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its Audits

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BPK Ready to Sharpen its Audits



Road to Achieve
Budgetary Independence

The Audit Board of the republic of Indonesia (BPK) continues to strive to actively build Indonesia's reputation at the international level. The hard work paid off. At the international level, BPK is increasingly recognized and trusted. As a result, international recognition toward Indonesia is getting better. We have been acknowledged that we are equal in term of capacity with other SAIs and able to stand at the same position with other developed countries. International trust to BPK is reflected by trust from International Atomic Energy Agency (IAEA). For three consecutive periods, BPK was appointed as an external auditor for the atomic institution under UN.

Having not finished its task at the IAEA, BPK was again appointed as external auditor for other international institutions. This time, International Maritime Organization (IMO) has entrusted BPK to be their external auditor for the period of 2020 – 2023

In addition to that, international trust and recognition on BPK was also complemented by the appointment of BPK auditor as the leader of joint team of external auditors for the UN Anti-Corruption Academy (IACA) in March 2015 with Russia and Austria. In this international anti-corruption organization based in Luxenburg, Austria, BPK will serve its role for the three years. Further, at the next term, BPK auditor was also appointed for the second time as the leader of joint team of external auditors of IACA, with Thailand and Russia, until 2021.

BPK contribution to the nations was also proven by the fact that BPK served its role as Chair of the INTOSAI Working Group on Environmental Audit (WGEA) for 2 periods from 2014 until 2019. In addition, BPK also serve as Governing Board Member of the Association of SAI in Asia region ((Asian Organization of Supreme Audit Institution/ASOSAI) for 2 consecutive terms from 2016 – 2021.

There are still many other BPK achievements at the international level. This, among other things, has become the background for the publication of *Warta Pemeriksa* in English Version. By publishing the *Warta Pemeriksa* in english version, the editors would like to expand the its coverage to the international community. We hope that this effort will be able to improve the international recognition and trust to BPK and Indonesia.

At this inaugural edition, the editoris present the information related to international audit and activities performed by BPK from January to July 2020. In the future, we will continue presenting the information in English. We hope that, the international community have an opportunity to observe and follow what is happening at BPK. Enjoy reading!

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BPK Ready to Sharpen its Audits

In 2020, BPK's audits will increase focus on high-risk accounts at both central and local government levels.



The Audit Board of the Republic of Indonesia (BPK) held the 2nd Coordination Meeting of BPK Officials in 2019 on Thursday (19/12) at the BPK Head Office, Jakarta. The meeting was part of a preparatory phase before launching the 2020-2024 Strategic Plan with a vision "to be a trusted audit institution that plays an active role in fostering state finance with high-quality and useful financial governance to achieve state objectives."

BPK Chairman Agung Firman Sampurna emphasized that with this new vision, along with the newly-formed government (Indonesia Onward Cabinet 2019-2024), BPK was ready to sharpen its audits.

"A new government has been announced. So, I say, we are going back to standard. Our audits will be sharply critical of various things," declared Agung as he opened the coordination meeting.

Further, Agung stated that in 2020 BPK will in-

crease its audit focus on high-risk accounts at central and local governments level. The focus of attention will lie on local government loans, grant and social assistance expenditure, capital expenditure, and cash management.

With regard to local government loans, in addition to standard procedures commonly carried out, auditors need to look at other variations in local government lending practices.

"Don't just refer to the formal definition of a loan. A variation example of local government loan is when a [local] government is doing a job that has not been budgeted in the current year, it is then recognized as a loan in the coming year," Agung remarked.

The next account that needs extra attention, Agung continued, was grant and social assistance expenditure. It was especially important considering that there were simultaneous [presidential and legislative] elections in 2019. The most significant



assertion of financial statements for grant and social assistance expenditure accounts is the assertion of occurrence; that transactions have truly taken place and are related to the audited entity.

“Auditors need to make sure that grants and social assistance are distributed evenly, documents for accountability purpose are completed, and it provides value and benefits to the government in implementing its functions to govern, develop, and support communities,” he added.

Regarding capital expenditure, Agung said, the audit sampling does not always have to be directed at capital expenditure with large values. According to him, this strategy needs to be done to narrow the opportunities for fraud on low-valued capital expenditure projects. BPK will also increase its focus on cash management.

Similar to capital expenditure, auditors also need to assess all financial statement assertions related

to cash accounts, Agung ordered. In addition to the test of control and substantive test routinely conducted, there is a specific audit procedure which needs to be applied in 2019.

“Cash counts should be done in a surprise manner without prior notice to the audited entity, so that the main objective is achieved, which is to see to quality of cash management policy implemented by the entity,” he told.

In the non-audit field, BPK would continue to implement the Supreme Audit Institution Performance Measurement Framework (SAI PMF) which has been started since the previous year. Agung hoped that SAI PMF can be institutionalized as a tool to evaluate BPK’s institutional performance. One aspect in SAI PMF is communication. BPK Leadership had just set a tag line of “Accountability for

All” intended to increase public understanding on the importance of state financial accountability.

“I expect this tag line to inspire many activities to come,” Agung revealed.

The 2019 Coordination Meeting of BPK Officials was as a forum in which all implementing work units meet and coordinate to determine the priority of BPK activities in accordance with policies/strategies/plans with considerations of the needs and conditions in each work unit. In

order to have a more mature strategy and policy, the coordination meeting is expected to make activities planned out for 2020 (both Audit Plans as well as Secretariat and Supporting Units’ Plan) to be more targeted. ●

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A new government has been announced. So, I say, we are going back to standard.



Audit Result of PT Asuransi Jiwasraya

In handling cases of alleged corruption in PT AJS, The Audit Board of the Republic of Indonesia (BPK) received a request for the Calculation of State Losses from the Office of Attorney General.

The BPK had conducted two audits in 2010-2019 for PT Asuransi Jiwasraya (Persero) or PT AJS, which is currently facing a problem of failing to pay out on customer insurance policies. The audit undertaken were Special-Purpose Audit (PDTT) and Investigative Audit (Preliminary phase).

PDTT was conducted in 2016 on management of the insurance business process, investment, income and operational costs in Jiwasraya during 2014-2015. Meanwhile, Investigative Audit (Preliminary) has been conducted since 2018.

Chairman of BPK, Agung Firman Sampurna, conveyed that there were 16 findings in the 2016 PDTT. These findings include investments in TRIO, SUGI, and LCGP shares in 2014 and 2015 were not supported by an adequate review of stock placement proposal. In addition, PT AJS has potential to face the risk of failing to pay out on a medium term note (MTN) purchase transaction at PT Hanson Internasional (HI).

PT AJS was also less than optimal in overseeing mutual funds owned and there was an indirect placement of shares in a company performing not optimal.

"To follow up on the 2016 PDTT results, BPK conducts a Preliminary Investigative Audit beginning in 2018. The results of investigative audit indicate irregularities leading to fraud in the management of the JS Saving Plan and investment products," Agung said in a joint press conference with the Attorney General, at BPK's Head Office, Jakarta, Wednesday (8/1).

Based on the results of the Investigative Audit (Preliminary), it was found that problems at PT AJS have been emerged for a long time. In 2006, PT AJS was found in making window dressing. "The

profit recorded by PT AJS in 2006 was a fake profit. The company has actually suffered losses," said Agung.

PT AJS also said that it posted a profit of Rp360.3 billion in 2017. However, BPK gave an adverse opinion on PT AJS's financial statements due to a fraudulent provision of Rp.7.7 trillion. If the backup was done according to the provisions, the company should suffer losses.

Furthermore, in 2018, PT AJS posted a loss (unaudited) of Rp. 15.3 trillion and until September 2019, it was estimated to have a loss of Rp. 13.7 trillion. On November 30, 2019, PT AJS was estimated to experience negative equity of Rp27.2 trillion.

The loss occurred mainly because PT AJS sold the JS Saving Plan product at a very high cost of



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funds over interest on bonds and deposits. “This has been done massively since 2015,” Agung said.

He added, the funds from the JS Saving Plan were invested in low-quality stock instruments and mutual funds, causing a negative spread which resulted in liquidity pressure on PT AJS. “This is what ultimately leads to default.”

The JS Saving Plan product is the product that has contributed the highest income in Jiwasraya since 2015. This product is a savings product with guaranteed return or very high interest with additional insurance benefits.

On the sale of the JS Saving Plan, BPK found a number of irregularities. Some of these include the appointment of senior banc-assurance center chief official who does not comply with regulations, submission of direct cost of funds (COF) to directors without involving relevant divisions, the determination of COF does not consider Jiwasraya’s ability to generate the revenue needed to cover costs for insurance products sold.

Furthermore, in the marketing of JS Saving Plan insurance product, a conflict of interest was suspected because the related parties at PT AJS received a fee for the sale of the product.

Calculation of State Losses

In handling cases of alleged corruption in PT

AJS, the BPK received a request for the Calculation of State Lose from the Office of Attorney General. The request was conveyed by the Attorney General’s Office through a letter dated December 30, 2019. BPK also received a request from the House of Representatives (DPR) with a Letter Number PW / 19166 /DPR RI/XI/2019 dated November 20, 2019 to conduct a Special-Purpose Audit (PDTT) on PT AJS’s matters.

“BPK is currently working closely with the Attorney General’s Office to calculate the value of state losses in the case and is planned to be completed within the fastest of two months. BPK will fully support the Office of Attorney General in the law enforcement in the case of PT AJS,” said Agung.

Agung added, Other than carrying out the calculation of state losses, BPK also began to conduct an Investigative Audit on PT AJS. The purpose of this investigative audit is to disclose non-compliance, fraud-indicated -non-compliance, as well as indications of state losses and/or criminal elements in the management of PT Asuransi Jiwasraya.

“We must not be careless and BPK is very helpful in the disclosure of this case. In God willing, within two months, public can find out who are the persons carrying out this very large case,” said the Attorney General, Burhanuddin. ●

A Synergy to Eradicate Corruption



The synergy between BPK and KPK will strengthen corruption eradication.

BPK (Audit Board of the Republic of Indonesia) and KPK (Corruption Eradication Commission) continue to synergize efforts to eradicate corruption in Indonesia as both institutions renewed a Memorandum of Understanding (MoU) on Tuesday (7/1). Taking place at BPK Head Office, the new MoU was signed by BPK Chairman Agung Firman Sampurna and KPK Chairman Firli Bahuri.

BPK Chairman explained that the joint agreement was associated with the follow up of BPK audit results related to state losses. The procedure for calculating state losses was also updated in accordance to the new KPK Law 19/2019.

"This cooperation could be seen as our action of support towards KPK in preventing and suppressing corrup-

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tion," said BPK Chairman Agung Firman Sampurna, Tuesday (7/1).

Further, Agung explained that this cooperation renewed the previous MoU signed in 2006. In addition to the update on KPK law enforcements in following up BPK audit results indicated with violations or illegal actions resulting in state financial losses, the cooperation also entailed other collaborations. Among them are KPK's request towards BPK to calculate state

losses, prevent corruption, and exchange information as well as strengthen coordination.

The agreement discussed BPK's authority to investigative audit to uncover state losses and illegal conducts. In the other hand, KPK has the authority to determine whether or not an alleged illegal act of corruption took place.

The collaboration also regulated that should BPK finds any violations or illegal actions resulting in state financial losses, BPK submits the audit results to KPK. Meanwhile, related to the calculation of state losses, KPK could ask BPK to conduct the requested calculation based on supporting documents provided by KPK.

With regards to expert statements, KPK could ask BPK to appoint experts to provide their professional statements and judgements related to BPK audit results in a judicial hearing. The two institutions also collaborate in corruption prevention efforts through information dissemination as well education and training on auditing to KPK employees.

Speaking at the same event, KPK Chairman Firli Bahuri mentioned that the cooperation between the two institutions would revitalize the efforts on fight against corruption. KPK and BPK renewed their cooperation as the previous collaboration period has ended.

"This collaboration is important since we have to face many tasks and responsibilities ahead of us without ignoring the roles of KPK and BPK," he told further. The signing of the cooperation was attended by top management of the two institutions. ●

BPK Expands the Distribution of CSFA

CSFA Certification is expected to be used by the government internal supervisory apparatus and public accounting firms.

The Chairman of the Audit Board of the Republic of Indonesia (BPK), Agung Firman Sampurna hopes that all auditors at BPK can have a Certified State Finance Auditor (CSFA). According to Agung, this was part of an effort to institutionalize the improvement of BPK's Human Resources (HR) competencies, especially in the field of state finance.

Based on BPK Regulation No. 1 of 2017 concerning State Financial Auditing Standards (SPKN), an auditor must have sufficient professional competence to carry out the audit task. Agung said, the certification could not only be achieved by BPK auditors but

also external parties. "We hope that CSFA will be used not only by BPK but also by the government internal supervisory apparatus and also the public accounting firm that we have hired for and on audit on behalf of BPK," Agung said in Jakarta, Thursday (19/12).

One of the specialties of the BPK is that it has the authority to audit the management of state finances. Therefore, BPK is also obliged to guarantee that the auditor has sufficient technical competence in auditing.

Agung said, BPK had prepared all of the certification needs starting from the training, materials, competency test, and certification.

Director for Standardization and Evaluation of the BPK Training Institute, Gunarwanto, said, the technical competence of auditor must be proven through professional certification. "This practice applies internationally, that technical competence in any field

must be proven through professional certification," said Gunarwanto.

BPK has initiated a Certified State Finance Auditor (CSFA) based on regulations and best practices that apply throughout the world. Initially there were several alternative certification names. However, with consideration that in the future it can be accepted internationally, BPK finally chose to use the CSFA designation for those who officially have professional certification in the field of state financial audits. BPK chose foreign languages so that CSFA certification would later be global and would make other countries interested in CSFA. "We have time to explore and see the patterns of certification in other organizations, such as IAI, IIA, CFE, CFrA, and others. We learned the patterns, then the patterns that match the conditions at the BPK will be applied in designing and implementing CSFA certification," he said.





The CSFA certificate has a special position because it will become a requirement for auditors to be able to sign the reports of audits within the scope of state finances. Later, the signatories of the reports of financial audits, performance audits, and special purpose audits must be CSFA certified. With this requirement, every audit report is expected to have the same quality. "So the quality standards will be the same, both auditors coming from BPK and those from outside. In the future, certification will not only for the public sector auditors in Indonesia, but also for public sector auditors from abroad, especially in countries whose SAI is a member of INTOSAI and its regional SAI organizations where there is no professional certification," he said.

Scientific Oration

In the 2019 coordination meeting of BPK employees, the title of CSFA was awarded to the Board Member I, Hendra Susanto, Board Member II, Pius Lustrilanang, and the Board Member VII, Daniel Lumban Tobing and other BPK officials.

Before being awarded the title, the BPK officials delivered their scientific oration at the coordination meeting participants. Hendra Susanto delivered an oration entitled "Enhancing Professional Competence of BPK Auditors in Conducting Infrastructure Audits". Hendra said, there were several BPK findings related to construction, namely lack of work volume, overpayment, penalties for tardiness, and specifications of goods / services that

were not in accordance with the contract and were materially valuable.

"This shows that the internal control system (SPI) of the owner of construction activities has not gone well. On the other hand, the lawsuits over the results of BPK audit has begun to emerge in recent years," said Hendra.

According to Hendra, the high risk of significant non-compliance and audit risk requires BPK, particularly the audit team, to strengthen the audit strategy in the infrastructure sector, especially in the construction sector. Further, according to him, a micro-audit strategy that emphasizes auditor competence and audit procedures improvement was needed.

"BPK auditors are encouraged to have capacity in infrastructure audit through education, training, and certification and within higher assignments expectations, they can use experts in compliance with the regulations in the SPKN. Moreover, the implementation of talent pool is needed immediately

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A micro-audit strategy that emphasizes auditor competence and audit procedures improvement was needed.

to be able to meet the needs of auditors in conducting infrastructure audit," said Hendra.

Meanwhile, Pius Lustrilanang delivered a scientific oration entitled "The Risk of State Debt Management and Development of Audit Strategies in Encouraging the Fiscal Sustainability".

According to Pius, to get a more comprehensive picture of the problem of government debt management and the factors that influence it, more specific audits were needed by involving all audit work units. Audits that still need to be carried out include auditing the strategy and implementation of government programs in the development of the Government Securities (SBN) domestic market.

Furthermore, there should be an audit of the strategy and implementation of government programs in optimizing tax revenues. "This is due to the low tax revenue as indicated by the low tax ratio and is not in line with GDP growth and debt growth," Pius said.

Pius also encouraged an audit of the use of government debt for productive expenditures. This audit was needed to assess whether the government debt has been utilized optimally and in accordance with the regulations, especially related to project loans and project-based sukuk (PBS).

Daniel Lumban Tobing delivered a scientific oration entitled "BPK Audit Strategies to Increase SOEs Value Added". Daniel said, the total assets of SOEs as of December 2018 reached Rp8,117.6 trillion with a profit of Rp143.3 trillion. Even so, he said, there were still some problems that occur in SOEs such as the issue of synergy between business entities, focus on the core business, and the issue of fraud like what happened with PT Asuransi Jiwasraya (Persero).

"Specifically in the audit of SOEs, BPK must develop an audit strategy to increase the value added of SOEs, especially in terms of infrastructure, food security, energy security, and economic growth," Daniel said. ●

Maintaining Accountability for Infrastructure Connectivity Development

The general goal of improving connectivity is to increase efficiency and effectiveness in terms of cost and time.



Government of Indonesia (GoI) is intensively building infrastructure to improve connectivity. To maintain accountability of this program, the Audit Board of the Republic of Indonesia (BPK) through Directorate General of Audit (AKN) I has conducted an audit related to con-

nectivity.

Through auditing the Ministry of Transportation, AKN I examines the accountability and state financial managements of ports, airports, and railways. "The audits we have carried out include sea highway connectivity, as well as infrastructures of land, air, and rail transportation," Board Member I Hendra Susanto told *Warta Pernerksa*.

In accordance with the National Medium-Term Development Plan (RP-JMN) 2020-2024, GoI has emphasized connectivity as one of the development priorities. In this connectivity program, the Ministry of Transportation participates as the executing agency of several strategic priority projects, such as high-speed railways in Java, integrated port network, ur-

ban transportation system, and the Sky Bridge Program with 37 routes in Papua. Hendra said that future audit activities under AKN I would focus on the aforementioned strategic priority projects. Nonetheless, he added, a number of thematic audits related to connectivity involving all 8 Directorate Generals of Audit with their own portfolios would be prepared.

An example of connectivity audit carried out at the Ministry of Transportation was the Management and Operation of the Sea-Toll Road, which had been concluded 'not optimum.' One of the reasons for this conclusion is related to the port database.

Another example was an audit focused on Strengthening National Connectivity in Land, Air, and Railways, which conclusions that are still 'not optimum.' This conclusion was made mainly due to the planning mechanism, general infrastructure, transportation infrastructure, and the determination of routes for subsidized activities.

BPK also carried out an audit on the financial statement of the Ministry of Transportation, highlighting goods and capital expenditures, as well as late delivery penalties at 7 Directorate Generals of the Ministry of Transportation. In addition, an audit on Non-Tax State Revenue for the cost of using railroad infrastructure or track access charges (TAC) at the Directorate General of Railways.

"The audit objective is not designed to measure transportation connectivity; rather, BPK looks into the suitability of program planning to its implementation," Hendra explained further.

According to the Audit Reports Summary Semester (IHPS) I Year 2018, BPK conducted a performance audit on port concession management at the Directorate General of Sea Transportation of the Ministry of Transportation, Port Business Entities such as PT Pelindo II (Persero) and PT Pelindo III (Persero), as well as other relevant entities in the Provinces of DKI Jakarta,



Central Java, and East Java. The audit was done since 2016 to the first semester of 2017.

The audit was aimed to assess the effectiveness of port concessions management, specifically aspects related to strategic planning for port concessions, determination of tariffs and duration of port concessions, fulfillment of responsibilities by the Ministry of Transportation and Port Authority in applying concessions, and the Non-Tax State Revenue administration for concessions.

