been occurring for years ... we have yet to find state losses from these irregularities, but there is a risk [of corruption] from using personal bank accounts to store state funds (The Jakarta Post, 21 July 2020).

Supporting this newspaper evidence, the case study findings show that the prevalence of performativity influences public-sector auditors, thereby decreasing the quality of their fieldwork, which affects audit quality. A technical controller noted:

Several times it has been directed but more inclined to the way so that the results of the audit examination give an "unqualified" opinion. However, the directive does not limit the method or approach used by my team. There is also an experience about the directions without any credibility, usually at the highest leadership level. Essentially, the leadership influences the audit team, accompanied by certain agreements such as workplace changes if the directives are not met.

Corroborating Healy's (2015) suggestion, the findings also reveal that public-sector auditors in Indonesia perform under extreme pressure, which leads to a decrease in audit quality. For example, in unintentionally co-opting the superstructure's agenda, auditors are more likely to change their fieldwork sheets, regardless of auditing standards. In the worst scenarios, the fieldwork may be changed to match the audit opinions. A supervisor noted:

In a new assignment, I always used to work based on auditing standards. While I followed the stage-by-stage audit process, I was still confused [about the quality]. Consequently, I gave up my previous approach. Now I follow all the commands from the senior auditors without thinking about the standards. I just follow what the senior auditor is asking me to do, because it is more important for me to maintain a good relationship with the SAI, with senior auditors and with my colleagues as well.

This study reveals further evidence supporting Butler's (1997) notion that with an ideology of performativity, audit quality decreases compared with expected standards. Several respondents spoke of how they are often distressed when their supervisors review the worksheets. However, they cannot do anything because of the co-agreement between the senior and junior auditors. A bigger challenge is that junior auditors are required to change their reports before the final submission to the seniors. Rather than providing professional guidance, senior auditors tend to teach junior auditors how to manipulate, or even eliminate, the audit findings. An investigator emphasised:

In the audit fieldwork, I found errors and irregularities in an auditee's [ABC institution] accounts. The errors and irregularities were recorded on the worksheet. Once I finalised the worksheet, my boss asked me not to record these audit findings anymore.

These findings support Gursozlu's (2014) suggestion that structural violence persuades others to engage in destructive behaviour by dominating group behaviour. An investigator stated:

Procedurally, when I conduct an examination and investigation in the fieldwork stages, I get a lump-sum cost per diem from SAI. However, our liaison officers frequently receive nice friendly treatments from our auditees/clients, such as lunch and perks. This makes us lose our professional belief, attitude and behaviours toward our audit assessment. This also affects our organisational integrity, which is to conduct real examination and investigation from top to bottom. Moreover, this undermines my individual integrity, independence and professionalism. The worst thing is that these clients are well connected with the political state in power.

This evidence suggests that auditors' ideology of performativity is heavily influenced by their subconscious feelings and acceptance of the hegemonic politics and superstructure in which the audit environment is embedded.

## 4.2 | Psychological impact of the ruling class

The findings of this study demonstrate the presence of a ruling class (or stratified society) within the Indonesian SAI. Respondents highlighted how this ruling class dominates and controls the public-sector performance audit process through audit planning, team assignment and fieldwork. Most respondents thus revealed that SAI auditors maintain strong stratification within their organisation. A technical controller highlighted that:

I was more or less influenced by the policies that my leader wanted to apply. However, I do not feel that I am being directly influenced when I fulfil it. I consider that it is just my loyalty and then that can be accounted for. In a government audit environment, the categorisation of people into social groups based on wealth, education, positional power and social contact is very common (social stratification) and it influences the audit policy that is to be implemented. The higher a person's social stratification, there is a tendency that he/she attempts to dominate the people within a lower social category.

More specifically, social stratification is reflected in the form of factions within audit groups. For instance, a senior supervisor highlighted that at the audit assignment stage, SAI is influenced by political state power when choosing a fieldwork chairman, audit team members, examiners and investigators and the specific subject areas on which the audit will focus. Respondents also stated that those positioned higher in the stratification, such as the top management team, have the authority to control and determine who will be the fieldwork chairman and can also select the team members. Interestingly, some junior auditors are openly stratified by seniors. In this process, the invisible political structure tends to exercise a hidden agenda to control the audit process through politically favoured audit teams. An audit inspector expressed his concern that working in such a complex environment had influenced his behaviour and attitudes:

I cannot work for SAI for too long. I feel that my character is not suitable for working in this kind of audit environment and culture. For my survival, I had to make some behavioural adjustments for myself. I also cannot expect my career to progress because of the invisible political power that authorises and regulates staff positions and placements.

