

Opening Speech By
The Chairman of Badan Pemeriksa Keuangan Republik
Indonesia (BPK-RI)
at the Opening Ceremony of the Second Technical Meeting
Implementation MoU between
BPK of the Republic of Indonesia
and JAN Malaysia
Denpasar-Bali, March 13-15, 2008

My honorable colleague:

Dato' Azizah binti Hj. Arshad, The Deputy Auditor General of
Jabatan Audit Negara Malaysia

BPK Board Members:

Mr. I Gusti Agung Rai;

Mr. Herman Widyananda; and

Mr. Sapto Amal Damandari,

Distinguished Ladies and Gentlemen,

Assalaamu'alaikum warahmatullahi wabarakaatuh.

Background

First of all, allow me to express my sincere appreciation to Dato' Azizah binti Hj. Arshad, The Deputy Auditor General of Jabatan Audit Negara Malaysia for taking a part in this Second Technical Meeting on the Implementation of the MoU between BPK and Jabatan Audit Negara Malaysia. This Second Technical Meeting will mark yet another stage in the progress of cooperation between our two SAIs by further implementing the objectives of the MoU and reasserting our commitment to strengthen our respective SAIs as well as to make a meaningful contribution to good governance in our region.

Looking back on history, namely the First Technical Meeting in Malaysia in August 2007 and the signing of the MoU which was ratified in November 2007 during the XIXth INCOSAI in

Mexico City, it is evident that all of these events paved the way for this Second Technical Meeting in Indonesia.

As we are all aware, in on our First Technical Meeting we concentrated our discussions on the parallel audit in forest management including logging management, as the implementation of our MoU. Inspired by the INTOSAI spirit “mutual experience benefits all”, at this technical meeting today we intend to further expand our cooperation in training and continue our cooperation in tax audit.

Objectives

The objective of this Second Technical Meeting is to discuss the implementation of parallel audit in forest management (including logging management), which encompasses the setting up of an audit program, working arrangements and project management. In addition to that, there will also be a discussion about the possible forms and areas of cooperation in training and the continuation of cooperation in tax audit.

It is expected that at the end of the day, each group of discussions will reach an agreement regarding the action plan and the schedule of implementation for each area of cooperation.

Parallel Audit in Forestry Management

The cooperation in parallel audit of Forestry Management is in line with the active role of BPK and JAN Malaysia in the INTOSAI Working Group on Environmental Audit. As we are all aware, BPK and JAN of Malaysia actively involve in achieving one of the WGEA goal, namely to expand the number and breadth of environmental auditing guidance materials available to SAIs, especially in preparing guidance materials on auditing the government’s management of natural resources and related impacts on the environment of forests (including deforestation).

In addition, issues related to saving the environment and climate change have been in the center of discussion not only among South East Asian nations, but also worldwide. It is expected that our discussions here in Bali concerning parallel audit in forestry management will bring a significant contribution to the efforts for saving the environment, similarly to that of the United Nations Climate Change Conference which was held not far from this very place in December 2007. The implementation of the Bali Roadmap and the Bali Action Plan adopted in the said UN Conference is a global commitment towards the negotiation process which is designed to tackle the issue of climate change. Environmental Audit in general, and parallel forestry management audit, including logging audit in particular could become a significant and concrete step towards the realization of such global commitment, starting from our respective countries and regions.

Parallel forestry audit is expected to strengthen the existing activities conducted under the WGEA. At the same time, in the context of cooperation among Asian countries, we all hope that this bilateral cooperation between Indonesia and Malaysia will encourage the establishment of closer ties with our other neighboring countries in Asia.

Discussions on the cooperation in the area of environmental audit have commenced as from the anniversary of BPK in January 2007. We continue to discuss the potential cooperation in Arusha, June 2007. Plans for this cooperation were reaffirmed in the First Technical Meeting in Malaysia. It was agreed in the Meeting that the cooperation would be in the form of parallel audit in forestry management. Details of this audit program and the working arrangements as well as project management will be the subject of discussions in this Second Technical Meeting in Indonesia.