The audit objectives in the performance audit were activities of concession planning, preparation of port concession agreements, and implementation of concessions. BPK concluded that port concession had not been effectively managed in terms of its strategic planning aspects, determination of tariffs and duration of port concessions, fulfillment of responsibility by the Ministry of Transportation, and Non-Tax State Revenue administration.

As a result, BPK had recommended that the Minister of Transportation review the amount of concession tariff through a feasibility study to ensure that it complies with the principle of fairness, benefits all parties, and reflects fair competition.

According to Hendra, the general goal of improving connectivity was to increase efficiency and effectiveness in terms of both cost and time. Further, the main purpose of connectivity was

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The audits we have carried out include sea highway connectivity, as well as infrastructures of land, air, and rail transportation.

acceleration and equity in development for all Indonesian people.

He explained that BPK supports government's efforts through the RPJMN 2020-2024 by conducting audits in accordance with BPK's vision to be a trusted audit institution that plays an active role in fostering state finance with high-quality and useful financial governance to achieve state objectives. "In its technocratic design, BPK has directed its audit programs to follow the RPJMN through thematic audits to assess performance of government programs; one of which is connectivity," added Hendra. ●

Overseeing Connectivity in Regions

The laboratory test method carried out by BPK was also performed by the local government during handover of the road infrastructure construction project.



■ Agus Khotib

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Audit method, laboratory test, applied by BPK was adopted by local governments in Banten, both provincial, district and city governments.

BPK does not only oversee central government's development of infrastructure connectivity. The development of connectivity undertaken by local government has also been audited by BPK.

Among others was the development on connectivity carried out in Banten Province. Head of BPK's Regional Office in Banten, Agus Khotib said that audit on connectivity was conducted almost every year. This was because the development of connectivity in Banten was currently intensively carried out especially on road construction.

Agus explained that the condition of infrastructure in Banten was not evenly distributed. Infrastructure in Tangerang Regency, Tangerang City and South Tangerang City as well as their public welfare were relatively better.

However, different conditions were founded in Lebak and Pandeglang Districts. "This is a bit left behind (the infrastructure — red)," Agus said when speaking with the *Warta Pemeriksa*, mid-February 2020.

Currently, Agus said that the Provincial Government of Banten is focusing on developing road infrastructure to open the regional access in Lebak and Pandeglang Regencies. "They are massively building roads," he said.

One of the roads built in Lebak Regency was Jalan Cipanas-Warung Banten, as one of the roads in the middle lane connecting the northern and southern regions of Banten Province.

This road section connects the province of Banten, West Java and DKI Jakarta. In addition, Jalan Cipanas-Warung Banten is also used as an access to the tourist area namely "Negeri di Atas Awan".

This tourist destination was viral on social media and visited by local people. It is named "Negeri di Atas

Awan" because the tourist can see the scenery of the clouds roll past Mount Luhur as if they were above the clouds. The tourist destination is located in Citorek Village, Cibebber District, Lebak Regency.

"(This tourist destination) was built on a cliff, the edge of a cliff. Now it's rather critical because it's prone to landslides. So it is recommended not to go there," Agus said.

Audit method

Agus revealed that the audit findings related to road construction in Banten Province were mostly in lacking of projects' volumes. The specifications of projects were not as planned. "Usually the problem raised is related to the thickness of the road and the lack of volume," Agus said.

During the audit process, BPK took a sample of the road to be tested in the laboratory. Usually, he said, BPK brought road samples to the University of Indonesia laboratory. However, recently BPK has tried to test the road samples to the laboratory of Research and Development Center - Puslitbang Jalan dan Jembatan (Pusjatan) of the Ministry of Public Works and Public Housing.

Agus explained that this audit method, laboratory test, applied by BPK was adopted by local governments in Banten, both provincial, district and city governments. "Then, before the projects are handed over, laboratory checks are carried out, which had not commonly been done before," Agus said.

Related to the sampling, BPK's Representative Office of Banten used the cube roots 3 method. Said Agus, this methods was also used by local entities.

According to him, entities in Banten Province were very cooperative with the audit conducted by BPK. "The entity is also responsive to follow up on the audit recommendations." ●

State Loss in Jiwasraya Case Amounted to IDR 16.81 Trillion



BPK was committed to fully collaborate with and support the work of law enforcement officials in identifying misconducts in the Jiwasraya case.

The Audit Board of the Republic of Indonesia (BPK) has fulfilled its commitment to complete the calculation of state losses in the case of PT Asuransi Jiwasraya (Persero) by early March 2020. The report was submitted to the Attorney General's Office and announced to the public on Monday, March 9, 2020.

The calculation of potential state losses in the financial and investment management of PT Asuransi Jiwasraya (Persero) from 2008-2018 was conducted through an investigative audit, following an official request made by the Attorney General's Office submitted on December 30, 2019.

During a joint press conference with Attorney General ST Burhanuddin at the Attorney General's Office, BPK Chairman Agung Firman Sampurna revealed that based on BPK calculation, the state loss in the Jiwasraya case was amounted to IDR 16.81 trillion.

"The method that we use in state finance audit is total loss, in which all shares allegedly purchased against the law are considered impactful, thus the value of state loss is IDR 16.81 trillion," said Agung.

The aforementioned state loss consisted of losses from stock investments amounting to IDR 4.65 trillion and losses due to mutual fund investments amounting to IDR 12.16 trillion.



Further, he explained that BPK is conducting 2 audits related to cases in Jiwasraya. Firstly, an investigative audit which is still ongoing. According to Agung, the audit could take up to a year.

Secondly, an audit to calculate the potential state losses to support the enforcement process carried out by the Attorney General's Office.

"BPK's task is to identify illegal acts committed by suspects determined by the Attorney General's Office causing state losses," he continued.

However, to determine whether the violations of the provisions of the law are due to malicious intentions or mens rea, it is entirely the authority of law enforcement officials.

Agung stated that the decision on the 2008-2018 time period in calculating state losses was related to Jiwasraya's product called JS Saving Plan. According to Agung, although the product has been around since 2008, an increase in the intensity of the problem began in 2014.

"So they were facing insolvency, which led to the decision of an investment policy. We are still investigating the investment policy," he mentioned.

In addition to this investigative audit, BPK had conducted special-purpose audit, performance audit, and financial audit on Jiwasraya.

Agung asserted that BPK was committed to fully collaborate with and support the work of law enforcement officials in identifying misconducts in the Jiwasraya case.

Currently, he added, the investigative audit process is still undergoing. The parties involved in this case are large in scale. "On what has been obtained, we need to re-validate. Then we re-test it," told Agung.

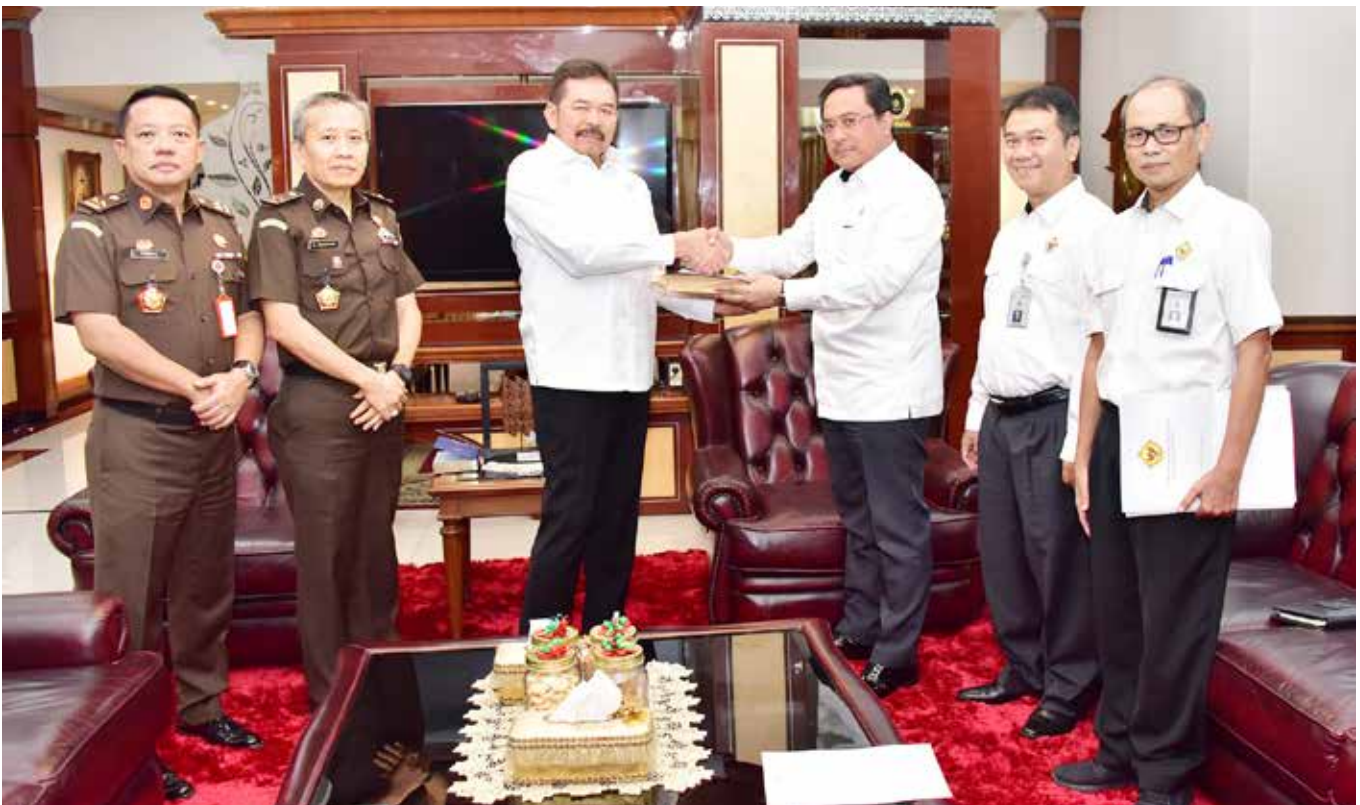
BPK plans to report the investigative audit periodically in several phases and will submit the report in full form to the law enforcement officials. Agung hopes the information from BPK provide opportunities for law enforcement to develop on the case.

"We have a strong commitment to get to the bottom of this," he stressed.

At the same venue, Attorney General ST Burhanuddin said the calculation results of state losses on the Jiwasraya case conducted by BPK has completed the process of filing for further legal action. "To complete this administrative process, we needed the amount of potential state loss."

Burhanuddin also stressed that the Attorney General's Office will continue to develop investigations and pursue all parties involved in the Jiwasraya case. ●

The Carelessness of Jiwasraya



Jiwasraya became the largest shareholder in a private company with a value of IDR 6.04 trillion. Whereas, its the total assets was only Rp332 billion and always suffer losses.

Before the emergence of a failed payment case and corruption allegations in Jiwasraya, the Audit Board of the Republic of Indonesia (BPK) has long found irregularities in the body of the oldest life insurance company in the country. Irregularities were revealed in a number of audits carried out since a few years ago, ranging from financial statements audit to special purpose audit (PDTT). For example, in 2016, BPK conducted a PDTT for the Management of Insurance, Investment, Income, and Operating Costs for Jiwasraya for 2014-2015. The entities audited were not only Jiwasraya, but also other related institutions.

The PDTT was conducted to follow up on the Jiwasraya's financial statements audit as of December 31, 2007. At that time, BPK gave a disclaimer as opinion. While the results of Internal Control System (SPI) audit in the 2009-2010 fiscal year (first semester), BPK concluded that the design and implementation of the Jiwasraya's Internal Control System was not in accordance with the good corporate governance of state-owned enterprises (SOEs) practices.

As for the PDTT conducted on February 24-May 31, 2016, there were 16 audit findings on the management of the insurance business, investment, income, and operational costs. The findings included the accountability of ac-

tivity funds amounting to Rp2.5 billion in several Jiwasraya offices which has not yet complied with the regulation. Further, the audit found that the management and supervision of investment property was not in accordance with the regulations.

Moreover, Jiwasraya was not optimal in performing oversight on its mutual funds and there was also an indirect placement of shares in a poorly performing company. Investment in the form of mutual funds was the largest investment in Jiwasraya. The amount reached 44.64 percent of the total investment of Rp21.7 trillion in 2015 and 44 percent of the total investment of Rp16.9 trillion in 2014.

With this proportion, investments in the form of mutual funds contributed revenue of Rp302.2 billion or 33, 09 percent of total 2015 revenue was IDR 913.5 billion and IDR 1.14 trillion or 74.30 percent of 2014 total revenue of IDR 1.54 trillion.

Based on the audit, Jiwasraya was found to be careless in supervising the transactions of its mutual funds. This resulted in the placement of Rp6.04 trillion in shares within one company. In 2015, Jiwasraya invested in 41 mutual funds worth IDR9.7 trillion. Of this total, 14 types of mutual funds were valued at Rp8.89 trillion or 91.57 percent of the total investment in mutual fund instruments.

Based on the 2015 audited financial statements of each mutual fund, it was known that the 14 types of mutual funds have total assets of Rp9.32 trillion. The underlying composition of mutual fund investment owned by Jiwasraya shows an unbalanced proportion. Because, the majority was invested in shares with a percentage close to 100 percent, precisely 99.64 percent.

These conditions affected Jiwasraya in terms of facing considerable risk due to fluctuations in share prices on the exchange.

Further audit process showed that the underlying, which were mostly in

the form of shares, did not show an appropriate proportion. Because, Jiwasraya only focused on certain stocks of companies whose performance and liquidity were not so good.

The results of BPK's audit found that Jiwasraya indirectly became the largest shareholder in one of the private companies, namely PT Inti Agri Resources Tbk (IIKP) with Rp 6.04 trillion in shares. Meanwhile, the total assets of that company were only Rp332 billion and always suffer losses.



The value of rental income in 2014 was only 0.27 percent and in 2015 only 0.29 percent of the total value of investment property assets.

Investment in a single share with that value was very high for Jiwasraya if IIKP share price declines. Moreover, IIKP's assets were mostly fish stocks with a value of Rp182.7 billion. Based on the audited financial statements of IIKP, IIKP in 2015 experienced a loss of Rp16.3 billion and a loss of Rp11.9 billion in 2014. The IIKP last recorded a profit in 2008.

BPK in its Audit Report (LHP) issued on July 27, 2016, has stated that Jiwasraya has the potential to incur non-prudent investments made by its investment managers. In addition to that, Jiwasraya has the potential to experience difficulties in redemption of mutual funds with illiquid underlying stocks and with amounts that are too high for certain shares.

This condition occurs because Jiwasraya's directors were less familiar

in choosing investment managers as fund managers. Then, the investment committee was negligent in conducting supervision on the investment for each mutual fund. Furthermore, there was no detailed SOP that regulates the mechanism for selecting investment managers, managing and supervising mutual funds.

The problem of property investment

BPK in its audit related to managing the insurance business, investment, income, and operational costs of Jiwasraya, also found problems related to property investment. Audit results show, management and supervision of Jiwasraya investment property were not in accordance with the regulations.

One of the instruments allowed by regulators as an investment vehicle for insurance companies is investment property. Investment Property is property (land or building or part of a building or both) that is managed (by the owner or lessee / lessee through a finance lease) to generate a rental revenue or for an increase in value or both, but not for used in production or supply of goods or services, or for administrative purposes, and sold in daily business activities.

The number of Jiwasraya investment properties throughout Indonesia as of 31 December 2015 was 227 land and building units with a land area of 195,785 square meters and a building area of 133,366 square meters valued at Rp4.63 trillion.

Jiwasraya's ownership of the investment property was largely evidenced by the Building Use Rights Certificate (SHGB) which has a certain time limit, between 20-30 years.

There were several problems found from the documents study and field audit on the management of investment property assets. One of the problems was that 16 investment properties worth Rp397 billion were not maintained and were not yet utilized.

Most of the assets were in the form

of unkempt and unoccupied buildings (old houses) and vacant land, but most of these assets are located in strategic areas close to highways and downtown.

For these properties, Jiwasraya has issued a minimum maintenance costs of Rp1.3 billion. With untreated and unmanaged investment properties, Jiwasraya cannot rent out with an optimal rate, so it has not been able to provide revenue in the form of rental income on existing investment properties and there were unclear incurred maintenance costs.

BPK's Confirmation to the manager of the investment property assets at the head office, found that the investment property section of Jiwasraya has never monitored the physical condition of the investment property which should have been conducted periodically for six months at the head office, regional or branch level. The investment property section of the Jiwasraya Head Office as the person responsible for managing investment properties throughout Indonesia has also never made an official memo for physical checking sent to the regional office for further action. Moreover, the property investment section of the head office has never made a feasibility study of properties in branches, regions and head office, whether or not it is necessary to renovate.

BPK also found that as many as 41 investment properties were managed by other parties. The value of the investment property amounts to at least Rp316.3 billion.

A number of investment property problems were caused by Jiwasraya's directors and their staff not making maximum efforts in resolving administrative / management property investment problems, especially property managed by third parties. Jiwasraya also did not yet have a plan for the utilization and supervision of existing investment properties.

Related to this, Jiwasraya's directors at that time gave several explanations. Regarding the 16 properties that were not maintained, directors at Jiwasraya

said that it would be analyzed for planning in the 2017 RKAP.

Meanwhile, regarding property managed by third parties, an evaluation and study of litigation or non-litigation steps / efforts by the company team was conducted.

Minimal contribution

Another BPK finding was that the use of investment property did not contribute to optimal income. Investment property is one of Jiwasraya's sources of income. The income is in the form of rental income obtained by renting out property assets owned by the company. The investment property assets are mainly in the form of land and buildings as well as shopping centers that are rented out monthly and annually.

The biggest annual rental income from investment property came from BOT land leases with PT GMR (Mall Cilandak Town Square Manager), which amounted to Rp3.8 billion for 2014 and Rp4.05 billion for 2015.

Jiwasraya in 2014 reported rental income of Rp13 trillion. While in 2015 it was IDR 15.2 trillion.

The value of rental income in 2014 was only 0.27 percent and in 2015 only 0.29 percent of the total value of investment property assets and far from the rental income target set in the RKAP of 5 percent of the value. The low rental income obtained was due to the lack of optimal management of investment properties and the large number of investment properties being leased as it was, so the rental rates obtained were relatively very low.

Based on the results of a sampling audit at the Head Office, Surabaya Regional Office, Bandung Regional Office, and Medan Regional Office for managing investment property rental income, there were several problems found. One of the problems was a total of 551 properties worth Rp1.34 trillion were leased without an agreement.

In addition to that, the management of rental income received from investment properties was not opti-

mal. One reason was because there were 471 tenants in arrears to pay rent. Another problem was the improper property rental value. Related to this, Jiwasraya did not yet have guidelines in determining the reasonableness of rental property investment rates owned by them.

In the absence of these guidelines, the property investment section has difficulty in determining a reasonable rental rate to be leased to the lessee. Rental rates that have been levied to tenants in rent values follow the rental values of previous years and the increase has not been calculated and adjusted to the Sales Value of Taxable Object (NJOP). In fact, the majority of tenants of investment properties have been renting for quite a long period (starting in the 1950s) with very low rental rates.

These various problems cause Jiwasraya to lose potential revenue from property assets that were managed without agreements. Then, the value of the leased receivables on the balance sheet as of December 31, 2015 did not reflect the actual conditions.

The Jiwasraya Board of Directors at the time explained that the contribution of income from the property sector was still very low and far from expectations. This happens because the property assets in the form of livable homes for rent with a price range of 3-5 percent of NJOP. This value was relatively smaller when compared to the value of assets and the size of the monthly rental portfolio (both with and without agreements) that has the potential for bad debt expense. Henceforth, Jiwasraya will make an effort to vacate the monthly rental assets (non-commercial) so that they can be rented annually (fair rent / commercial rent), improve management of assets so that there is no illegal occupancy and utilization of rental income by third parties, conduct a study on fair rent with relevant comparative data and monitoring, and develop web-based property applications (included in the 2016 RKAP work program). ●

Improving the Pension Program

The current implementation of the pension program cannot guarantee the welfare of retired civil servants, the military, and the National Police personnels as mandated in Law Number 5 of 2014 concerning State Civil Administration (ASN) and Law Number 40 concerning National Social Security System (SJSN).