Respondents also elaborated on how their mental health had been affected by the stressful and contradictory demands of the ruling class to which they were expected to respond. As a result, auditors routinely change their professional beliefs, ideas and values (Festinger, 1962). An investigator stated:

I work as an auditor for SAI, and I feel a huge pressure. However, I do not have other choices. Immediately, I was transferred to a new territory in Indonesia because I objectively and rightly maintained some audit evidence recorded in the worksheets. I found it so hard, because my boss wanted me to follow unprofessional directions ordered by him.

SAI auditors are often challenged when the ruling class exerts its political power by contradicting their beliefs, ideas and values. One audit inspector noted that many auditors struggle to maintain their professional integrity when the political party in power and its affiliated ruling-class auditors in SAI seek to influence the long-established value systems and traditions of the auditing profession. In doing so, the ruling-class superstructure undermines public-sector auditors' independence, thus undermining public trust in audit quality. An investigator added:

In my current position, I place myself with my integrity and ethics of a professional auditor. For problems of influence by my superiors, I always say not to follow his wishes if he/she has a hidden agenda.

This evidence implies that the ruling class's dominance over auditing activities, accompanied by the resulting decrease in audit quality, may lead to auditors' professional beliefs, morals and values becoming more aligned with SAI's politically and socially driven value systems.

### 4.3 | Sphere of influence

Respondents in this study noted that the political mission established by the ruling party in power influences not only individual auditors' beliefs, attitudes and behaviour but also SAI as a whole. For instance, SAI's structure, including the chairman, technical controller, field-team chairman, senior members and junior members, is itself a hierarchy of the politically-bounded hegemony (see Carpentier & Cammaerts, 2006; Wang, 2003). An investigator commented:

In giving directions, my audit team leader does not consider the credibility of my team and rational thinking. In principle, the leader uses his power to annex my team, accompanied by certain agreements such as promotions and transfers, if the team is willing to follow the leader's directions.

The findings of this study are supported by local media reports of allegations that SAI board members are likely to support and protect businesses owned by politicians:

The BPK [SAI] chairman and the deputy chairman are covering things up. It's obvious they're Bakrie's [a company owned by a politician] cronies (Andriyanto & Arnaz).

According to junior auditors, the political sphere of influence is revealed throughout the audit assignment, fieldwork and audit opinion reporting. Several audit supervisors also commented that the political hegemony influenced them during team assignment, particularly through SAI's top management. For example, if the auditee is connected with the political party in power, then SAI's top management is more likely to assign the auditing tasks to a red team. Red teams are presumed to undertake problematic audits in the interests of SAI's top management. These appointments indirectly signal and predetermine what the audit results should be. Audit inspectors explained that they had been pressurised into changing their primary audit findings and had been forced to eliminate an entire audit on several occasions:

My friend is a senior auditor ... He often says that he is not strong enough to work as an auditor because of the high pressure from top controllers, third parties and sometimes from the auditee to eliminate the audit entries.

As a result of this political hegemonic interference, most SAI auditors perceive that they cannot escape the influence of the politically driven organisational culture that permeates SAI's structure and procedures (Wang, 2003). This is in line with Monfardini and Maravic's (2012, p. 72) argument that 'institutional, cultural, and political conditions contribute to shaping the process and determining the direction of change'. Thus, the political hegemony uses soft powers to change junior auditors' cognition of what seniors or chairmen ask them to do (Nye, 2012; Wang, 2003; Yano, 2009). This means that how junior government auditors conduct their fieldwork is implicitly and indirectly shaped by the invisible superstructure. An investigator shared his experience:

Once, my audit-chairman mentioned a name and agency that he was informally working for. Then there was also a powerful private businessman that [was] connected with the government ministries and organisations. This businessman once placed agents on a certain auditor team (that I worked with), and thus this businessman usually exercised more power than me, as a team leader.

Thus, auditors have to accommodate the imperium's interests, even though this is beyond SAI's authority and professional remit (see Nye, 2012; Wang, 2003; Yano, 2009). Audit inspectors also noted that the political hegemony sometimes exerts power through indirect means, such as when individual junior auditors are influenced by senior auditors. For example, a senior inspector stated:

Most auditors in SAI know that they can be assigned either to a "red" or "white" group. My senior auditor and technical controller assigned me to be in the "white" group auditors, because I once refused to conduct an unethical task that the technical controller had asked me to do. White group auditors are assigned only for the fieldwork involving less problematic jobs/clients. Meanwhile, the "red" group usually resolves problematic auditees.