Cooperation in the Field of Training

We are all very much aware of the fact that we need qualified human resources in order to improve the credibility of our auditing institution. It is for this purpose, therefore, that the appropriate training institutions need to be in place for enhancing the quality of human resources at our respective auditing institutions. As training and education centers play an important role in the development of human resources at our respective institutions, training will be one of the areas of cooperation.

In the First Technical Meeting in Malaysia, the Head of the Training and Education Center of BPK and his counterpart from the JAN Malaysia, have exchanged experiences and knowledge on their respective training centers' organization and activities. From the discussion, it can be concluded that there are a lot of similarities between the training centre of BPK and the training centre of JAN Malaysia. In addition to that, we all know that several auditors of the BPK as well as their Malaysian colleagues from the JAN act as training experts within the ASOSAI.

The good relations between the BPK and the JAN Malaysia have also been marked by the participation of several Indonesian auditors in the training conducted by JAN Malaysia under the Malaysian Technical Cooperation Program (MTCP). These training activities included, among other things, training in the field of performance audit and training in the field of IT audit conducted at the end of 2007.

We hope to be able to take a step further in this area, by enhancing and formalizing our existing close cooperation in the field of training in the context of the implementation of the MoU signed in Mexico. One of the proposed focus areas of such cooperation will be capacity building of training centre in our respective organizations.

Cooperation in the Area of Tax Audit

Cooperation in the area of tax audit has been in process for some years, which involving several auditors of BPK in a secondment program at JAN Malaysia for a period of 1 month. This kind of secondment activity has been conducted on a number occasions, mainly in audit planning.

In addition to the above, BPK has also initiated a judicial review of the Tax Law. This was done in view of the fact that the existing Tax Law imposes certain limitations on BPK's authority to audit tax related data. Tax auditors from several other countries, including Malaysia, have been involved in this judicial review process. On this occasion, we would like to thank Jabatan Audit Negara and particularly to Mr. Abdul Rahim Kadir, tax auditor from Malaysia, who is present with us today, and who has provided assistance to BPK in the context of the Tax Law judicial review initiated by BPK.

As a result of the preliminary discussions among tax auditors of our two SAI, it has been agreed that the focus of discussion in tax audit cooperation will be:

- a. The possibility of having another secondment program in Malaysia, particularly related to field audit phase (audit luar).
- b. The overview of Performance Audit on Taxpayer information System by BPK
- c. The overview of Audit on Petroleum Income Tax/Production Sharing Contract by BPK
- d. The overview report of Tax Installment Audit & PCB (Potongan Cukai Berjadwal) by JAN where BPK Auditors were involved in the making of Audit Planning Memorandum during secondment program.
- e. Access of taxpayers file: Indonesia experience: Judicial Review by BPK on the Tax Law

We all hope that with this Second Technical Meeting, our cooperation in the field of taxes can be continued in a manner

that will bring added value to our respective organizations, strengthen accountability in the field of taxes as one of the main sources of State revenue in our respective countries.

Closing

Ladies and Gentlemen,

As we have already started our cooperation in good faith, which was re-affirmed by signing the MoU and followed up by this technical meeting, I am quite confident that we have now placed our strategic partnership on the right path towards achieving our common objectives.

This cooperation ties is also expected to sustain our already close relationship and improve the contributions of our respective SAIs in the public sector governance of our respective nations. I strongly believe that BPK and JAN Malaysia will be able to provide an even greater contribution to transparency in both countries, supporting accountability in the public sector and stimulating good governance not only for us, but also for our neighboring countries in the ASEAN region in the future.

Thank you.

Wassalaamu'alaikum warahmatullahi wabarakaatuh.

Denpasar, 14th March 2008

The Audit Board of
The Republic of Indonesia
Chairman,

Prof. Dr. Anwar Nasution