The Audit Board of the Republic of Indonesia (BPK) has published the Summary Audit Reports for Semester II (IHPS) Year 2019. This IHPS consisted of summary from

488 Audit Reports (LHP) performed by BPK in the second semester of 2019 consisting of 1 financial audit report (1 percent), 267 performance audit reports (54 percent), and 220 special-purposed audit reports (45 percent).

One of the significant audit results was a performance audit on the effectiveness of the pension program of civil servants, military, and police personnels to guarantee the protection of the continuity of retirement income in the period of 2018 until first semester of 2019. The audit was carried out at the Ministry of Finance (Kemenkeu), Ministry of Administrative and Bureaucratic Reform (KemenPANRB), National Civil Service Agency (BKN), PT Taspen (Persero), and PT Asabri (Persero).



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BPK's audit results showed that the pension plan of civil servants (PNS/ASN), military and police personnels to ensure the protection in the old age income was not effective. This was because the governance of the implementation of civil servant, military and police retirement security has not been regulated in an adequate policy and has not been adjusted to the updated laws and regulations.

The government has not yet set implementing regulations related to civil servant pension guarantees in accordance with the mandate of Law Number 5 of 2014 concerning ASN, which is no later than 2 years after the Act was enacted. Meanwhile, there were still a number of problems in the implementation of pension management, including no clear regulations regarding the management of the pension plan, no appointment of a supervisory board directly responsible for the management of the pension plan, and no determination of the amount of government contributions as employers since 1974.

As a result, the accountability of the implementation of the PNS, TNI and Polri pension programs by the Government to ensure the protection of the sustainability of old age income was not yet transparent and accountable. In addition, the reform goals of the PNS, TNI and Polri pension plans as mandated in the ASN Law and in accordance with national social security has not been achieved.

The government also has not yet prepared implementing regulations related to the transfer of the PNS, TNI and Polri Pension plans to the Worker's Social Security Agency (BPJS of Employment) as mandated by Law Number 24 of 2011 concerning BPJS. The law on the BPJS mandates the completion of the transfer of the PNS, TNI and Polri pension plans in accordance with Law Number 40 on the National Social Security System (SJSN) to the BPJS Employment no later than 2029.

Those issues made the current im-



The results of audit concluded that SOEs revenue, cost and investment were carried out in accordance with the criteria, with the exception of 10 audited objects and not in accordance with the criteria for 1 audited object.

plementation of the pension plans can not guarantee the welfare of retired PNS, military and police personnels as mandated in Law Number 5 of 2014 concerning ASN and Law Number 40 concerning SJSN.

BPK also found that the government's obligations for civil servant, military and police personnels retirement security had not been calculated and disclosed in the Central Government Financial Report. Meanwhile, these pension and PNS right have consequences for government obligations in managing and reporting accountability for the implementation of the pension program.

In addition, the government no longer required the governing body to submit an actuary report as part of periodic reports that must be submitted to government, which made the management of state financial risk has not estimated the government's obligations in calculating actuarial programs in the pension plan for civil servants, the military and police personnels.

As a result, there was a risk of increased pension spending in the future which would affect on decreasing pension benefits, increasing contributions and the sustainability of the pension insurance program for civil servants, the military and police personnels.

Management of the allocation of pension contributions (AIP) has also not been optimally applied. Among others are the government does not regulate the type of risk management of share

investments that experiencing impairment and direct participation, and has not yet developed a penalty policy for decreasing AIP funds and/or achieving AIP investment returns that do not meet the objectives of the governing body. There are also share investments that do not fully comply with the precautionary principle of PT Asabri and PT Taspen's direct participation in PT WTR, which is not fully consistent with the Minister of Finance Regulation (PMK) related to AIP Management.

These conditions made the achievement of management performance and the use of AIP funds not yet give maximum results and can be measured reliably.

BPK's Recommendation

With regard to the governance of retirement security implementation for PNS, TNI and Polri, BPK recommended the Minister of Finance to coordinate with the Minister of Administrative and Bureaucratic Reform (PANRB), who has the authority to establish policies for PNS pension plan and other relevant agencies.

BPK also recommended the Minister of PANRB to design plans for the completion of the implementing regulations for the management of the retirement security program, as well as provisions on salaries, benefits and facilities, in accordance with the mandate of Law No. 2014 on ASN. In addition, the Minister of PANRB needed to prepare plans for the completion of the implementing

regulations related to the transfer of pension plans for civil servants, military and police personnels in line with BPJS of Employment as mandated by Law No. 24 of 2011 on BPJS.

Another recommendation was given to the Minister of Finance to undertake periodic monitoring and evaluation of the risk control follow-up and to improve the performance of the share investment carried out by PT Asabri and the follow-up of the investment guarantee directly to PT WTR from PT Taspen, in a safer and more conservative method. The Minister of Finance also needs to set sanctions for the reduction of AIP funds and/or the achievement of AIP investment returns that are not met by the governing body.

Further, the Minister of Finance then recommended to ask the director of PT Asabri to determine the risk management of the investment shares at the time of purchase and when the stock is impaired, and prepare an action plan and follow-up to improve the investment performance of the shares in PT Asabri that do not comply with prudential principles and have experienced impairment.

Performance Audit BPJS Employment

In addition to the issue of the pension plan for civil servants, the military and the national police personnels, BPK also submitted the performance audit results upon 1 audit object at other institution on equitable development. The audit included the management of employment social security membership.

BPK's audit results showed that the membership management was quite effective. However, there were some challenges that might interfere the BPJS Employment efforts to improve and manage the membership. Among others are the lack of consistency in the determination of key performance indicators (KPIs) for the management and expansion of membership at the Directorate of Institutional and Corporation Membership (KSI) and the Directorate

of Special Program Participation (KPS) with branch offices and regional offices. This inconsistency led to the bias in the assessment of the achievement of revenue target because it did not show a performance assessment per segment.

BPJS Employment has also not carried out an updated and continuous management of the membership database. The results of the audit showed that there was still an invalid population identification number (NIK) and fields that did not contain records such as full name, biological mother name, date of birth, cellphone number and gender. BPK has recommended the General Director of BPJS Employment, among others to the Director of KSI and KPS to immediately propose key performance indicators (KPIs) on the increasing of the membership by observing the provisions and proposing KPI on contributions revenues by separating the contributions by segment in detail.

Another recommendation was given to the Director of Strategic Planning and IT to immediately set out a proposed KPI on the receipt of contributions by segment. BPK also recommended Director of Finance to conduct a comprehensive and adequate risk assessment and study on non-active labor and invalid NIK issues. The Directors of Memberships also need to have secondary potential data from reliable institutional and institutional sources, as well as to optimize the SMILE function for potential data conditions that have not been monitored but considered as the valid data.

Investigative Audit on State-Owned Enterprises (SOEs /BUMN) Investment

Investment management in state-owned enterprises (SOEs) can not be separated from the supervision of BPK. BPK has completed special-purposed audits on revenue, cost and investment for 11 audited objects at 11 BUMN / subsidiaries, including PT Yodya Karya (PT YK) (Persero), PT Per-

kebunan Nusantara (PTPN) III (Persero), PT Inhutani I, PT Sucofindo (Persero), Perum Lembaga Kantor Berita Nasional (LKBN) Antara, dan PT Asuransi Jasaraharja Putera/PT JP.

This audit included the revenue, cost and investment management activities of SOEs for the period 2016 to the third quarter of 2019. The results of audit concluded that SOEs revenue, cost and investment were carried out in accordance with the criteria, with the exception of 10 audited objects and not in accordance with the criteria for 1 audited object.

There were some problems for further attention. Among others were related to the revitalization of state capital participation (PMN) at PT Sang Hyang Seri (Persero), which have not been used, including four seed processing plants built with Rp 94.54 billion.

In addition to that, it was found that PT Perkebunan Nusantara III (Persero) did not receive revenue and fines amounted to of Rp 33.80 billion and US\$ 416.71 thousand from Sei Mangkei's land lease. BPK recommended the directors of BUMN/related subsidiaries to try utilizing factory assets and company facilities.

Further, the improvement of the supervision and control over the management of company revenues, costs and investment was needed. BPK also suggested to collect the shortfalls in receipts, receivables and recovery of the company's losses.

As a summary, the audit results for the revenues, costs and investments at the SOEs revealed 137 findings with 227 problems. These included 119 weaknesses in the internal control systems, 98 non-compliance with statutory provisions in the amount of Rp204.95 billion, and 10 audit issues related with Efficiency, effectiveness and economy (3E) in the amount of Rp118.89 billion.

During the audit process, several SOEs/subsidiaries followed up on BPK's recommendations by paying of Rp1.83 billion to the state/company treasury. ●

Yet No Direction of Special Autonomy Fund (Otsus)

Since the local government has neither sustainable and measurable programs and initiatives, the targets of Special Autonomy Fund (Otsus) cannot be measured nor evaluated in every phase yet achievements of it is in-assessable.

Government decided to extend the Special Autonomy Fund (Otsus), that previously to be ended in 2021, for both Papua and West Papua provinces. Then, how effective is the Otsus so far? The Audit Board of the Republic of Indonesia (BPK) conducted performance audit on the Otsus in both Papua and West Papua provinces for fiscal year (TA) of 2017, 2018 and first quarter of 2019. The audit covered regencies'/cities' government and other related government agencies in the provincial areas of both Papua and West Papua.

The audit reveals that targets of the Otsus as mandated in the Law on Special Autonomy may be unachievable if some problems that may hinder effectiveness in managing the Otsus are not to be addressed immediately.

BPK Director General of Audit VI, Dori Santosa, said that audit on the Otsus in Papua found no adequate regulations on how to manage the Otsus as mandated in the Law on Special Autonomy. "Provincial Regulation (Perdasi) and Regional Special Regulation (Perdasus) as derivatives of the Law on Special Autonomy have not yet fully issued," Dori said.

So far, Papua provincial government has 6 Perdasus and 16 Perdasi to regulate 25 out of 31 activities as mandated in the Law on Special Autonomy. Dori explained that both Perdasi and Perdasus had not regulated the regional government's authority yet because of existing different point of views on this authority between the central and the provincial government. Thus, the authority on the Otsus is based merely of general regulation such as, Law No. 23 of 2014 on Regional Government so that this authority, as in any other provinces, becomes general. "The central



■ Dori Santosa

government views that the Otsus needs for its supervision and control, on the other hand the Papua provincial government views that the Otsus needs its total handling," Dori said.

More of the problems was planning on the use of the Otsus was inadequate in which both the Papua provincial government and the regencies/cities have no plan on the use of the Otsus. In addition, since they have no measurable and sustainable programs or initiatives, the targets of the Otsus in every phase are neither assessable nor evaluable yet.

Despite of the condition, Dori stated that BPK was optimistic to the efforts made by both the central and the local governments on the handling of the Otsus.

Not only Papua, but West Papua provincial government also experienced similar problems related to the Otsus. BPK's audit found that no issuance of Perdasus nor Perdasi on the use of the Otsus such as, the authority of provincial government as well as regencies/cities, the division of the Otsus, the development of education, the health and nu-

trition improvement, the economy exercises, and the decent employment and income in particular for Papuan Indigenous People (OAP).

As the consequences, the use of the Otsus has no directions both for the long term sustainability and for the adequate coordination with the use of other funding sources.

Dori added that the issues on the data, generally, caused the indicators for the OAP's welfare are undetermined. So far, since the Otsus had been mixed with the regional budget (APBD), the use of it had been unspecified.

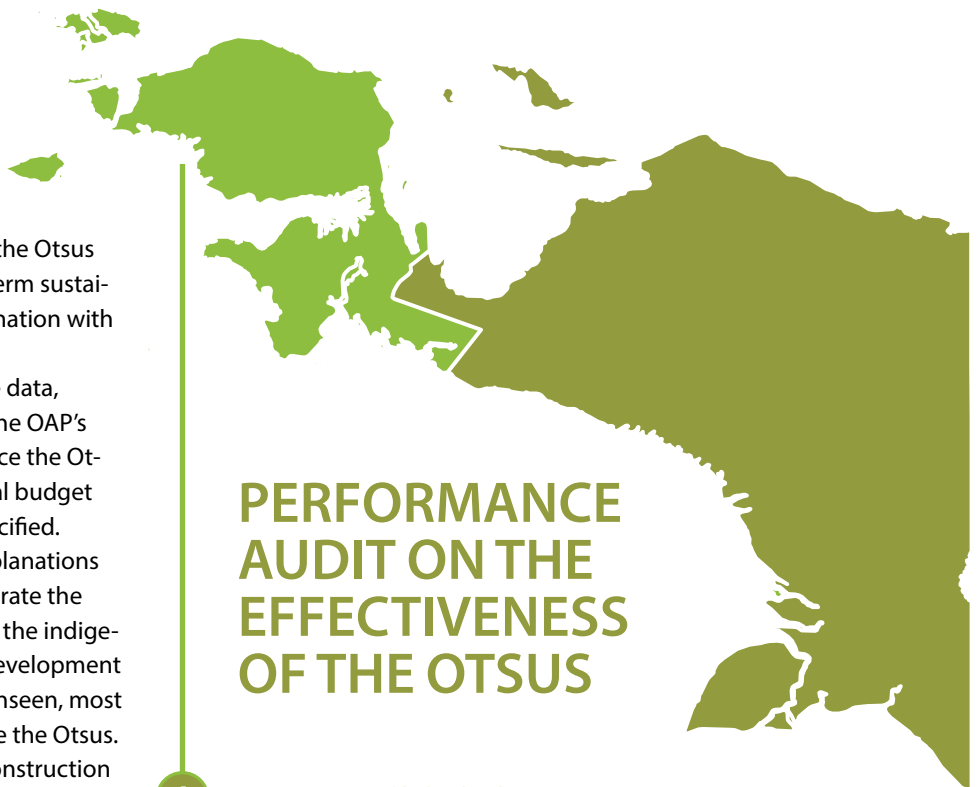
He continued that no written explanations to this condition nor, at least, to separate the use of the Otsus in the APBD. "Whilst the indigenous have frequently said that the development impacts from the Otsus have been unseen, most of the officials do not know to handle the Otsus. Thus, some infrastructures, bridge construction for example, is often claimed funded by the Otsus."

He said that audit recommendations had been made to regional governments, the province and the regencies/cities, to separate any developments and constructions funded using the Otsus so that to be audited and the effectiveness of the use of the Otsus to the OAP be measurable.

BPK recommended the Governor of Papua to actively coordinate with the central government about the regional government's authority on the use of the Otsus and to encourage the Development Planning Board (Bappeda) to intensively coordinate with the regencies'/cities' government in preparing special long and medium term planning on the use of the Otsus. "These are for more clear and measurable developments," he said.

For the West Papua Province in particular, BPK recommended Speaker of the Regional House of Representative (DPRD) and the Head of Papuan People's Assembly (MRP) to put high priority in preparing both the Perdasus and Perdasi as well as preparing a valid basis data on OAP so that any efforts for poverty alleviation be measurable.

Dori said that the local governments, so far, had been motivated to improve their financial statements to achieve Unqualified Opinion from BPK. "However, the auditors are to answer questions raised by these governments, not to facilitate assistance," he added. ●



PERFORMANCE AUDIT ON THE EFFECTIVENESS OF THE OTSUS

1

THE PAPUA'S OTSUS

- Inadequate regulations on the use of the Otsus as mandated in the Law on Special Autonomy Fund.
- Yet no planning on the use of the Otsus by Papua provincial government and regencies'/cities' governments.
- Yet no sustainable and measurable programs/initiatives by Papua provincial government and regencies'/cities' governments.

BPK's audit recommendations to Governor of Papua:

- Coordination with the central government about the regional government's authority on the use of the Otsus.
- Instruction to Head of Bappeda to coordinate with head of regencies'/cities' to prepare special long and medium term planning, such as Regional Mid-Term Development Plan (RPJMD) and Regencies/Cities Working Plan (RKPD), on the use of the Otsus.

2

THE WEST PAPUA'S OTSUS

- Yet no issuance of precise Perdasus and Perdasi on the use of the Otsus.
- Yet no sustainable long term directions as well as adequate coordination with other funding sources on the use of the Otsus.
- Low consistency between allocation, planning, and priority as well as additional funding sources on the use of the Otsus.
- Having potential no direction on the use of the Otsus to achieve particular output and outcome in supporting the targets.

BPK's audit recommendations to Governor of West Papua:

- Coordination with Speaker of the Regional House of Representative in West Papua (DPRDPB) and Papuan People's Assembly in West Papua (MRPB) to put high priority in preparing both Perdasus and Perdasi as mandated in the Law on Special Autonomy Fund.
- Preparing and establishing plans on the use of the Otsus as well as the other funding sources, related to the use of the Otsus, such as Infrastructure Additional Fund (DTI) and Revenue Sharing Fund (DBH) on Oil and Gas leading to the priority targets with measurable achievements either in the long term or in every fiscal year. ●

Special Grant Management is Less Effective



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Since regulations on spatial planning, culture, and organization for special grant management have not been prepared and yet established, any programs and initiatives related to the special grant in Yogyakarta provincial government cannot be included as the regencies'/cities' performances whilst the special grant has not reached the villages yet.

Not only auditing Special Autonomy Fund (Otsus) of Papua and West Papua, the Audit Board of the Republic of Indonesia (BPK) also conducted performance audit to assess effectivity on the planning and management of special grant in the Special Region of Yogyakarta (DIY) for fiscal year (TA) of 2018 and 1st semester of 2019. The audit showed that the planning and management of special

grant were less effective as well as revealed some problems such as, the provincial government had not fully prepared and yet established regulations on spatial planning, culture, and organization for the special grant.

As a result, cultural vision and mission have not covered in the programs and initiatives on cultural affairs. The problems also cause integrative and consistent programs and initiatives on the spatial affairs are potentially unreachable by Spatial Strategic Unit (SRS) in kasultanan and kadipaten. Then, the programs and initiatives related to the special grant cannot be included as the regencies'/cities' performances whilst the special grant has not reached the villages yet.

More of the problems is the programs/initiatives have no conformity with the planning such as in spatial use of SRS Samas Parangtritis Beach (layout for culinary spot in Depok Beach). Since some lands in the spot belonged to the Tanah Kas Desa (TKD),

the design has been changed that the food court building which is initially planned in the contract to be two buildings becomes a single building.

As the consequence, a number of merchants that should be accommodated, as planned, in the two food court building is half reduced. BPK made two recommendations for the Governor of DIY to fix the problems. The first recommendation is to establish governor regulations on core plan for SRS that includes core plans on maintaining and developing culture as well as governing the villages. The other recommendation is to build coordination to plan the programs/initiatives between Head of Defense and Spatial Planning Unit in provincial government and Head of Tourism Unit in Bantul Regency.

Follow up

Governor of DIY, Sri Sultan Hamengku Buwono X, said that DIY's regional government was ready to follow up the audit recommendations. He said that, as recommended by BK, the provincial government would intensively encourage and coordinate with the head of regencies/cities to plan and supervise the programs and initiatives related to the special grant, included these activities in the annual supervisory work plan.

Sri Sultan stated that the DIY's provincial government was always committed to follow up the audit findings related to the special grant. The issuance of Governor Regulation No. 85 of 2019 on the Special Grant Management was one of commitments to follow up the audit findings. The regulation stated that inspectorate of the provincial government and of the regencies/cities were mandated to improve supervisory on the special grant.