This sphere of influence in SAI is also confirmed by the media in Indonesia. For instance, a local newspaper recently reported that a SAI commissioner had changed the results of audit irregularities from 18 billion to 4.2 billion because they intended to take part in the construction of a leading water distribution network in Hungary worth Rp 79.27 billion (US\$ 5.5 billion):

The Corruption Eradication Commission has named Rizal Djaili, a commissioner of the Supreme Audit Agency, [as] a bribery suspect in a case pertaining to a drinking water treatment system ... project at the Public Works and Housing Ministry in the 2017–2018 budget year (The Jakarta Post, 26 September 2019).

## 5 | CONCLUSION

Underpinned by Gramsci's (1971) theory of hegemony, this study explores how the political hegemony and ideology influence Indonesian public-sector auditors' independence through the imperium, ruling-class psychology, sphere of influence and ideology of performativity. It is argued that the active intervention of the political hegemony tends to undermine auditors' independence, thus impacting negatively on their constitutive role and on audit quality in a developing country context. In-depth interviews conducted with SAI's technical controllers, supervisors and investigators have generated new insights into how the political hegemony and ideology substantially influence public-sector auditors' cognitive reactions and social interactions in their audit environment. In doing so, this paper responds to Pamungkas et al.'s (2019) call for deeper insights into factors influencing the contradictory relationship between the number of audit findings and reporting of unqualified audit opinions in Indonesia. The findings suggest that while institutional-level factors may go some way towards explaining the contradictory relationship, broader external factors, such as the political hegemony, substantially influence and shape audit quality in various ways, particularly in developing countries.

The empirical findings of this study contradict the belief widely accepted in Western democracies that public-sector auditors' independence is guaranteed by the legislature (Morin, 2014). However, our findings do support the findings from previous studies of developing countries, where SAIs have been found not to function independently, despite this being ordained by the legislature (Isaksson & Bigsten, 2012). In particular, this study reveals that the imperium, driven by the mission of the political state in power, forces auditors to comply with its underlying political agenda. This parallel influence of the imperium, beyond SAI's coercive powers, contaminates the entire audit process directly and indirectly through various subjective social and political influences. As a result, public-sector auditors' independence and professionalism are challenged and undermined. Similar to the imperium, the ruling-class psychology or mentality manipulates auditors' longstanding professional value systems and cultural norms of practice. These undesirable influences lead to a deterioration not only in the auditing process but also in auditors' cognitive actions and reactions. In addition, the political hegemony's influence is not limited to individual auditors' cognition or mindsets; it is also intricately linked with the whole of SAI's organisational structure and hierarchical relationships. The political hegemony's impact, referred to as its sphere of influence, also exposes many layers and hierarchies of SAI in Indonesia. Interestingly, this impact goes beyond formal institutional structures and governing mechanisms to influence auditors' professional and personal beliefs, morals, attitudes and behaviour, ultimately leading to professional distrust and excessive dependence. In extreme situations, some senior auditors commit what might be seen as social acts of violence in the senior–junior auditor relationship. This also connects with SAI auditors' ideology of performativity: their individual or group performance is changed or manipulated, thus going against generally accepted audit standards to serve the interests of the political hegemony (Butler, 1997).

M. K. Power (1994) argues that auditors' independence is more important than their professional competency. More specifically, provisions stipulating audit staffs' appointment and dismissal on specific audit functions and scope seem to have a considerable impact on audit quality (Priono, 2002). Indonesia's audit reforms (e.g., amendments to

the 1945 Constitution in 2001, the Law on BPK 2006 and the state finance audit standards 2007) have made several efforts to strengthen auditors' independence; however, recent evidence shows that such efforts have not been as effective as predicted. For instance, Dwiputrianti (2011) finds that auditors are constantly bribed by auditees, and audit findings are secretly exposed to auditees through negotiations and cooperation. Dwiputrianti (2011, p. 210) substantiates this claim with evidence from the auditees that 'BPK [SAI] auditors could not be independent, because they are always willing to accept the money that we give, but they only want to receive in cash and not transfer to their account'. The evidence suggests that not only are the existing legislative provisions inadequate, their practical implementation is highly questionable with regard to ensuring auditors' independence. Regardless of the various efforts taken to strengthen auditors' independence in terms of assigning audit duties and responsibilities, influence from political parties and government agencies (e.g., auditees) has been increasing over the years (Dwiputrianti, 2011). Dwiputrianti (2011, p. 208) highlights auditors' concerns over the practicality of the new performance-based appointment and appraisal system:

Even if they performed better than their peers, promotion was based on seniority rather than performance, and auditors had little opportunity to increase their productivity by undertaking additional training and education. This practice was the same as the salary system employed for the Indonesian civil service. With few incentives such as promotions; BPK auditors augmented their earnings from auditees. As a result, BPK auditor morale was low and continued to significantly reduce their independence in auditing. BPK audits were never effectively implemented in the Indonesian public sector.

This study contributes to the Gramscian (1971) accounting and auditing literature. Although Gramsci's theory of hegemony has been widely applied in the critical and interdisciplinary accounting literature to understand the political implications of accounting (e.g., Alawattage & Wickramasinghe, 2008; Cooper, 1994; Goddard, 2002; Lehman & Tinker, 1987; Mantzari & Georgiou, 2019; Richardson, 1989; Yee, 2009), its application to public-sector auditing has been very limited. However, Smyth and Whitfield (2017) have used a Gramscian framework to understand government auditors' role in the context of equity sales in emerging public-private market partnerships. This study's Gramscian (1971) reflections on the influences of the political hegemony and ideology on SAI's public-sector performance auditing illustrate the relevance and usefulness of applying critical theory to understand the social and political embeddedness of public-sector auditing, particularly in a developing country context (Hay, 2017; Hay & Cordery, 2018).

From a public policy perspective, the empirical findings of this study create reasonable doubt about the extent to which audit opinions matter for transparency and accountability in broader public financial management. The findings clearly show that audit quality is undermined not by the professional audit process but by the imperium, as imposed by political and professional actors affiliated with the invisible superstructure. This study also shows that the political hegemony, through the imperium, ruling-class psychology, sphere of influence and performative ideology, substantially erodes auditors' constitutive role, raising concerns about the transparency and accountability of public financial management. In contrast to Western developed democracies, historical sociocultural factors embedded in the political hegemony and ideology are more likely to influence and undermine the credibility of public-sector performance auditing in developing countries. Therefore, policymakers should act immediately to restore public trust and ensure independence and professionalism in public-sector auditing in these countries (see also Jeppesen, 2012). In Indonesia, policymakers, including the House of Representatives, should take appropriate measures to ensure the independence and professionalism of public-sector auditors. First, to rectify legal ambiguities, existing legislation should be strengthened to ensure public auditors' independence. Thus, there is a need for more proactive legislation and audit procedures to strengthen and empower the individual audit areas to combat fraud and corruption. Second, public auditors should be provided with sufficient institutional support (remuneration, flexibility, resources and training) to perform their duties in line with professional standards. Third, the principles of INTOSAI should be adopted, giving consideration to their alignment with the local context. While the SAI in Indonesia follows the Lima Declaration as a guiding principle for performing public sector performance auditing, such principles seem less consistent in their regional and local

applications. More specifically, while the prime objective of the Lima Declaration is to empower independent government auditing, as shown in this study, the implementation and alignment of INTOSAI principles need careful attention in their central, regional and local government contexts. Fourth, rigorous professional and ethical guidelines should be introduced and monitored throughout SAI. Finally, public forums, such as reputable social media platforms, should be created to communicate ongoing irregularities, as social control will help minimise these issues.

This study also creates a foundation for future research to determine the extent to which the political hegemony and ideology affect audit quality. A nationwide quantitative survey is warranted in this regard. This study focuses only on national-level implications, whereas future studies might consider whether and how the political hegemony and ideology are linked with the international imperium. For example, the global superpower structure that influences Papua's public financial statements does so through the Freeport Company. Future research might also further investigate the association between the political hegemony and ideology and auditors' ideology of performativity, particularly in relation to the performative ideology of different audit categories. In addition, as this study's findings are based on the overall situation in Indonesia, more region-specific studies are needed to examine the detailed impact of the political hegemony and ideology on performance and value-for-money auditing in the country. It should be noted that public-sector auditors' level of independence in Indonesia may not be a reflection simply of the political hegemony and ideology; it should be considered in light of broader context-specific factors such as socioeconomic, cultural and regulatory aspects. Finally, while we attempted to identify and verify all possible scenarios underlying the impact of political hegemony, it should be noted that our findings are subject to auditors' personal views, experience and bias. These limitations should be taken into account when interpreting the findings of this study.