In addition, the Governor Regulation No. 25 of 2019 on the Organizational Guideline for the Special Grant in Regency/City and Village was issued to mandate the regional governments of regencies/cities to harmonize the

functions and duties of the Regional Apparatus Organization (OPD) in handling the special grant.

More of the commitments, the provincial government would be more thorough and accountable in managing the programs/initiatives related to the special grant. "Special programs or policies are set in the efforts to follow up the BPK's audit findings and the provincial government will be more selective in deciding which programs will use the special grant," Sri Sultan informed the journalist of *Warta Pernerika*.

Sri Sultan added that the provincial government would keep supervising the use of the special grant. Every phase, three months, and monthly, the use of the special fund is controlled and supervised periodically and internally by Paniradya Kaistimewan, a regional apparatus that assists and be responsible to the Governor through regional secretariat to prepare policies, plan, coordinate, and supervise the handling of the special grant. Besides through monitoring and evaluation activities, the control and supervision of the special grant are benefited from online application namely, *sengguh.jogjaprov.go.id*.

When the data on the special grant is input by OPD, the evaluation team that consists of Paniradya Kaistimewan, Development Planning Board (Bappeda), Financial and Assets Management Board (BPKA), and Inspectorate will give feedback or verify to confirm the reliability of the data.

Meanwhile, the provincial government along with related ministries/agencies such as, Ministry of Finance and Ministry of Home Affairs as the coordinator of the verification will conduct the monitoring and evaluation that aims to measure both financial and physical performances of the special grant in every phase. The inspectorates both in the province and the regencies/cities are mandated to supervise the management of the special grant.

Through the inspectorate in province, the inspectorate in regencies/cities reports result of the monitoring to the Governor as stipulated in the Governor Regulation No. 85 of 2019 on the Special Grant Management, specifically in article 22 of Chapter IV on the Control and Supervision.

Improved performance

Sri Sultan explained that the special grant was used for 5 (five) activities. As in the Law No. 13 of 2012 on the Privilege for Special Region of Yogyakarta, the first activity is the appointment procedures on position, rank, duties and authorities of Governor and Deputy Governor; the second activity is the organizational regional government; the third activity is the culture; the fourth activity is the defense; and the fifth activity is the spatial affairs.

Sri Sultan continued that the use of the special grant for those five activities from 2013 to 2019, generally, showed an improved performance. The improvement is measured through achievement of both the financial and physical performances of the special grant that have been increasing.

In 2019, the achievement was 97.27% for the financial performance and 99.21% for the physical performance. Indirectly the achievement has been contributing to improve development indicators in Yogyakarta. The improvement in the development indicators, mainly has been supporting to boost people's welfare, is used against some measurable development targets such as, reducing poverty, increasing human development index, stable economic growth, strengthening democracy index, alleviating gaps, and other sustainability issues which are a millennial challenge needed to address.

"These activities are supported directly by government of Yogyakarta through programs and initiatives funded from the special grant which is given not as a gift but more as a responsibility to be qualifiedly well managed." ●

THE ASSETS MANAGEMENT OF INDONESIAN NATIONAL ARMED FORCES (TNI)

State Revenue Have not Been Collected Reaching IDR 196 Billion

In total, the audit result on TNI assets resulted 34 findings with 56 issues.

The Audit Board of the Republic of Indonesia (BPK) found a total amount of Rp195.99 billion related to the uncollectible state revenues due to the problem in assets management of Indonesian National Armed Forces (TNI).

This has been one of the major problems found in the three audit reports on assets management of TNI in the period of 2017-2019, published in the Summary Audit Reports (IHPS) Semester II 2019. The audit scope of TNI asset management at the Ministry of Defense includes inventory and reassessment, utilization and transfer, as well as the removal of fixed assets of land, buildings and construction.

The audit result concluded that management of assets in the Army and Navy Organizational Unit (OU) had been carried out according to the criteria with the exception, while the management of assets in the Air Force OU had not been stated in accordance with the criteria. This conclusion was based on the weaknesses that occurred in the management of TNI assets, both in the aspects of internal control and non-compliance with regulations.

BPK found that each TNI organizational unit had problems related to the uncollectible state revenues. At the Air Force OU, there is Inkopau who has not yet deposited non-tax State revenue (PNBP) to the State treasury with the total amount of Rp143.47 billion and US\$ 2.61 million from the using of Air Force's land and buildings. In addition, PT AT (Hotel Ambhara) and PT DAR (STIE Nusantara) also have not paid for

the royalty of Rp9.83 billion for the utilization of land assets of TNI AU. Furthermore, there was a shortfall of revenue of Rp3.76 billion from the use of assets in the Husein Sastranegara Air Force Base, the Adisucipto Air Force Base and Denma Mabasau.

In the Army OU, there are partners paying PNBP less or less than the contract amount. In addition, there were partners paying PNBP lately but have not yet been fined, resulting in a loss of revenue of Rp.871.89 million. For this case, Rp238.69 million was deposited, leaving the remaining Rp.633.20 million. In addition, there was a lack of calculation of the area of land leased to third parties and partners who lease state-owned goods (BMN) owned by the Army to other parties, resulting in a potential loss of revenue of Rp. 714.12 million.

In the Navy OU, there were some tenant partners who lease state-owned assets (BMN) for shops, restaurants, public fuel stations (SPBU), automatic teller machines (ATMs) and educational activities at Navy Base (Lantamal) III Jakarta and Lantamal VI Makassar, which have not yet paid BMN rent for a total amount of Rp1.01 billion. Related to this issue, BPK recommended that the Chief of Indonesian Air Force/Army/Navy should immediately order the asset manager respectively, to collect the lack of revenue from the BMN utilization partners and deposit it to state treasury.

In addition, BPK also found violations from the BMN management rules such as the removal of land and building assets in the Army OU, which has not yet been authorized by the Minister of Finance. This condition resulted the inaccurate data for land and building assets of TNI AD. The use of BMN in the Navy OU by the partners has also not yet been fully



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BPK also found violations from the BMN management rules such as the removal of land and building assets in the Army OU.

approved by the Minister of Finance. In the meantime, as many as 14 items have been leased out to other parties by partners, without the permission of the goods administrator (TNI AUD).

The use of Indonesian Air Force land assets by the Ardhya Garini Foundation (Yasarini), the Adi Usaha Foundation (Yasau), and PT SIL have not yet received permission from the Ministry of Finance and have not been bound by an agreement. Therefore, the Chief of Indonesian Air Force/Army/ Navy shall instruct BMN officers to proceed asset write-offs in compliance with relevant regulations, submit applications for BMN's use to the Ministry of Finance, and draw agreement with third parties in utilization of BMN.

BPK also found that there was revenue from the direct use of BMN by TNI (without deposit it to state treasury). The revenue from the use of the assets of BMN 2018 until the first semester of 2019 within the Kodam III / Siliwangi environment has been used directly to support the operational work units of Rp4.92 billion.

Revenue from BMN utilization in the Navy OU since 2016 until the first semester of 2019, both those that have been supported by cooperation agreements and those that have not, have been used directly by eleven working unit totaling Rp133.22 billion. There was a residual profit of Rp2.87 billion in 2019 which was not deposited in the state treasury. The direct use of PNBPN would

result in the possibility of misuse of funds and revenue from the use of BMN, which has not yet made an adequate contribution to the country. For this reason, BPK recommended to the Chief of AD/ AL to advise the respective Head of Working Units to comply with the BMN and PNBPN management regulations.

Other problems occurred in the management of TNI assets included SIMAK BMN management officials at the Jaya/Jayakarta Military Regional Command (Kodam) was that Kodam III/ Siliwangi, and Kodam V/ Brawijaya had not corrected data on the revaluation of fixed assets of land and buildings in 2017 and 2018. In the first semester of 2019 financial statements, the presentation of the value of these assets still used revaluation results that were not in accordance with the standards, which make their fairness could not be trusted. Therefore, the Chief of Army (Kasad) shall instruct the Kasad Logistics Assistant (Aslog) to correct data on revaluation of fixed assets in land and buildings and present their fair value in the balance sheet.

Moreover, the cooperation agreement (PKS/ Perjanjian Kerja Sama) for the use of Cilandak Mall between Navy OU and PT KTBI did not benefit the state. One of the issues was the calculation of determined compensation rates still used the 2004 of General Market Price (HUP/Harga Umum Pasar) and Sales Value of Taxable Object (NJOP/Nilai Jual Objek Pajak) and has not been adjusted to the latest HUP and NJOP of 2015. This caused the country to lose a minimum income potential of IDR 203.33 billion. For this reason, the Chief of Navy needs to ask the Marine Corps Commander (Dankormar) to settle an addendum to the cooperation agreement on the use of Cilandak Mall.

The Air Force OU has 163 land areas of 140.63 thousand hectares (ha) in conflict with third parties and a total of 145.63 thousand hectares (ha) of uncertified land. This poses a risk that the lands would be illegally transferred to other parties. For these issues, the Chief Air Force shall ask the BMN administrator to implement legal and physical safeguards, in particular for the uncertified areas of land owned by the Air Force.

In total, the results of TNI asset audits reported 34 findings with 56 issues. These include 18 deficiencies in the internal control system and 38 failures to comply with regulatory requirements in the sum of Rp196.15 billion. During the audit process, the related entities have followed up on BPK's recommendations by making a deposit to the state treasury amounting to Rp516.63 million. ●

Problematic Local Assets

The Local Technical Implementation Unit (UPTD) of the Ministry of Industry and Trade does not have a legal basis to take action the traders who do not comply with the rules, such as not paying kiosk rentals, relocating kiosks and holding merchandise beyond the kiosk areas.

Summary of audit reports Semester II 2019 also included an audit report (LHP) on the performance of local asset management. The audits were carried out on 5 audit objects, covering audit on the use of local assets, 3 audit objects on the management and security of local assets and audit on asset management.

The performance audit on the effectiveness of the use of local assets to increase local revenues for 2017-semester I semester 2019 FY 2019 was carried out at Bengkulu City Government and other relevant agencies. Director General of Audit V BPK, Akhsanul Khaq explained that there were two main problems identified by BPK during audit. "The main problem is regulatory and institutional issues," said Akhsanul.

Akhsanul explained that in relation with the regulation, the government of Bengkulu City has not had local regulation on market management and its derivatives regulations, reflected at mayoral regulations and standard operating procedures as guidelines for market management. In addition, retribution regulations were not align with the higher ones and have not been updated since 2013.

The absent of local regulation on market management creates unclear rights and obligations for the parties involved in market activities. The Local Technical Implementation Unit (UPTD) of the Ministry of Industry and Trade does not have a legal basis to take action the traders who do not comply with the rules, such as not paying kiosk rentals, relocating kiosks and holding merchandise beyond the kiosk areas. "These conditions led to the narrowing of the road, the trader does not keep the stall clean, and other problems," he said.

Related to institutional issues, said Akhsanul, BPK found that there was no clear mechanism for coordination between a number of local apparatus organizations (OPDs) with conflicting duties and functions with market activities. They included the UPTD Market under the Department of Industry

and Trade related to market management, the Office of the Environment related to market waste and cleaning as well as UPTD parking, and the UPTD Terminal under the Department of Transportation related to parking and terminals (specifically for markets that are also terminals).

In addition to that, there were some significant problems. These problems included the Department of Industry and Trade of Bengkulu City has not supported the strategy of the head of local government to revitalize traditional markets in the planning documents and their derivatives into programs

and activities that have clear and measurable performance indicators. In addition, the revenue targets and the use of local assets in term of retribution revenues have not been prepared based on real potential in the field.

Based on the BPK audit results, there was a potential increase fees of Rp1.31 billion. This value was still calculated using retribution tariffs that have not been updated since 2013. "As a comparison, the realization from market retribution in the first semester of 2019 amounted to Rp1 billion," he said.

Generally, there were problems related to the internal control system and compliance with the laws and regulations on the audit of the use of regional assets, audit on management and security of assets, as well as audit on asset management.

The main problems related to the internal control system in the management of regional assets such as, the assets documentation have not been conducted or it have been conducted incorrectly, the implementation of the policy has resulted in a loss of potential revenues, as well as the weaknesses in the physical management of assets.

While the main problems of non-compliance with available regulations in the management of regional assets include: deviations in regulation on equipment or regional owned property, asset ownership has not been supported by valid evidence, assets controlled by other parties, and other issues of non-compliance and 3E.



If a regional asset has not been secured and certified, it is likely to be complained of or recognized by the community.

BPK's Recommendations on Market Asset Management in Bengkulu City Government and Other Regions

- 1 Accelerating the process of establishing Regional Regulations on Market Management and designing as well as stipulating Regulations of Local government head as their derivatives, in accordance with higher regulations and Market SNIs.
- 2 Conducting periodic analysis of the Regional Regulations on Retribution and the Regional Regulations on Market Management to comply with the most recent conditions and regulations.
- 3 Preparing PAD budgeting documents based on real potential using clear and measurable indicators.
- 4 Preparing need analysis of facilities and infrastructure by considering the scale of priorities to support the Local Government Head's strategy to revitalize traditional markets.
- 5 Managing to enforce the discipline on market management, socialization to traders, monitoring and give sanction to the violation of traders' rights and obligations.
- 6 Developing a market management monitoring and evaluation program clearly and on a regular basis as well as follow-up on any findings from external parties, and using the results of the monitoring and evaluation as a basis for future market management planning.

In the eastern part of Indonesia, BPK carried out an audit on effectiveness of the administration and security of local owned property (BMD) at the South Central Timor Regency Government, the North Central Timor Regency Government and the East Flores Regency on the performance of asset management was carried out in South Manokwari.

Director of General Audit VI BPK Dori Santosa said that the audit results on the effectiveness of BMD administration and security at the South Central Timor Regency Government, North Central Timor Regency Government, and East Flores Regency Government concluded that the three regions were less effective in BMD administration and security. This was because the local governments have not prepared BMD reports in completely, timely and accurately to support the presentation of fixed assets on the balance sheet.

For example, the East Flores Regency Government has not prepared BMD reports hierarchically and has not been based on reconciliation results between the OPD and the Asset Sector of Regional Financial Agency (BKD). As a result, the BMD report has not provided all information on physical presence, number, actual value and condition. This report was also submitted lately.

Then, South Central Timor Regency Government, North



Central Timor Regency Government, and East Flores Regency Government have not carried out an orderly and adequate security of assets. In fact, the South Central Timor Regency Government has not certified 641 lands. "If a regional asset has not been secured and certified, it is likely to be complained of or recognized by the community. This case often occurred anywhere. Local governments often lose in court due to the lacking of their ownership and history evidences. We always recommend assets to be certified," he said.

BPK's Recommendations for the Regent of South Central Timor, the Regent of North Central Timor and the Regent of East Flores

- 1 Instructing local government secretary to improve the technical competence of OPD goods administrators and to evaluate the results.
- 2 Instructing the respective head of OPD, as the user of the goods, to ask the authority of goods users as well as the goods administrator to secure BMD physically, administratively and legally in accordance with the applicable regulations.

Meanwhile, related to the audit on performance of asset management, BPK concluded that the efficiency of the South Manokwari Regency Government's in the 2018 fiscal year until the first semester of FY 2019 in the management and protection of fixed assets, had not been optimally achieved. This was occurred since South Manokwari Regency Government has not optimized the management control and security of fixed assets.

As a result, there are potential disputes and problems with fixed assets, as well as the insufficient of fixed assets reports prepared by local government. BPK recommended the Regent of South Manokwari to order the Local Government Secretary to coordinate the implementation of the accounting, inventory, reporting and security of fixed assets, as well as the completion of the Regional Government Asset Grants to Rindam XVIII/Kasuari, in accordance with the provisions. ●

Hajj Financing Sustainability Threatened

Financial liquidity to finance the implementation of the hajj pilgrimage is potentially deteriorating and has the risk of disrupting the financing of future pilgrimage.

The Audit Board of the Republic of Indonesia (BPK) reveals that the planning and determination of Hajj Travel Costs (BPIH) were inadequate and risky of disrupting the sustainability of financing future pilgrimage. This is the result of a performance audit on the effectiveness of planning and determining the cost of organizing Hajj for 1440H/2019M at the Directorate General of Hajj and Umrah Management (DG PHU) of the Ministry of Religion, the Hajj Fund Management Agency (BPKH), and other relevant agencies in the provinces of DKI Jakarta, West Sumatra, Riau Island, and East Kalimantan.

“BPK audit results show that DG PHU and BPKH were ineffective in determining the amount of and ratifying the financing of BPIH in 1440H/2019M.”

This is due to the inadequate planning and determination of flight costs in 2019 BPIH, which did not reflect on the hajj financing benefits. This conclusion is derived from the Ministry of Religion not having the cost component breakdown forming the unit price of pilgrimage flight costs. Hence, price negotiations with tender participants were done by negotiating the total value of flights offered by tender participants.

The flight quotation requirements did not provide useful information for the negotiation process. PT Garuda Indonesia Airways (GIA) bidding documents were not completed with the details of price formation for the offer. The contract stipulated rental rate to use for 825 hours at USD 8,750. Yet, for using three ... departing from Makassar, Lombok, and Balikpapan for 2,594 hours (or 865 hours on average), PT GIA charged the Ministry of Religion a total of USD 8,850. Therefore, there was an excess in determining aircraft rental rate of USD 100/hour/plane or a total of IDR 3.71 billion (exchange rates of IDR 14,300 per USD).

The imposition of flight costs did not take into account the volume and price of fuel that benefits pilgrims. Result of audit sampling on airline's flight log data showed a discrepancy of aviation fuel volume between the contract details and the real volume used, amounting IDR 62.93 billion. Confirmation of aviation fuel price with a third party also showed IDR 157.15 billion price difference on the use of fuel aviation, thus overcharging hajj fund a minimum of IDR 220.08 billion. Negotiation of margin rate for every departure was also considered ineffective. The imposition of margin rate at each point of departure was not in accordance with the price negotiation proposed by

the Director of Domestic Hajj Service at 4 percent. The margin imposed by PT GIA was 3.39 percent higher from the negotiated margin, or at IDR 84.31 billion. Similarly, the margin of Saudi Arabia Airlines (SAA) was also higher by 1.23 percent from the margin delivered during the negotiation process, or at IDR 52.36 billion. Thus, the imposing of margin rates above the negotiated rate burdened the hajj fund of IDR 136.68 billion.

“Consequently, in total the Ministry of Religion had to pay for the flight costs of pilgrims more than necessary, or a minimum of IDR 360.68 billion worth of overpayment.”

BPK also found that the allocation determination of value of benefits for pilgrims did not fully reflect the principles of justice and transparency, and did not guarantee the sustainability of BPIH provision. This is due to the government not having determined the allocation of distribution for progressive virtual accounts, and not yet regulating the percentage through a legislation. As a result, the value of benefits distributed to waitlisted pilgrims was not optimum and did not reflect the principle of justice for them.

The government did not prioritize the use of value of benefits for virtual accounts that guarantee the sustainability of BPIH provision. Thus, it risked

disrupting the liquidity and sustainability of financing future pilgrimage.

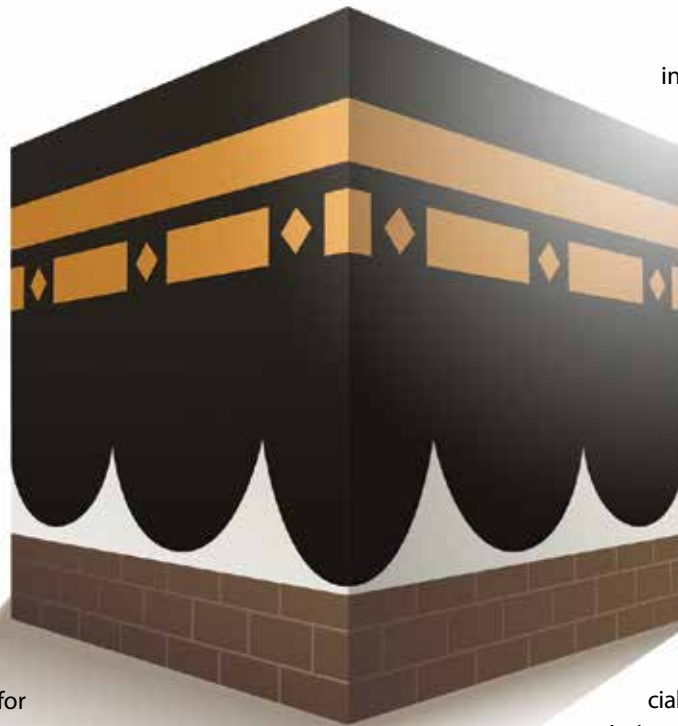
The government as well as BPKH had not been transparent in providing information on the total cost of coordinating pilgrimage per person and its source of funding. As a result, public lacks sufficient information on the actual financing of pilgrimage.

BPK also reveals that the planning and determination of BPIH were inadequate and risky of disrupting the sustainability of financing future pilgrimage.

The use of the term direct cost for funds sourced from BPIH and indirect cost for revenues originating from the value of benefits and efficiency funds is not appropriate. Direct and indirect costs in the planning and attestation documents did not reflect costs directly or indirectly related to pilgrims. Rather, they were costs that were charged to pilgrims (direct costs) and costs that were not charged to pilgrims (indirect costs). As a result, this could lead to misinterpretation and cost structure of pilgrimage implementation did not reflect the actual condition.

Determination of BPIH (direct cost) was not done based on certain calculations and formula, and was set at IDR 35.23 million or at the same amount of the previous year. Consequently, BPIH became unrealistic and did not reflect the principle of justice. Indirect cost financing came from the value of benefits of the waitlisted pilgrims. Hence, the accumulated value of benefits of waitlisted pilgrims was running low that it risked disrupting the sustainability of financing future pilgrimage.

"Determination of the value of benefits to finance BPIH was inadequate and would potentially disrupt future implementation of pilgrimage, especially in 2036 where pilgrimage is expected to be held twice a year." As a consequence, financial liquidity to



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The value of benefits distributed to wait-listed pilgrims was not optimum.

finance pilgrimage has a tendency to deteriorate and disrupt the sustainability of financing future pilgrimage.

Responding to the issue of planning and determination of 2019 flight cost, BPK recommends the Minister of Religion to instruct the Director General of PHU to establish an integrated technical team responsible in conducting studies and drafting flight cost per pilgrim at each point of departure, thus a reasonable and efficient standard unit price of flight cost is obtained.

BPK also recommends the Minister of Religion to take a proactive action by adding obligation for aviation service providers to submit a record of aviation fuel use during the previous year's hajj season and a detailed price

information to be used for the negotiation process. Furthermore, it is recommended to negotiate strongly on flight price, especially on the component of aviation fuel cost and flight margin rate per departure.

With regard to determining allocation of value of benefits for waitlisted pilgrims, BPK recommends the Chair of BPKH to prepare a long-term plan on the grand design of hajj financial management. The plan would

include regulations on percentage of allocating value of benefits to virtual account gradually until the optimum amount, as well as the time frame.

The Minister of Religion and Chair of BPKH are recommended to propose amendment of Government Regulation No. 5/2018 which regulates the amount of allocation of value of benefits for virtual account, calculation mechanism, and its stipulation. They also need to be more transparent in providing and disseminating information on BPIH components and source of funding.

On issues in planning and determination of hajj financing, Minister of Religion is recommended to coordinate with Commission VIII of the House of Representatives so that provisions of laws and regulations governing the management of hajj finance and the organization of hajj pilgrimage clearly regulate the method of calculating BPIH and harmonize the terminologies and definitions used. Hence, BPIH is determined not only based on mutual agreement, and its structure is more informative, transparent and accountable.

BPK recommends that the adoption of BPIH budget increase managed by the DG of PHU at Ministry of Religion should be balanced with a realistic determination of BPIH. ●

2019 Financial Report of Central Government (LKPP) Receiving an Unqualified Opinion (WTP)

Though the central government successfully received an unqualified opinion for 2019 Financial Report, the Audit Board of Republic of Indonesia (BPK) still found 26 deficiencies in the Internal Control System (ISP) and 5 issues related to non-compliance with statutory provisions.

BPK provides an Unqualified Opinion (Wajar Tanpa Pengecualian/WTP) for the 2019 Central Government Financial Report (LKPP). This opinion shows that the government's accountability for the implementation of the 2019 State Budget in the financial statements has been materially presented in accordance with Government Accounting Standards.

The Audit Report (LHP) on the

2019 LKPP has been handed to President Joko Widodo (Jokowi), the House of Representatives (DPR), and the Regional Representative Council (DPD). Chairman of BPK, Agung Firman Sampurna, in his remarks during the submission of the 2019 LKPP LHP to President Jokowi at the State Palace, Jakarta, Monday (20/7). The Chairman said that though there are 3 financial reports of ministries/institutions (LKKL) for financial Year 2019 that have not obtained Unqualified



■ BPK Chairman, Agung Firman Sampurna

Opinion (WTP), the findings as well as the total budget does not have a material impact on the fairness of 2019 LKPP presentation.

The WTP opinion is given to 2019 LKPP based on the audit results to 87 Financial Reports of Ministries/Institutions (LKKL) and 1 Financial Report of the State General Treasurer (LKBUN). Of the 88 entities audited, 84 LKKL and 1 LKBUN received WTP opinions. The number of entities whose financial reports received WTP opinion increased compared to 2018, which was 82 entities.

A total of 2 LKKL received qualified opinions (Wajar Dengan Pengecualian/WDP). This number decreased compared to 2018 which was 4 LKKL. Meanwhile, one LKKL that won a disclaimer opinion (TMP) in 2018, won that opinion again in 2019.

"LKPP 2019 presents fairly in all material respects the financial position as of December 31, 2019, and the realization of the budget, operations, and changes in equity for the year ended on that date in compliance with Government Accounting Standards," he said.

However, Agung revealed that there were several key problems, both related to weaknesses in the internal control system and to compliance with legislation in the implementation of the 2019 State budget. Some of them were findings of "inherent" problems that have not received attention or have not been adequately addressed.

In this face-to-face virtually activity, Agung also shared the findings of the pension scheme. According to him, this problem has been going on for years, decades. The findings of this year's review therefore paved the way for major changes and even reforms in the management of pension funds.

"The further reform of the pension fund management is an significant part that needs to be done in order to resolve the problems that emerge in Jiwasraya and ASABRI insurance, he said at the event which was also attended by the Vice President of the Republic of Indonesia Ma'ruf Amin, Vice Chairman of BPK Agus Joko Pramono, BPK Board Members, and Minister/ Head of institution.

Chairman of BPK also emphasized that the WTP opinion in one year is not a guarantee for an institution will receive the same opinion in the following year. Especially with the complexity of the problems faced during 2020. According to him, planning, implementation, monitoring and accountability will be much more difficult

PROGRESS OF AUDIT OPINION FOR FINANCIAL REPORTS OF MINISTRIES/INSTITUTIONS (LKKL) AND FINANCIAL REPORT OF THE STATE GENERAL TREASURER (LKBUN) IN THE PERIOD OF 2015 – 2019

AUDIT OPINION	FINANCIAL YEAR				
	2015	2016	2017	2018	2019
Unqualified Opinion (WTP)	56	74	80	82	85
Qualified Opinion (WDP)	26	8	6	4	2
Disclaimer of Opinion (TMP)	4	6	2	1	1
Adverse Opinion (TW)	-	-	-	-	-
Total of Audited Entities	86	88	88	87	88

compared to 2019. Therefore, Agung hopes that the role of the Government Internal Supervisory Apparatus (APIP) in each ministry and institution will be intensified in line with their respective positions.

Even though LKPP 2019 got the WTP opinion, BPK found 26 weaknesses in the internal control system (SPI) and 5 problems related to non-compliance with statutory provisions. BPK's audit results on SPI included the use of personal accounts for the management of funds sourced from the State Budget (APBN), cash balances that did not match physically, the remaining cash was late/unpaid, and the use of cash that was not completed with accountability documents occurred in 34 ministries/ institutions (K/L).

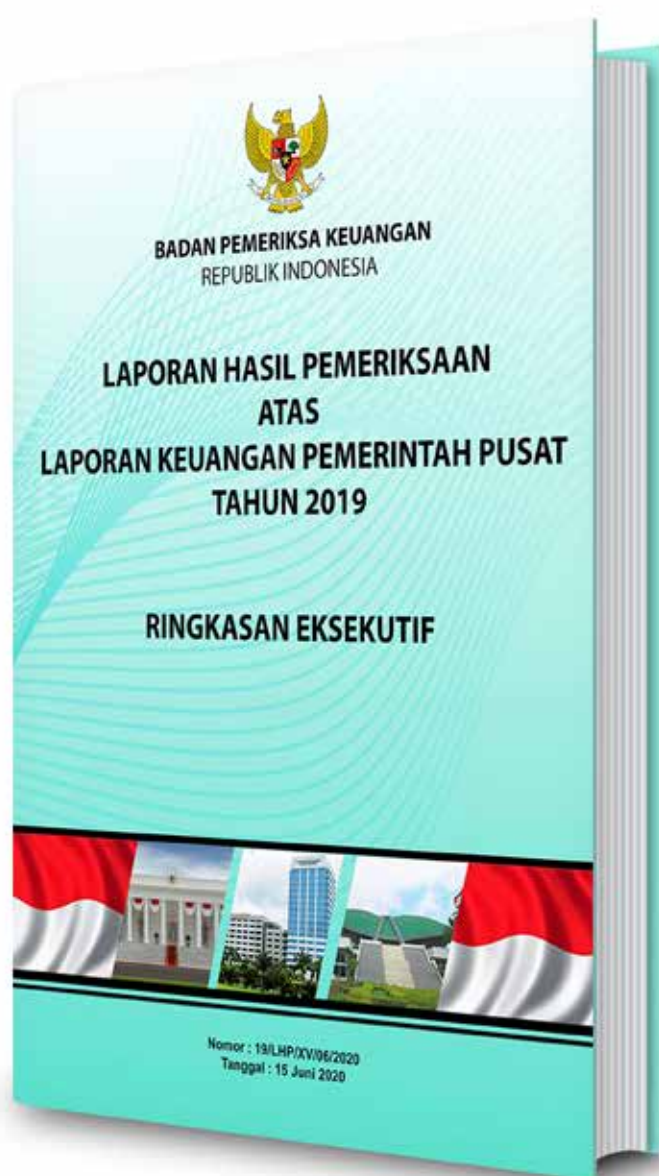
Regarding the use of personal accounts for the management of funds sourced from the APBN, this problem occurred at 5 K/L with a finding value of IDR 71.7 billion. One of the uses of personal accounts occurred at the Election Supervisory Body (Bawaslu) in the form of returning the remaining Direct Expenditures (LS) and Additional Money Supply (TUP) to Regency / Municipal Bawaslu in Lampung Province amounting to Rp2.93 billion. The money was not deposited into the Bawaslu Provincial Account but was instead deposited into a personal account.

A similar problem occurred in Ministry of Environment and Forestry. The audit revealed that there were some amount of money resulted from the 2003 illegal timber confiscated auction which was still stored in the holding account of the confiscated timber auction, in the personal name of the retired Head of the East Java Natural Resources Conservation Center (BBKSDA) and the period revenue treasurer of 2012-2013.

Another SPI's issue found by BPK was the in-

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LKPP 2019 presents fairly in all material respects the financial position as of December 31, 2019, and the realization of the budget, operations, and changes in equity for the year ended on that date in compliance with Government Accounting Standards.



consistency in recording inventories of 53 K/L with a total finding value of Rp3.22 trillion. The findings of the BPK audit found issues in the form of an inventory that was not carried out by taking stock, disorderly tracking of inventories and disorderly management of inventories.

Among the three inventory issues, the main concern has to do with recording inventories. The value of the findings resulted 2.22 trillion IDR, which occurred in 43 K/L.

The disorderly recording of inventories, one of which occurred in the Ministry of Defense, amounted to Rp. 2.20 trillion in the form of inventory accounting not based on accurate and correct source documents. In addition, there were issues related to presenting the valuation of adjusted incomes. These problems have been explained and partially corrected, so that the remaining problems do not affect the fairness of the financial reports.

Some of the other problems identified by BPK in the audit of SPI were the management of village funds that did not fully comply with the provisions and were not properly implemented. In addition, the presentation of assets originating from expenditure implementation in order to be handed over to the public in the amount of Rp. 44.20 trillion at 34 K / L is not consistent and there are issues in the administration and transparency of this subject that do not comply with the provisions.

Meanwhile, regarding the audit of compliance with statutory provisions, of the five problems found by the BPK, there were three findings related to taxation. One of the findings is that the Directorate General of Taxes (Direktorat Jenderal Pajak/ DJP) has not issued a tax bill for the underpaid deposit of Rp 12.64 trillion and delay in the payment of taxes with sanctions of Rp 2.69 trillion and US\$ 4.05 million.

Based on the audit results on tax report of Taxpayers (Wajib Pajak/WP) and Payment Data (Modul Penerimaan Negara/MPN), it was known that there were tax payers who have not deposited their tax obligations and/or are late in depositing their tax obligations. However, the Directorate General of Taxes (DJP) has not issued a Tax Collection Letter (Surat Tagihan Pajak/STP) to these taxpayers. This problem resulted in a shortage of revenue, which, on 31 December 2019, still had to be collected from taxpayers amounting to IDR 15.33 trillion.

Regarding this problem, the Minister of Finance, as representative of the Government, stated that she would re-examine the data and problems and follow up on the applicable regulations in place. ●

BPK Audits Become Parameters for Improvement

The President emphasized his intention to closely monitor his ministers and heads of institutions in implementing all corrective measures.

President Joko Widodo felt grateful for the Unqualified Audit Opinion that the 2019 Financial Report of Central Government (LKPP) received. The total number of entities receiving Unqualified Opinion also increased: from 82 in 2018 to 85 entities in 2019.

"Alhamdulillah, for 4 consecutive years from 2016 to 2019, the Central Government can maintain its Unqualified Opinion from BPK," said President Jokowi in his remarks at the submission of BPK Audit Report on 2019 LKPP at the State Palace, Jakarta on Monday (20/7).

On this occasion, the President asked all ministers and heads of institutions to use BPK audit results as parameters for improvement, for reform and for managing the state budget. Ministries/agencies receiving Unqualified Opinion were also asked to maintain it next year.

"But reforms must still be done. Those that are still not good, fix it immediately. For ministries/agencies still receiving Qualified Opinions or even Disclaimers, quickly make improvements, breakthroughs, and take significant changes."

The President emphasized his intention to closely monitor his ministers and heads of institutions in implementing all corrective measures. These corrective measures, President stressed, must be concrete.

To all the BPK Board Members attending the ceremony, the President highlighted the same commitments the Government has with BPK. Firstly, every cent of public money in the State Budget must be used responsibly. Secondly, it must be managed very well, in a transparent manner, and for the greatest benefits of the people.

The Head of State added that State Budget must have the right target. It also needs to be carried out in a simple and concise procedure, fast process and maximum benefits for citizens. According to the President, speed is crucial, especially in the current health and economic crisis due to Covid-19 pandemic. "It is useless to have a budget if we cannot quickly



spend it for the people. Meanwhile, citizens are waiting and in need. The economy is in dire need. Once again, we need quick actions, appropriate actions, efficient actions while of course not forgetting accountability," stressed President.

The Government has allocated IDR 695.2 trillion fund to accelerate the Covid-19 handling and to recover the national economy. That is a very large amount of money, President stated. Thus, he invites all ministries and agencies to run the program not only quickly, but also precisely and accountably.

"I expect support from BPK so that this crisis management can run well without creating problems in the future," said the President. He also stated that he had ordered all Government Internal Supervisory Apparatus (APIP), the Financial and Development Supervisory Agency (BPKP), and the National Public Procurement Agency (LKPP) to be part of the accelerated solution. While to law enforcement officials such as the prosecutor's office, the police forces, and the Corruption Eradication Commission (KPK), the President advised that all prevention aspects must be put forward, in addition to strengthening good, transparent and accountable governance. ●

BPK Chairman: Unqualified Audit Opinion Does Not Mean Problem-Free

Impacts of Covid-19 pandemic will be presented in 2020 Financial Report of Central Government.

The Audit Board of the Republic of Indonesia (BPK) identified numerous issues in 2019 Financial Report of Central Government (LKPP): from internal control system to compliance with statutory provisions, which must be followed up by the Government.

With regard to the audit on 2019 LKPP, BPK issued an Unqualified Audit Opinion. "However, Unqualified does not mean the LKPP is problem-free," stated BPK Chairman Agung Firman Sampurna during the Plenary Meeting of the House of Representatives (DPR) on Tuesday (14/7).

One of the problems highlighted by BPK is that the obligations of the Government as the Controlling Shareholder of PT Asabri (Persero) and PT Asuransi Jiwasraya (Persero) had not been measured nor estimated. Controls over the recording of Contractor's Assets from Cooperation Contract and assets originating from the management of Bank of Indonesia's Liquidity Assistance were also inadequate. Moreover, presentation of assets from expenditure realization at 34 ministries/agencies to be distributed to the public amounted IDR 44.20 trillion was varied. Meanwhile, Agung added, realizations of expenditure for public distributed were not administered and accounted for in accordance to provisions.



■ BPK Chairman, Agung Firman Sampurna



BPK provided special notes to the Palm Oil Plantation Fund Management Agency (BPDPKS), a public service agency under the Ministry of Finance. Agung stated that the distribution of funds for the Rejuvenation of Palm Oil Plantations (PPKS) 2016-2019 by BPDPKS had not fully guaranteed its use according to the initially stated purpose. This is because identities of planters receiving the funds were not entirely valid and there were funds that had not been accounted for.

Directorate General of Taxes of the Ministry of Finance also received special attention: tax bills for underpaid deposit had not been issued, and late payment of taxes with penalties.

Further, there were problems of non-issuance or delays in issuing Tax Overpayment Refund Decrees (SKPKPP), as well as not immediately processing tax overpayment refund as soon as the decrees were issued at the Directorate General of Taxes.

Generally speaking Agung mentioned that the implementation of the 2019 State Budget was considered crucial, with some crucial problems in internal control system and compliance with the statutory provisions.

"Some of these findings are regular problems not receiving attention nor not adequately solved," he stated. BPK also confirmed that the Covid-19 pandemic had not impacted the 2019 LKPP, because Government's policies to respond to the pandemic did not start until the first quarter of 2020.

The impacts of Covid-19 pandemic, Agung added, will be presented at the 2020 LKPP. The impacts are expected to be on budget reallocation and refocusing to support Covid-19 handling and the potential reduction in nontax revenues. "We also expect a decrease in quality of accounts receivable and delays in ongoing construction activities," he said.

These impacts are related to the Government's response through the enactment of Perppu Number 1/2020 which has become Law Number 2/2020. According to Agung, this regulation is expected to serve as the foundation for Government and other related institutions in taking extraordinary measures in ensuring public health, saving national economy, including the stability of financial system.

On this occasion, Agung also mentioned the great challenge for the Government to maintain its LKPP accountability. It would not be easy to maintain the unqualified opinion given by BPK for 2019 LKPP.

"The complexity of problems encountered in 2020 in terms of planning, implementation, supervision, and accountability would be far greater than that in 2019," stated Agung. To face difficult times this year, it takes more trust and cohesiveness than the previous years. "We need to help each other, share with each other, fill each other's shortcomings, and uplift the spirit of mutual cooperation in this difficult time," he closed. ●

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Some of these findings are regular problems not receiving attention nor not adequately solved.

Auditing the 2019 Ministries' Financial Reports (LKKL)

One of the characteristics of the audits at AKN I is the findings containing confidential information.