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## Note

<sup>1</sup> Indonesia's SAI has reported following audit opinions for 542 local government authorities from 2015 to 2017: In 2015, unqualified opinions = 312, qualified opinions = 187, adverse opinions = 4 disclaimer = 39; in 2016, unqualified opinions = 378, qualified opinions = 141, adverse opinions = 0, disclaimer = 23; and in 2017, unqualified opinions = 411, qualified opinions = 113, adverse opinions = 0, disclaimer = 18 (Pamungkas et al., 2019, p. 3).

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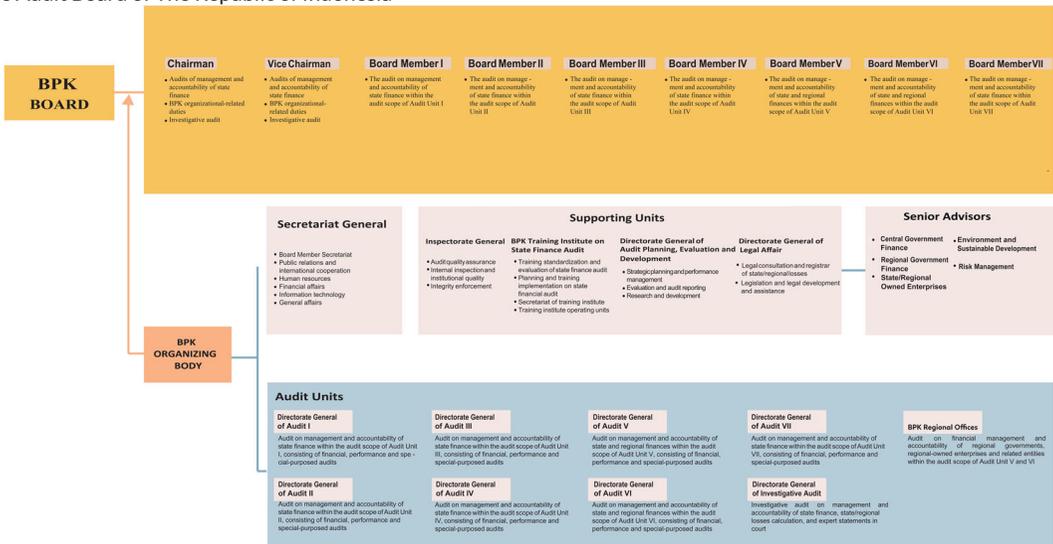
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**APPENDIX A**  
**Organizational Structure**

The Audit Board of The Republic of Indonesia



Source: The Audit Board of the Republic of Indonesia

## APPENDIX B

**TABLE A1** Demographic profile of interview participants

SAI auditor category	Gender	Years of experience
1. Technical controller	M	14
2. Technical controller	M	8
3. Technical controller	M	7
4. Technical controller	F	6
5. Technical controller	M	12
6. Technical controller	M	16
7. Technical controller	M	14
8. Technical controller	M	11
9. Supervisor	M	13
10. Supervisor	M	12
11. Supervisor	F	15
12. Supervisor	F	14
13. Supervisor	M	13
14. Supervisor	M	6
15. Supervisor	M	7
16. Supervisor	M	16
17. Investigator	F	7
18. Investigator	F	9
19. Investigator	F	7
20. Investigator	M	8
21. Investigator	M	7
22. Investigator	M	7
23. Investigator	M	8
23. Investigator	M	8
24. Investigator	M	14

## APPENDIX C

## Interview guide used for face to face interviews – Main areas of inquiry

- Could you please explain your role as an auditor?
- What is your view of Supreme Audit Institution (SAI)?
- What is your view of national regulatory framework in relation to public sector audit?
- Could you explain the relative freedom/independence of your position to perform your professional duties?
- What are the internal organisational systems and regulations that ensure your professional independence?
- Could you please explain whether your professional independence, beliefs and/or integrity has been ever influenced by internal or external actors/forces? If so, could you please provide some examples?

- How do you respond to internal or external pressures that influence your professionalism or independence?
- How do you assess the quality of your own work?
- Could you please explain what factors would influence the quality of your audit works?
- Could you please explain whether you have ever received any complain from a junior colleague that they have been influenced/forced not to follow standard audit procedures? (a question for senior auditors)?