Directorate General of Audit (AKN) I Audit Board of the Republic of Indonesia (BPK) was trying with their best efforts to complete the audit process of Ministries' Financial Statements (LKKL) for Fiscal Year 2019. Audit entities' characteristic that requires special coordination and the current Covid-19 pandemic were the challenges for auditors in conducting the audit. Despite that, the mandate of BPK's Strategic Plan continues to be the guideline. Thus, the audit could be carried out in a quality manner and benefits others.

Director General of Audit (Tortama KN) I, Novy Gregory Antonius Pelenkahu, said that basically, the LKKL audit process in AKN I is the same with the other AKN at BPK. All audits refer to the steps in the Audit Management Guideline (PMP) as well as the existing operational guidelines (juklak) and technical guidelines (juknis).

Novy explained that the audit approach applied is risk-based audit. This in turn affects the length of audit period and the number of auditors needed.

For an example, he mentioned that in AKN I there are major audit entities such as the Ministry of Defense, Ministry of Transportation, and National Police. For these Ministries, members of the audit team can reach up to 30 people with a longer audit time due to interim audits.

For smaller audit entities such as National Commission on Human Rights, AKN I can use fewer auditors and shorter time for audits. Thus, the auditors can support another team after carrying out



■ **Novy Gregory Antonius Pelenkahu**

the audit in that audit entity.

Of the 20 audit entities in AKN I, three Ministries, namely the Ministry of Defense, Ministry of Transportation, and National Police are considered significant as they manage relatively substantial budgets. In addition, there are also smaller audit entities but manage sensitive issues and attract public attention, such as the Corruption Eradication Commission (KPK) and the State Intelligence Agency (BIN).

By using a risk-based audit approach, AKN I also pays more attention to audit entities which have not obtained Unqualified opinion in the previous year, such as the General Election Commission (KPU), KPK, and the Maritime Security Agency (Bakamla).

The 2019 LKKL audit period intersects with the occurrence of Covid-19 pandemic. Novy admitted that the pandemic had an impact on the audit process, especially during the Work From Home (WFH) policy was implemented. In accordance with the Board's advise, AKN I seeks to conduct discussions and interactions using digital conference applications and electronic mail. "Actually, we did not have the nerve to go for a field audit in the first two weeks of WFH," said Novy.

Even so, after two weeks of undergoing WFH, Novy realized that the audit was difficult to be carried out without physical attendance at the field. For example, an audit involving the function test from a procurement of equipment and goods.

"To audit the existence is easy because it can use a photo or video. Meanwhile, the function test is irreplaceable," said Novy.

In the third week of April 2020, auditors at AKN I were struggling in the field while maintaining health protocols to prevent the spread of Covid-19.

Physical discussion was also a necessity because there were audit entities within AKN I who ask for discussion of findings or problems directly. All of these challenges are faced in order to maintain the quality of BPK audits.

One of the characteristics of the audit at AKN I is the findings containing confidential information. In accordance with the law (UU) concerning Openness of Public Information, confidential matters involve issues related to state defense, legal cases, as well as intelligence information and data.

"It's all here (AKN I). That's why we always coordinate with the Directorate General of Legal Affairs in presenting our report," said Novy.

In the 2018 LKKL audit, there were three audit entities under the auspices of AKN I who had not received an Unqualified Opinion (WTP). The three audit entities are KPU, KPK, and Bakamla. This was also happened in the 2019 LKKL. Novy explained that the inability to obtain Unqualified opinion indicates that there are problems with the audited entities.

Guiding the Audit Entities Improving Accountability

Board Member I BPK, Hendra Susanto admitted that when the Covid-19 pandemic occurred, all audit activities under the auspices of the Directorate General of Audit (AKN) I had to be stopped. According to Hendra, this was done to maintain the safety of all auditors on duty as well as to prevent the wider spread. "BPK is the first institution to implement WFH. Alhamdulillah, everyone is in good health to this day," said Hendra to the *Warta Pemeriksa*.

Hendra said the audit needed to be temporarily stopped while monitoring conditions in the field. When the spread of Covid-19 is sloping, then the audit can be continued in the field. AKN I also implements a strict protocol using the principles of testing, tracing, and treatment.

A number of audits that could not be carried out using field visits or physical audit had to be postponed. Hendra said that it would be audited at the end of 2020 along with a thematic audit for the second semester of 2020.

"So, those who have not been audited, will be audit again," said Hendra.

In relation to the results of the audit of the Ministries financial statements, AKN I is the only contributor to the entity that is unable to obtain an Unqualified Opinion (WTP). There are two entities that get the Unqualified Opin-

nion (WDP), namely the National Cyber and Crypto Agency (BSSN) and the General Election Commission (KPU). Meanwhile, the Maritime Security Agency (Bakamla) again received an opinion on a non-statement (TMP) or a disclaimer for four consecutive years. Hendra explained, last year BSSN obtained Unqualified opinion. However, because there were problems in the procurement of goods and services that have not been completed, BPK must lower the BSSN opinion this year.

Meanwhile, the Qualified opinion was given to the KPU due to the compromised integrity of its key personnel. Several other findings, such as debts that was not supported with evidence, are included in the element of fraud and there is also the procurement of goods and services worth Rp78 billion that does not comply with the provisions.

For Bakamla, Hendra admitted that he did not want Bakamla to win a disclaimer opinion five times in a row. After mapping the problems at Bakamla, Hendra is sure that these problems can be fixed.

"It's just that they do have different elements, from elements of the National Army, National Police, and civilians. But we need to fix this," said Hendra. BPK also invited the Financial and Development Supervisory Agen-

Novy said that one of the problems that still occur at the KPU is related to the control environment. He explained that the principle of internal control relies on initiatives from the top management to enforce accountability. Then, a well system and human resources are also needed to support top management's decision.

He explained that regional KPU's top management or KPUD commissioners were not selected and elected by the central KPU. KPUD top management are selected by themselves and generally come from NGOs, political parties, and some from academia. This then increases the risks.

"So in the KPU audit, there will definitely many findings on the improper use of cash. We always doubt the cash management of the entity," said Novy. BPK does not remain silent. Novy said the BPK had recommended the KPU for several years to encourage the recruitment of employees from central agencies.

Then with regard to the audit at Bakamla, Novy mentioned that there was a problem in

unifying the work culture of various institutions involved, from National Army, National Police, to civilians.

To deal with this, Novy said, AKN I encouraged comprehensive improvements. This means that the recommendations given by BPK need to be provided with assistance so that these recommendations can be implemented.

"We are also working with BPKP and APIP (Government Internal Supervisory Apparatus), we continue to empower them," said Novy. Novy said that the Board Member I BPK, Hendra Susanto has even requested a special training for the APIPs. With an increasingly qualified APIP, BPK's tasks will become easier.

AKN I is encouraging a collaboration between the Ministry of Defense and BPK to conduct an APIP training. This, said Novy, is a form of comprehensive improvement encouragement. "So, when BPK provides recommendations, we also think about how these recommendations can be implemented comprehensively," said Novy. ●

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Please do your job,
we watch from a far.
We cannot go in there,
because we are
auditors, not inspector.



■ Board Member I/BPK Head of State Audit I, Hendra Susanto

cy (BPKP) to be able to assist Bakamla in solving existing problems.

"Please do your job, we watch from a far. We cannot go in there, because we are auditors, not inspector," said Hendra.

Hendra hoped that with this coordination in the audit in early 2021, Bakamla would no longer gain Disclaimer opinion. According to him, Bakamla could get a better opi-

nion and even achieve Unqualified opinion.

"But a real Unqualified (WTP) opinion, not the one means Unqualified without audit (wajar tanpa pemeriksaan). We seriously audit this entity which also have been guided by the BPKP," said Hendra.

According to Hendra, this underlines the added value of the BPK audit. This means that BPK does not only blame but also guides the entity in improving accountability. ●

Risk-based Audit on Financial Report of Central Government

Some of the risk assessments carried out are the assessment of business risk, fraud risk, control risk, and inherent risk.

BPK has been conducting audits of the Central Government Financial Report (LKPP) since 2005 for the Financial Year of 2004. The audit aims to provide an opinion on the fairness of financial statements by considering a number of aspects. These aspects include the conformity of financial reports with the Government Accounting Standards (SAP), the adequacy of the disclosure of financial information in financial reports as regulated in the SAP, compliance with laws and regulations, and the effectiveness of the Internal Control System (ISP).

In the midst of the Covid-19 pandemic, BPK is still carrying out its mandate to conduct LKPP audit. BPK provides Unqualified Opinion (WTP) on LKPP 2019. LKPP 2019 is a consolidation of State General Treasurer Financial Report (LKBUN) and 87 Ministry/Institution Financial Reports (LKKL).

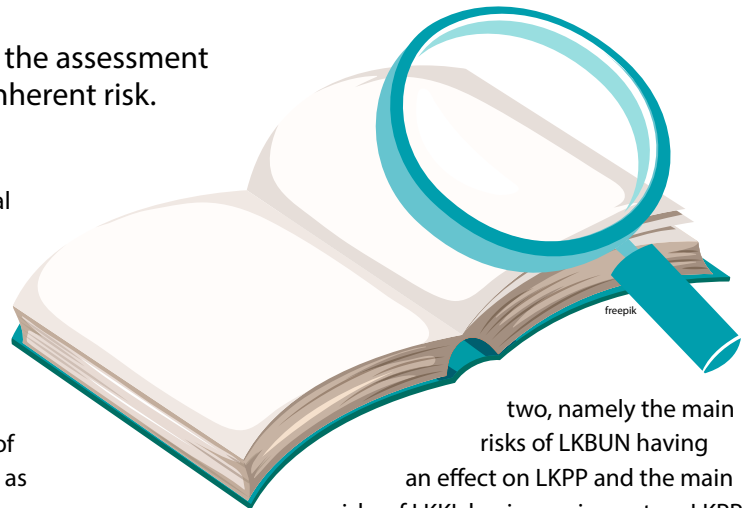
Audit on LKPP, LKKL, and LKBUN is guided by the State Financial Audit Standards (SPKN) established based on BPK RI Law Number 01 of 2017. Audits are carried out on balance sheet accounts, reports of changes in equity and changes in excess budget balances (LPSAL) in LKPP as of December 31, 2019, as well as budget realization, cash flow, and operational realization during the Financial Year of 2019. An audit was also carried out on the notes on the financial statements to assess the adequacy of disclosures in LKPP for 2019. These disclosures include the adequacy of disclosures in other important notes.

As is well established, the audit on LKPP is a mandate of Law No. 17 of 2003 on State Finance Section 30. The Regulation specifies that the President shall apply a bill on accountability for the implementation of the State Budget to the DPR in the form of financial reports that have been audited by BPK, no later than six months after the fiscal year ends.

LKPP, LKKL, and LKBUN audits use a risk-based audit methodology. Each audit team is required to carry out a risk assessment to identify risks that may occur, the controls the entity already has, and the audit team's response to these risks.

Some of the risk assessments are an assessment of business risk, fraud risk, control risk, and inherent risk. In the audit of LKKL, LKBUN and LKPP in 2019, there are several main risks that become BPK concern.

The results of the analysis of these risks are divided into



two, namely the main risks of LKBUN having an effect on LKPP and the main risks of LKKL having an impact on LKPP.

The main risks of LKBUN that have an impact on LKPP, one of which comes from the follow-up of the 2018 LKPP / LKBUN audit report. In this regard, one of the risks is in the context of budget allocation policies and the realization of national strategic project land acquisition (PSN) funding for the 2019 funding period, which is still the same as 2018.

Land acquisition for PSN in the 2018 and 2019 State Budget is budgeted for in the financing post, but Article 33 of the 2020 State Budget Law states that the Government shall allocate investment financing to the Public Service Agency of the State Asset Management Agency with the aim of forming long-term funds and / or reserve funds for procurement land for the benefit of national strategic projects and the management of other government assets. Land use status may be allocated to the state ministry/institution by not using the capital expenditure mechanism.

In addition, there are also risks arising from the new policies in 2019. One of them is the incorrect presentation of the accounts relating to compensation for the disparity between the economic price and the price set by the government for the distribution of fuel and electricity for the period 2017-2019, even though the 2020 State budget has been budgeted for compensation.

In the 2020 State Budget Law, the Government has budgeted compensation funds for PT Pertamina and PT PLN in the Other Expenditure account of IDR 15 trillion due to the lack of revenue arising from the disparity between the economic prices and the prices set by the Government. This budgeting has not been accompanied by a legal framework for allocation, a straightforward roadmap for settlement and accounting rules for the implementation of the program. ●

Finding a Budget Deficit Formulation



BY: **AGUS JOKO PRAMONO**, VICE CHAIRMAN OF BPK

The deficit calculation can actually be useful in making policies to maintain fiscal sustainability. To maximize this goal, the government also needs to increase mitigation of local deficits.

All this time, we are often faced with debates about the amount of budget deficit that deserves to be borne by the State Budget (APBN) and the Local Government Budget (APBD). This debate occurs because the amount of the deficit is closely related to the financing that must be taken by the government.

In the context of developing a country, deficits are a natural thing. Almost all countries experience it. A deficit occurs when the state income is less

than the expenditure. A country sets a deficit because there are greater benefits that can be obtained from the expenditure budget like supporting development, while state revenue is not sufficient.

The deficit calculation is made to maintain macroeconomic stability. Also, to produce healthy and sustainable fiscal performance. Not only healthy for one or two periods, but continuously healthy because it has something to do with the ability to pay. For this reason, the government controls the cumulative amount of state and local budget defi-

cits, as well as the cumulative amount of debt from the central government and local governments.

What is the correct deficit rate?

The deficit is usually financed from debt. Because there is a withdrawn debt, the debt accumulation is formed. Therefore, apart from the annual deficit, debt accumulation is also controlled. That way, two things are controlled: the amount of the budget deficit and the total amount owed to cover the deficit. Then, what is the correct deficit rate? In accordance with Law Number 17 of 2003 concerning State Finances, the state budget deficit is limited to a maximum of 3 percent of gross domestic product (GDP). Meanwhile, the amount of central government debt is limited to a maximum of 60 percent of GDP. For local governments, the local budget deficit is limited to a maximum of 3 percent of the local's gross regional product (PRB). The debt amount is limited to a maximum of 60 percent of the PRB of the respected local government.

Further regulations regarding this matter are regulated in Government Regulation (PP) Number 23 of 2003 on Control of the Cumulative Amount of Deficit in the State Budget and Local Government Budget, as well as the Cumulative Amount of Debt of the Central Government and Local Government. Article 4 of the regulation stipulates that the cumulative amount of state budget and local budget deficits is limited to not exceeding 3 percent of GDP

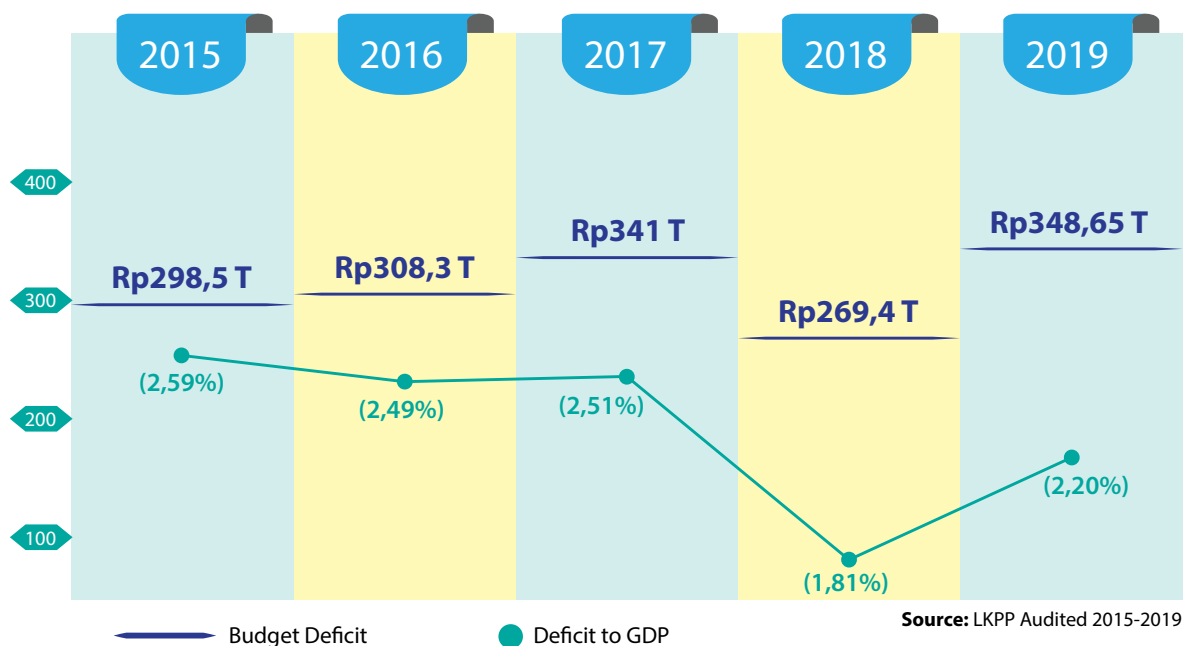
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The deficit is usually financed from debt. Because there is a withdrawn debt, the debt accumulation is formed. Therefore, apart from the annual deficit, debt accumulation is also controlled.

in the relevant year. Through this regulation, the deficit limit of the central and local governments is set for a combined of 3 percent of GDP. The goal is that the budget deficit does not have a negative impact on macroeconomic stability in the short and medium term. Further, it is set to comply with good principles in fiscal management.

With this stipulation, each local government must first request permission from the Ministry of Home Affairs (Kemendagri) if it wants to form a budget deficit. The permit is submitted to seek approval for the Local Government's Regulations (Perda) on the local budget. After that, the Ministry of Home Affairs coordinates with the Ministry of Finance (Kemenkeu).

Budget Deficit in the Last Five Years



The cumulative amount of debt is also regulated in article 4 of Government Regulation 23 of 2003. Similar to the deficit, the cumulative amount of debt from the central government and local governments combined is limited to not exceeding 60 percent of GDP. So, we are now faced with one standard measure, which is 3 percent for deficit and 60 percent for total debt. This is our statutory understanding.

In international accounting standards, deficits is regulated in the International Public Sector Accounting Standard (IPSAS) 3 on Net Surplus or Deficit for the Current Period, Fundamental Errors, and Changes in Accounting Policies. There are two issues discussed regarding the deficit positioning.

The main point is similar to the practice in Indonesia. The difference is, IPSAS says where do you want to see the deficit, whether you want to see it from cash flow or from the operational report (income statement). From the perspective of cash flow, the deficit is viewed from the lack amount of money. Meanwhile, when we view from the accrual-based income statement, not cash-based, it could be that the amount of expenditures paid is different from the money spent. In this context, IPSAS does not define specifically. We do the mitigation ourselves. Whereas, the deficit for a certain period is related to maintaining accountability and financial statements positioning.

Increase the value

Deficit calculation certainly has a purpose. For the Indonesian government, this is a burden or limitation. The government must not cross this limit. If Indonesia's GDP is IDR 14 thousand trillion, the deficit limit of 3 percent as stipulated in the Law is around IDR 420 trillion. Therefore, the difference between income and expenditure cannot be more than IDR 420 trillion.

The deficit calculation also has benefits in the planning area. A simple illustration, if we want to build something but lack of funding, we can plan to find sources of funding to cover it, whether by selling goods, applying for debt, cooperating with third parties, or others. However, of course, the most popular is applying for a debt. Therefore, the benefit of a deficit in planning is increasing the value, greater than the resources owned. You do this by obtaining other sources of funds besides ours.

Actually, how is the current state budget deficit calculation formulation? The state budget indicates that income minus spending is a deficit. The accounting transaction recording method used is cash basis. This means that the incoming funds will be recogni-

zed as income when the funds actually have entered the state treasury. Likewise, in terms of expenditures. Expenditures will be recognized as expenditures when the fund is discharged. With the cash basis method, if there is a purchase on an item and the item has been used but not yet paid, by definition it is not categorized as expenditure. Even though the value of the expenditure for goods has been used and utilized, the government does not consider it as expenditure because it has not been paid. Thus, spending becomes a discretionary element, it is up to the government. As a result, deficit control becomes less useful. If the deficit has or will exceed the limit, the government can decide not to make payments for the expenditure that has been made. The payment is withheld beforehand. The more the funds are detained, the smaller the deficit will be. This is actually legal, but not exactly beneficial.

It also applies in terms of income. As we all know, the government annually returns the excess tax paid by taxpayers or refunds. If the excess tax is returned, the government revenue will decrease. Therefore, there are times when restitution is withheld and paid in the following year. This also causes increase in the unpaid restitution from year to year. Unpaid expenditure from year to year has also increased.

Therefore, the figures of deficit value calculation are not valid completely because of the intervention. However, we cannot conclude how invalid the deficit value calculation is, because we have not formally quantify it. I also do not want to come up with a different calculation.

However, if only for analysis, not the formal value, it can be viewed from the amount of unpaid debt. We can see the unpaid profit sharing fund (DBH). That should add to the deficit. Then also the amount of unpaid subsidies.

Fiscal sustainability

For deficit calculation not being intervened, the method is simple. It is by returning the elements that have been used. Items that have been used but have not been paid are added to the deficit element. This is what BPK actually requested. BPK propose to incorporate unpaid elements so that the deficit calculation is truly factual.

Currently, there are state expenditures that are not real expenditures, namely transfers to the local government. The central government only shifts part of its revenue into local government revenue. In actual theory, what is called expenditure is when we get the benefits from sacrificed resources, not

Realization of 2019 Budget Financing (in trillion rupiah)

Description	State Budget (APBN) 2019	Realization 2019	% to State Budget (APBN)
Debt Financing	359,25	437,54	121,79%
Investment Financing	(75,90)	(49,39)	65,07%
Granting/Forwarding Loans	(2,35)	(1,28)	54,40%
Other Financing	15,00	15,18	101,20%
Overall Financing	296,00	402,05	135,83%

Sumber: LKPP 2019

when other people get the benefits.

Usually, the positioning in this case is somewhat different. However, to make it uniform, the government did not make a special review of transfers. Ideally, the calculation of the deficit is revenue minus transfers and expenditures minus transfers.

The deficit calculation can actually be useful in making policies to maintain fiscal sustainability. To maximize this goal, the government also needs to increase mitigation of local deficits. So far, the mitigation has not been optimal. The reason is that the local government information system is under the Ministry of Home Affairs. Meanwhile, the state treasurer is the Ministry of Finance. There is no information system that directly requires local governments to request permits regarding the debt amount to the Ministry of Finance.

Then, what is the relationship between the deficit and the debt needs in the same period? The simple logic is that the amount of the deficit will equal the amount of additional debt. Nevertheless, it was not the case. The increase in debt can be greater than the amount of the deficit. Because, there is a debt due to be paid.

Therefore, if the deficit limit is Rp.420 trillion, then the debts drawn can be more than Rp.420 trillion because we need cash to pay the debts due. Therefore, it is also very important to mitigate the risk of the debt amount. This is because the larger the gap between income and expenditure, then normatively, our ability to pay in the long term will decrease. For this reason, the International Monetary Fund (IMF) and the World Bank set a debt service coverage ratio. The IMF sets a maximum amount of debt due and interest payments of around 36 percent of a country's income. Meanwhile, the interest payment alone is a maximum of 10 percent of income. Moreover, Indonesia has crossed that limit.

Many have ask, why is the deficit ratio and total debt associated with GDP? As we know, GDP is simply the value of goods produced in a country. The

greater the GDP, the greater the tax earned. If GDP grows, state income will also increase because there is an element of tax revenue. It is for this reason that the amount of debt is linked to GDP. The greater the GDP, the greater the ability to pay.

The problem is, the tax ratio in Indonesia is getting lower. That means the relationship between GDP and the ability to pay is getting lower. Thus, increasing the value of GDP is not necessarily able to increase state income. This is what happened in Indonesia.

Fiscal sustainability report

Referring to the data submitted by the Ministry of Finance in the Macroeconomic Framework and Principles of Fiscal Policy in 2021, Indonesia's tax ratio in 2015 was 10.76 percent of GDP. In 2016 it fell to 10.36 percent and fell again to 9.89 percent in 2017. The tax ratio had increased to 10.24 percent in 2018. However, in 2019, it fell to 9.76 percent again.



If GDP grows, state income will also increase because there is an element of tax revenue.

Therefore, the government needs to make a fiscal sustainability report in the long term by making certain projections, then incorporating the deficit and debt elements. With this report, we will find out how our ability to pay and to absorb debt. Thus, the measure does not only relate to GDP. This has not been seen in detail in the government's calculation pattern. In that report, the state budget can be described for the next 30 years. Currently, we are referring more to the five-year National Medium Term Development Plan (RPJMN).

What I need to emphasize is that the view regarding this deficit has nothing to do with the conditions we are facing now, during the Covid-19 pandemic. I am talking about this in a normal context. In the midst of the Covid-19 pandemic, that has yet to see an end, we really need funds. All companies are affected. Almost all countries have increased their deficits. Let the government work to improve the economy. BPK, as the Supreme Audit Institution, will guard the accountability and transparency of every policy made by the government. ●

CORONA VIRUS DISEASE (COVID-19) WHAT DO YOU NEED TO KNOW?

AUDIT BOARD OF THE
REPUBLIC OF INDONESIA



WHO NEEDS A HEALTH CHECK-UP AT THE HOSPITAL?

Have been in contact with patients (+) COVID-19
(in the same room/contact within one meter) OR have visited to COVID-19
endemic countries/areas in the last 14 days.

IF YES

Are you experiencing
symptoms:

- Fever (>38 degrees Celcius)
- Cold
- Cough
- Shortness of breath

YES

Call 119 ext 9
or consult
a COVID-19
referral hospital
in your area

NO

Self-isolation
for 14 days from
the last contact
or visit

If during self-
isolation you have
symptoms: Fever
(>38 degrees
Celcius), Cold,
Cough, Shortness
of breath

YES

Call 119 ext 9
or consult
a COVID-19
referral hospital
in your area

NO

You do not need
to consult to a
doctor. Always
take care of your
health

IF NO

Are you experiencing
symptoms:

- Fever (>38 degrees Celcius)
- Cold
- Cough
- Shortness of breath

YES

Consult to
the nearest
doctor and get
enough rest

NO

You do not need
to consult
a doctor. Always
take care of
your health



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Source: Ministry of Health of the Republic of Indonesia

Road to Achieve Budgetary Independence



■ Chairman of BPK, Agung Firman Sampurna

Whereas, budgetary independence is crucial to support the audit function.

The independent BPK is required by the Constitution of 1945. Budget independence becomes the frequent findings at the peer reviews performed by other State Audit Institutions (SAI). BPK is considered not fully independent on budget as it still relies on the Ministry of Finance. Whereas, budgetary independence is crucial to support the audit function.

Based on the aforementioned condition, BPK tries to get its budget independence. Chairman of BPK, Agung Firman Sampurna, stated that this issue was raised at the revision of Law 16 Year 2016 concerning BPK. The revision of BPK Law has also been developed as a national legislative program (prolegnas) and is at number 45.

“One of the revisions relates to the budget. This does not triggered by ambition, but a need for BPK to ensure its task, called audit, well performed. In most of our peer review, issue on budget independence always be highlighted. Thus, I think it is logical for us to raise this issue.” Agung said when talking to the *Warta Pemeriksa* at BPK’s Head Office, Jakarta, Tuesday (18/2).

This Palembang-born man added that there are several options for the type of budgetary independence being reviewed and discussed. One option is like what applied in Bank of Indonesia and the Financial Services Authority (OJK). The budgeting process is still being set through the State Budget (APBN) mechanism, but BPK is allowed to propose budgets directly to DPR. "We hope that the same mechanism can be applied to us," Agung hoped.

BPK is also observing another budget scheme adopted by other Supreme Audit Institution (SAI). According to Agung, SAI of New Zealand can be used as a benchmark. They have a public service agency (BLU) that capable to perform audits to institutions other than those to be audited. "And for doing of this service, they are paid," Agung said.

Compared to BPK, based on empirical evidence, Agung said that the skill of BPK auditors are advance compare to many other SAIs. "So why can't we have system like them, to perform an audit of private companies. My colleagues here are well trained, rich of working experience as well as competent in auditing with various certifications," Agung said.

According to Agung, what SAI New Zealand applies can be considered as one of BPK's choice. However, he admitted that BPK had not carried out a comprehensive study on it.

For other nations, such as Russia, budgeting for SAI is carried out using the same mechanism as in Indonesia. However, there is no debate on SAI's expenditure allocations. "If the SAI needs budget, it must be immediately provided and fulfilled," he said.

Russia experience might be used as BPK's reflection. BPK might have half-room discussion on budget allocation with relevant stakeholders first. When the official budget is announced, there is no more discussion.

Crucial

Budget independence can ensure BPK's independence. By being independent in terms of its budget, BPK can be more optimum to determine the amount of budget needed to conduct the audits.

Agung said that BPK audit budget was reduced by around Rp 100 billion this year. In fact, the audit works are increasing every year, along with the increase of the state budget. Further, the number of entities being audited is also increasing and more complicated.

At the same time, the budget required for audit



This does not triggered by ambition, but a need for BPK to ensure its task, called audit, well performed.

was reduced. He realized that BPK could propose additional budget to the Ministry of Finance. "But this mechanism is not proper and might disrupt BPK's independence," Agung said.

He argued that the budget independence is also intended to improve the overall state financial management. And indeed, Agung said, the budget independence will not exclude the principle of accountability.

"BPK wants to have more independent on its budget. It does not mean that we do not want to be supervised. Accountability remains because the supervisory mechanism remains in place. Basically, we want that our huge tasks to be guaranteed by an adequate budget every year," Agung said.

Vice-Chairman of BPK, Agus Joko Pramono said on a separate occasion that the independence of the budget was crucial. Because audit activities need to be financed.

The decrease in BPK audit budget this year also had an impact on audit activities, he said. BPK has been forced to reduce the number of audits.

"We need to arrange and choose which audits to be carried out and not, even though BPK should have authority in this matter," Agus said.

Agus really hopes that BPK can be more budget-independent. In addition, the independent BPK is mandated by the Constitution of 1945.

According to Agus, there are at least two ways to achieve the independence of BPK's budget. First of all, by adding the budget for BPK. Second, by putting the audit budget available to the entity audited by BPK.

"We hope that there will be certain forms of budgetary proportionality based on BPK's mandate. If the budget is reduced, the audit process will be weakened. Indeed, only BPK has a very strong audit mandate in this country that can force the prosecution of those who do not want to be audited." ●

The Importance of Independence On Human Resources

The Chairperson of the Commission II of House of Representatives suggested BPK to conduct benchmarks from other countries to find Supreme Audit Institutions (SAIs) who have now succeeded independently manage its Human Resource.

Audit Board of the Republic of Indonesia (BPK) does not only require budget independence. According to Vice Chairman of the BPK, Agus Joko Pramono, independence in terms of human resources (HR) is equally important. Agus explained, in theory, there are two elements about independence. Namely independence in appearance and independence in fact.

‘Independence in fact’ depends on every BPK employee in carrying out their duties. Independent attitude must be embedded in every auditor. The auditors must have an integrity and not rule out facts.

Meanwhile, ‘independence in appearance’ emerged from the organizational structure. It also relates with stakeholder’s perspective toward auditor in performing the audit. “This independence in appearance is what we are striving for,” Agus told *Warta Pemriksa* at the BPK head office, Jakarta, Tuesday (18/2).

Based on the concept of ‘independence in appearance’, said Agus, the auditors should have no connection with the government. That also becomes the reference in the Supreme Audit Institutions Performance Measurement Framework (SAI PMF).

When referring to the concept, the BPK is arguably not entirely independent in terms of ‘independence in appearance’. Because the recruitment process to the budgeting process are still relying to National Government. “Despite the people who carry it out are from BPK. But, in terms of independence in appearance, it is not independent,” Agus said.

Nevertheless, Agus asserted that it was different when it is viewed in terms of facts. This is because independence in fact is very self-reliant.

The man who got his doctoral degree on Government Science from Padjajaran University emphasized, the BPK was trying to remain independent even though its independence in appearance had not been fully met. In the context of audits, the BPK continues to manage audits on its own, make its own plans, and make its own reporting.

“Indeed, so far there has never been any intervention from the government on the practical independence of BPK. But it is not just practically. There is a matter of appearance and in fact. We hope that in the future, BPK will be more independent in terms of recruitment, in the context of improving job evaluation, and so on,” Agus said.

Even though BPK employee is a state civil servant (ASN), he expects that the BPK will be given its own recruitment capital. Also, given the flexibility in the formation of organizational structure, job evaluation and performance, thus not following the model made by the National government.

“For example, if we are still civil servants, then there is a job bidding, the question is who could apply for it? People who works for government may also apply. However, if the job is within the BPK itself, then applicant should resign from BPK to apply. That point is what we want to be independent of.”

Recommendations from DPR

DPR Commission II Chairperson, Ahmad Doli Kurnia said, the discourse of BPK

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We hope that in the future, BPK will be more independent in terms of recruitment, in the context of improving job evaluation, and so on.



■ Vice Chairman of the BPK, Agus Joko Pramono

independence was in line with the direction of increasing the professionalism of the current state institutions. According to Doli, employee recruitment and BPK budgeting should be carried out independently to realize a balanced cooperation and coordination function. "Currently, as if one state institution become subordinate of the other state institution, not as support. Whereas there is no need to depend on each other," Doli told *Warta Pemeriksa*.

Doli said, the current BPK needs to prepare steps to realize this independence, including preparing a system or work pattern. Doli also advised the BPK to look for benchmarks from other countries' Supreme Audit Institutions that are already independent. "You can see how they built the system," Doli said.

Doli said that independence would improve the performance of the Supreme Audit Institutions. According to

Doli, BPK's efforts to assess objectively will be hampered by its dependence on other institutions. "If BPK becomes independent, it is how it supposed to be and it should become a more professional institution with a higher level

of accountability," said Doli.

Doli hopes that a stronger BPK will also help the DPR's performance in the oversight function on government development programs implementation. ●



■ DPR Commission II Chairperson, Ahmad Doli Kurnia

BPK Strengthens Audit on Financial Report of Local Governments

Starting this year, Board Member V and Board Member VI will report on audits needing special attention at the BPK Board Meeting.

The Audit Board of the Republic of Indonesia (BPK) recorded improvements in the quality of the Financial Report of Local Governments (LKPD) in recent years.

As stated in the Audit Reports Summary Semester I Year 2019, BPK audited 542 LKPDs in 2018. Out of all these audits, BPK had given Unqualified (audit) Opinion to 443 LKPDs, or 82 percent of all LKPDs audited. The number has increased from the Unqualified Opinion given to LKPDs of 2014, which was 47 percent.

Board Member V Bahrullah Akbar appreciated this trend of improvement in LKPD. He stated that reaching an Unqualified Opinion is a necessity in the accountability of state financial management.

"Financial reports are the bottom line of accountability. Meaning that as the final task in any projects, all must complete financial reports as their responsibility," Bahrullah told *Warta Pemeriksa*.

As LKPDs increasingly received the highest level of audit opinion, Bahrullah continued, BPK will change its focus from financial audit to performance audit. He stressed that increased performance and added value of expenditures will be increasingly highlighted.



■ Board Member V/BPK Head of State Audit V, Bahrullah Akbar



Financial reports are the bottom line of accountability. Meaning that as the final task in any projects, all must complete financial reports as their responsibility.

Bahrullah added, Directorate General of Audit V is currently crafting a series of pilot performance audits for 5 provinces: East Java, DKI Jakarta, Lampung, Banten, and Aceh. These audits will be adjusted accordingly to take into account the unique character of development and issues in each region.

Performance audits in East Java and Lampung would stress on infrastructure issues, Banten on disaster management, Aceh on special autonomy, while the audit in DKI Jakarta will focus on air pollution, he further explained.

“This is to see the spending quality on those specified issues in each region,” Bahrullah said.

He added that a similar approach was taken in Directorate General of Audit VI which oversees government entities in the eastern territory of Indonesia. Starting this year, Board Member V and Board Member VI would report on audit entities needing special attention at the BPK Board Meeting. In addition, BPK also planned to publish a Local Audit Report Summary, which would be conveyed to governor and Local Legislative Council in each province. The summary would contain BPK’s financial and thematic audit works in a specific region. “We hope this audit summary can assist governors in making the best decisions for their regions,” Bahrullah added.

Bahrullah revealed that a common finding from LKPD audits was related to the internal control system. An example was how administration of fixed asset was not well-organized: value of fixed assets are recorded as IDR 0.00 and IDR 1.00 thus did not reflect the acquisition cost of the assets; fixed assets are recorded jointly or without details of a significant value; or the existence of fixed assets is unknown and controlled by other parties.

Another common finding was the untidy management of Land and Building Tax (PBB) receivables. Given the delegated authority to manage Land and Building Tax from the central government, local governments (district/city) still have not verified nor validated the

taxpayers’ database received from the tax office.

Administrative problems on the management of School Operational Assistance (BOS) was also a common issue. Schools did not usually separate accounts on BOS, school committee fund, and other funds. They also did not report on fixed assets obtained by the BOS fund to the local government, so that they were not presented in the financial statements. Moreover, reconciliation of revenues and expenditures for BOS fund was not regularly carried out between school and local governments.

In addition, there were issues of compliance with statutory provisions, such as lack of physical work volume in the realization of capital expenditure resulting in overpayments to procurement partners, grantees or receiver of social assistance not submitting accountability reports on the actual use of fund to the heads of local governments so there was no way to compare it to the proposal, and unrealistic record in goods and services expenditure e.g. for business trips.

Bahrullah stated, to improve the quality of LKPD audit opinion to 100 percent Unqualified, heads of local governments need to be equipped with a dashboard as indicator in managing state finance. Giving an illustration, it was like a driver who will regularly check on his fuel and pay attention to speed through his car dashboard.

“We also need to work on the human resource aspect; intensely increase understanding on who has the responsibility and authority on financial functions, such as Regional Secretary (sekretaris daerah), Local Financial Management Board (BPKD), and inspectorate. Of course, this will require political will from the local leader,” observed Bahrullah.

Should all heads of local governments comply with all existing indicators, financial audit on local government will take on a bigger task, which is the quality of expenditures. “That’s why we are doing several pilot audits to assess performance. Hopefully, it can stimulate future audit works,” he said.

Audit Tool

Board Member VI Harry Azhar Azis claimed that the level of awareness of local government officials in upholding accountability got higher. This claim was supported by the number of BPK audits receiving Unqualified Opinion was getting closer to 100 percent.

“Back when I was still the Head of Budget Committee in the House of Representative in 2009, only 3 percent of local governments received Unqualified Opinion,” Harry recalled.

Harry suggested that we need to have an audit tool to measure the success level of local governments. The tool can use indicators from development target or welfare index. These indicators consist of poverty, unemployment, gini ration, and the human development index.

Still according to Harry, local governments achieving prosperity level in all indicators better than the national average can be considered successful. However, he acknowledged that some provinces have not been able to achieve the entire development targets. In fact, there are even provinces that have not achieved a single target at all. “It’s usually the eastern region, such as Maluku, East Nusa Tenggara, and Papua,” added Harry.

Harry also suggested an additional indicator, the public service index. This will measure services such as management of national identity card (KTP), business licenses, and others. “I have asked all BPK Heads of Regional Offices under my purview to start thinking about it,” he said.

Later, it will be included in the notes to the financial reports of local government. Thus, BPK will be able to assess the budget accountability based on the financial report and their impact to the people’s welfare.

In a similar tone with Bahrullah, Harry assessed that the underlying issue with local governments not presenting their financial reports as



■ Board Member VI/BPK Head of State Audit VI, Harry Azhar Azis

expected has to do with the quality of the human resource. Also, he added, the lack of reporting system in the regions often lead to it becoming an audit finding.

“Let’s say, a regent likes to bring home local government assets such as cars. Now Imagine if not only the regent, but also the head of local offices and all the local officials, who likes to bring home official cars. That would be a lot of cars. And it could affect the audit opinion,” Harry gave an example.

It has everything to do with a culture of accountability that still needs to uphold, he observed. Heads of local governments then need to improve the financial management information system in their region, so they can be more alert and realize on the existing weaknesses.

“When the local government can manage its budget well, the unemployed can find more opportunities to work, and eventually contribute to decreasing the poverty level,” Harry ended. ●

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When the local government can manage its budget well, the unemployed can find more opportunities to work, and eventually contribute to decreasing the poverty level.

Inaccurate Data of Social Assistance (Bantuan Sosial)

There are only 29 out of 514 local governments conducting data updates regularly.

The Audit Board of the Republic of Indonesia (BPK) has again highlighted the effectiveness of the distribution of social assistance from the government to citizens in need. BPK has conducted a performance audit on the management of Integrated Social Welfare Data (DTKS) in the distribution of social assistance in 2018 until the third quarter of 2019 that was carried out at the Ministry of Social Affairs and other relevant agencies in DKI Jakarta, West Java, Central Java, East Java, and East Nusa Tenggara. "We find in our records, the distribution of funds is not effective because the data is inaccurate," said BPK Board Member III, Achsanul Qosasi.

The audit report that has been published in Summary of Semester Audit Reports (IHPS) Semester II 2019 noted, in managing DTKS, the Ministry of Social

Affairs has issued regulations related to data collection, verification and validation, as well as the use of DTKS both for the benefit of relevant ministries/institutions and for the benefit of the Ministry of Social Affairs in the distribution of social assistance.

Furthermore, the Ministry of Social Affairs has also updated modules in the Sistem Informasi Kesejahteraan Sosial Next Generation (SIKS-NG) application, including integrated data development modules, Contribution Beneficiary data management modules (PBI), Offline SIKS data synchronization modules and Online SIKS data, and the Food Social Assistance (BSP) data management module. The application can be accessed and used by 514 local governments for the management of DTKS. However, the results of BPK's audit showed that if problems with the management of DTKS in the distribution of social assistance were not immediately resolved,



Huy Gao-Pixabay

it could affect the effectiveness of DTKS management in the distribution of social assistance.

Problems that were found include the inadequate implementation of verification and validation in producing quality input data for social assistance distribution. These problems include the Ministry of Social Affairs' limitations in coordinating the verification and validation carried out by local governments, because in terms of authority, local governments are in coordination with the Ministry of Home Affairs.

The Ministry of Social Affairs also does not yet have a mechanism to ensure the verification and validation process is in accordance with the standards stipulated in the Minister of Social Affairs Regulation (Permensos) No. 28 of 2017 on General Guidelines for Integrated Data Verification and Validation for Handling Poor People. "As a result, the DTKS determined by the Ministry of Social Affairs as the basis for the distribution of social assistance programs has become less reliable and accurate," wrote the IHPS II 2019 report.

Achsanul explained that the DTKS update should ideally be carried out by the local government once every six months. However, from 514 local governments, according to Achsanul, there are only 29 local governments that regularly carry out such data updates. "Are there any beneficiaries who have died, have moved, or become migrant workers, the data is sent to SIKS-NG. But if the data collection is not done by local government, automatically there will be no change," Achsanul said.

Moreover, in IHPS II 2019, it was mentioned that the use of DTKS was not yet effective in increasing the number of active Beneficiary Families (KPM) of non-cash social assistance. These problems include the use of DTKS that have not been able to minimize the problem of the Family Welfare Card (KKS) not being distributed and KPM does not transact on the distribution of Non-Cash Food Social Assistance (BPNT) and the Family Expectancy Program (PKH).

Achsanul conveyed, the distribution of social assistance through bank accounts or non-cash is a very positive breakthrough. However, the feedback mechanism on the BPNT and PKH distribution problems from the state-owned bank association (Himbara) to the Ministry of Social Affairs has not been regulated. As a result, the process of improving data on the social assistance distribution in SIKS-NG has not been effective and Ministry of Social Affairs could not obtain Himbara's data on social assistance distribution and its problems in real time manner.

BPK has recommended the Minister of Social Affairs to make a joint decision between the Ministry of Social Affairs and the Ministry of Home Affairs and/

or provincial/district/city government related to the obligations and responsibilities of the Ministry of Social Affairs and district/city governments in carrying out DTKS verification and validation. This is related to the fulfillment of facilities and infrastructure, increasing human resource competence, and allocating budgets to produce reliable DTKS, and realizing the effective distribution of social assistance.

BPK also asked the Minister of Social Affairs to instruct the Director General of PFM and the Director General of Linjamsos to instruct each relevant director to review the cooperation agreement with Himbara regarding reconciliation and feedback mechanisms on issues in social assistance distribution, from Himbara to the Ministry of Social Affairs.

Furthermore, the integration of the Himbara's information system with the Ministry of Social Affairs to facilitate monitoring and evaluation of distribution of social assistance also needs to be improved, also there should be validation of the KPM's Population Identification Number (NIK) as a basis for the distribution of social assistance. ●

The BPK Recommendation to the Minister of Social Affairs

1. Preparing joint decisions between the Ministry of Social Affairs and the Ministry of Home Affairs and/or provincial/district/city governments related to the obligations and responsibilities of the Ministry of Social Affairs and district/city governments in carrying out verification and validation of the DTKS, among others related to the fulfillment facilities and infrastructure, human resource competency enhancement, and budget allocation to produce reliable DTKS and realize an effective social assistance distribution.
2. Instructing the Director General of the Poor People Affairs (PFM) and the Director General of Protection and Social Security to instruct each relevant director to review the cooperation agreement with Himbara regarding:

- Mechanisms of reconciliation and feedback on problems in the distribution of social assistance, from Himbara to the Ministry of Social Affairs.
- Integration of Himbara information systems with the Ministry of Social Affairs' to facilitate monitoring and evaluation of distribution of social assistance.
- Validating KPM's Population Identification Number (NIK) as a basis for distribution of social assistance.



BPK Reveals 4,094 Findings in Audit Reports Summary Semester II of 2019

President instructs related ministers and heads of institutions to resolve BPK's findings.

The Audit Board of the Republic of Indonesia (BPK) submitted the Audit Reports Summary Semester (IHPs) II of 2019 to President Joko Widodo, the House of Representatives (DPR), and the House of Regional Representatives (DPD). BPK Chairman Agung Firman Sampurna handed over the IHPs II 2019 directly to the President at the State Palace in Jakarta on Thursday (14/5), and to the DPR Chairwoman Puan Maharani during the DPR plenary meeting on Tuesday (5/5). Submission to the DPD was done via video conference on Tuesday (12/5).

The submission of IHPs II 2019

was part of BPK's responsibility to fulfil its mandate as stipulated in the 1945 Constitution Article 23.E as well as Article 18 of Law 15/2004 on the Audit of Management and Accountability of State Finance. IHPs II 2019 is an overview of the 488 audit reports conducted by BPK in 2019, which covered 71 audit reports on the central government, 397 audit reports on local governments, local-owned enterprises (BUMD) and Local Public Service Agencies (BLUD), as well as 20 audit reports on state-owned enterprises (BUMN) and other agencies. Based on the type of audit, the 488 audit reports are comprised of 1 financial audit (1%), 267 performance audits (54%), and

220 special purpose audits (45%).

When receiving the IHPs II 2019, President Joko Widodo reiterated the government's commitment to follow up BPK's audit report and recommendations. He would instruct the related ministers and heads of institutions to resolve BPK's findings.

In both his remarks in front of the President as well as the Parliament, BPK Chairman stated that IHPs II 2019 reveals 4,094 audit findings which exhibit 5,480 issues, namely: 971 issues of weak internal control system (18%); 1,725 issues of non-compliance with statutory provisions (31%) amounting IDR 6,25 trillion; and 2,784 issues of uneconomical, inefficiency and ineffectiveness (51%) amounting IDR 1,35 trillion.

Of the 1,725 non-compliance issues with laws and regulations, 1,270 issues (74%) with a total of IDR 6.25 tri-

lillion were non-compliance issues that could cause financial losses, potential losses, and deficit in income. Out of these, 709 issues (56%) could cause loss worth IDR 1,29 trillion, 263 issues (21%) could cause potential loss worth IDR 1,87 trillion, and 298 issues (23%) could cause IDR 3,09 trillion deficit in income.

"Regarding issues on non-compliance resulting in losses, potential losses, and deficit in revenue worth IDR 6.25 trillion in total, during the audit the audited entities have followed up these findings by handing over assets or depositing to the state/local/company treasury amounting to IDR 449.45 billion in total," said Agung.

Based on audit types, IHPS II 2019 overviews a financial audit report on 2018 Foreign Grants/Loans (PHLN) Financial Statement, which receives an Unqualified Audit Opinion from BPK. From the 267 performance audits carried out in 2019, generally there were still issues that could affect the effectiveness of program implementation if not immediately corrected. As for the special purpose audits, BPK concluded that activities in 175 out of 220 audit objects have been carried out according to the criteria with exceptions.

IHPS II 2019 also covered results of thematic performance audits on the central government, local governments, and other agencies. Thematic audit is essentially an audit carried out simultaneously by several audit units on a specific theme. This theme has to be included in BPK's audit policy and strategy in assessing a specific government program conducted by several audited entities. The thematic audit done in the second semester of 2019 was the audit on the management of local expenditures to improve human development, learning quality through strengthening the quality assurance in education and implementation of 2013 Curriculum, and management of health sector funds in supporting basic health services.

The audit on the effectiveness of



BPK's audit results concludes that there are still issues that could affect the effectiveness of local expenditure management to improve human development if not immediately corrected by the Ministry of Home Affairs and relevant local governments.

local expenditure management to improve human development for FY 2016-2018 was conducted at the Ministry of Home Affairs and 60 entities in local government level, including 6 provincial, 45 district, and 9 city governments.

"BPK's audit results concludes that there are still issues that could affect the effectiveness of local expenditure management to improve human development if not immediately corrected by the Ministry of Home Affairs and relevant local governments," Agung stated.

The audit on the improvement of learning quality through strengthening quality assurance in education and implementation of 2013 Curriculum for Academic Year 2016/2017 to 2018/2019 was conducted at the Ministry of Education and Culture as well as 48 audit objects in the local government level, i.e. 9 provincial, 31 district, and 8 city governments.

As a result, BPK concludes that the improvement of learning quality through strengthening quality assurance in education and implementation of 2013 Curriculum at the Ministry of Education and Culture has been ineffective. Meanwhile, the same program conducted in 4 local governments are rated as quite effective, 25 others as less effective, and the remaining 20 local governments as ineffective.

The audit on the management of health sector funds to support basic health services for 2018 to the first

semester of 2019 was done at 67 audit objects. These include 2 objects at the Ministry of Health, 64 local governments (i.e. 1 provincial, 50 district, and 13 city governments), and the Social Security Administering Body for Health (BPJS Kesehatan). The audit result concludes that the Ministry of Health has not been quite effective in managing special allocation fund (DAK) in the health sector, as well as in managing fund for dropping goods and utilization of doctors and health workers.

For the result on local governments, 1 is considered ineffective, 20 are less than effective, and 43 local governments are quite effective in managing health sector fund to support basic health services. While BPJS Kesehatan is rated quite effective for the same thematic program.

In addition to thematic audit, IHPS II 2019 also covers results of performance audits. Significant results include audit on program effectiveness of the retirement program for civil servants, military, and police personnel to guarantee sustainable income after retirement for period 2018 to Semester I of 2019. The audit was implemented at the Ministry of Finance, Ministry of Administrative and Bureaucratic Reform, National Civil Service Agency (BKN), PT Taspen (Persero), and PT Asabri (Persero). "BPK audit result shows that the retirement program for the abovementioned personnel is ineffective," Agung revealed.

This is due to the incomplete-

ness and vagueness of administrative arrangement regulating the management of the retirement program and its incompatibility with the updated applicable laws/regulations.

BPK also carried out performance audit on the effectiveness of central government debt management to ensure minimal cost, controlled risk and fiscal sustainability from 2018 to third quarter 2019 at the Ministry of Finance, Ministry of Administrative and Bureaucratic Reform, and other related agencies.

On this audit, BPK concluded that central government debt management is not really effective in ensuring minimal cost, controlled risks, and fiscal sustainability. This was because debt management has not been supported by regulations on state finance risk management and analysis on fiscal sustainability, including comprehensive analysis on debt sustainability. Consequently, it could potentially cause disruption to fiscal sustainability in the future.

Performance audit on integrated social welfare data management (DTKS) in distributing social assistance on 2018 to third quarter of 2019 was carried out at the Ministry of Social Affairs and other agencies in DKI Jakarta, West Java, Central Java, East Java,

and East Nusa Tenggara. The audit result shows that if the problems in managing DTKS in the distribution of social assistance are not immediately resolved, it can affect the program effectiveness. Issues found include implementation of verification and validation are not sufficient in creating good quality of input data for social assistance distribution.

Agung also conveyed other significant audit results, this time of special purposed audit on the management of non-tax state revenue (PNBP) as well as mineral and coal licensing in 2016-2018 at the Ministry of Energy and Mineral Resources, Ministry of Environment and Forestry, and relevant agencies. BPK made the conclusion that management has fulfilled all the audit criteria with exceptions. The main issue needing attention is 21 companies that have been inaccurate in calculating their obligations on PNBP contributions of natural resources so that there was income deficit of IDR 328.13 billion and USD 38.66 million in total.

Then there was the audit on management of central government expenditure carried out at 23 audit objects of 19 ministries/institutions. The main finding needing attention is the revenue deficit from the Ministry of Social Affairs for the remaining balance of

a government program i.e. the cash balance stored in Family Welfare Card of the Non-Cash Food Aid Program and Family Hope Program at the channeling bank account that have not been deposited to the State Treasury amounting to IDR 843.77 billion.

Another highlight was that licensing, certification, and implementation of sustainable management of palm oil plantation, as well as their compliance with international policies and regulations managed by the Ministry of Environment and Forestry, Ministry of Agriculture, and related agencies cannot fulfill the audit criteria nor relevant provisions. Significant issues include 194 palm oil plantations in 15 district sampled for audit do not have land rights/land use permits (HGU) covering at least 1.02 million hectares.

Agung added that in the last 15 years, BPK has given 560,521 recommendations that encourage central/local governments, state/local-owned enterprises and other agencies to operate more economically, efficiently, effectively, and administratively sound. Of all the recommendations, as many as 416,680 recommendations (74.3%) have been followed up. "Cumulatively until 2019, BPK's recommendations have been followed up by entities through the handover of assets and/



or deposition of money to the state, local, and corporate treasury, with a total of IDR 106.13 trillion,” informed Agung.

IHPS II 2019 also contains the monitoring result of settlement for state/local loss for 2015-2019 period with a determined status. Monitoring results show that state/local loss have been determined at IDR 3.2 trillion. The settlement rate occurring in 2015-2019 shows installments of IDR 284.9 billion (9%), full repayment of IDR 1.14 trillion (36%), and write-offs of IDR 82.83 billion (2%). Thus, the remaining loss to be followed up was IDR 1.69 trillion (53%).

Agung pointed out the innovation made in submitting the IHPS II 2019, which will be continuously applied in the future. The innovation he meant was submitting IHPS in the form of soft files to Parliament members. Additionally, audit reports can be accessed by all Parliamentarians through a special audit report portal developed by BPK. “This shows BPK’s commitment and responsibility in the budget efficiency process and saving the environment,” he told. Soft files of IHPS and audit reports portal can be accessed at <https://ihps.bpk.go.id>. Agung wished for BPK and the House of Representatives to continue strengthening and developing the synergy of the two institutions for better management of state finance. “Actually, the effectiveness of BPK audit results will be achieved when it is followed up by auditees. One of the institutions that can encourage this is the House of Representatives with its intensive supervisions,” Agung closed off. ●

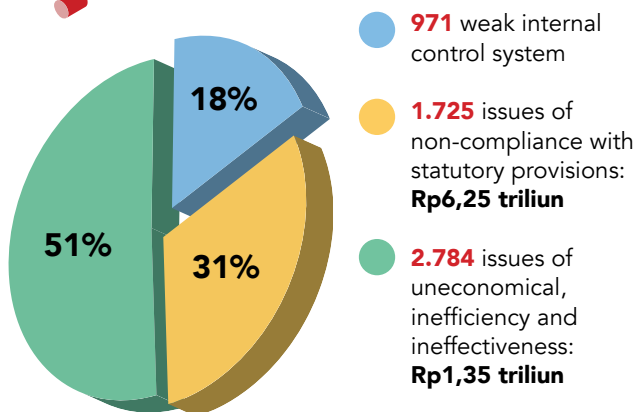
Recapitulation of Audit Results



Total findings:
4,094



Total weaknesses:
5,480



Source: IHPS II 2019

Audit Result on Management of Central Government Expenditure



23 Audit Reports

- 4 objects, in accordance with criteria
- 13 objects, in accordance with criteria with exceptions
- 4 objects, not in accordance with criteria
- 2 objek, non-compliance with regulations



243 Audit Findings



399 Weaknesses

- 93 weak internal control system
- 275 non-compliance, valued at IDR 1.14 trillion
- 31 issues in economical, efficiency, effectiveness (3E), valued at IDR 685.71 billion



Repayment Deposit IDR 9.57 Billion

ISSUES OF WEAK INTERNAL CONTROL SYSTEM:

Non-compliance to regulations on revenue and expenditure, found in 10 K/L.

Issues of Standard Operating Procedures (SOP) not enforced optimally, found in 7 K/L.

Issues of SOP not yet established or incomplete, found in 7 K/L.

Other weaknesses in internal control system, found in 14 K/L.

ISSUES OF NON-COMPLIANCE AND IN 3E

State revenue not collected/received, found in 6 K/L.

IDR 850.26 billion

Waste of money or overpriced, found in 7 K/L.

IDR 251.84 billion

Discrepancy in expenditure or exceeding provisions, found in 11 K/L.

IDR 117.62 billion

Other non-compliance and 3E issues, found in 23 K/L.

IDR 609.41 billion

BPK Reports Significant Findings in Summary of Audit Reports Semester II 2019 to The Regional Representatives Council (DPD)

The audit results including the management of special funds and special autonomy funds, the securing of food production and the management of public transport.



The Audit Board of the Republic of Indonesia (BPK) submitted the Summary of Audit Reports Semester II 2019 to The Regional Representatives Council (DPD), through teleconference on Tuesday (12/5/2020). The Chairman of BPK, Agung Firman Sampurna conveyed the significant audit results conducted on regional governments, Local-Owned Enterprises (BUMD) and Local Public Service Agencies (BLUD) including the management of special funds and special autonomy funds, the securing of food production and the management of public transport.

BPK concluded that the management of the special funds for Fiscal Year 2018 and first semester of 2019 as managed by the Government of Special Region of Yogyakarta was less effective. "This is partly due to the fact that the Yogyakarta province has not yet fully compiled and prepared the regulation of privileged funds, including regulations related to city landscape, cultural affairs and institutional affairs," Agung said in his remarks.

BPK has also audited the effectiveness of the use of special autonomy funds for 2017, 2018, and the first quarter of 2019 managed by the Papua Provincial Government and district/city governments in Papua Province and other relevant agencies. BPK concluded that there were problems in the use of special autonomy funds in Papua Province. If the problems were not immediately settled by the Papua Provincial Government, including coordination with district/city governments, it could affect the effectiveness of special autonomy funds management in achieving the objectives of special autonomy as mandated by the Law.

These problems including regulations related to the use of funds mandated by the special autonomy law. "This is because regional regulations, especially special regional regulations and provincial regional regulations regarding regional authority, have not yet been prepared," Agung said. These problems were found in the activities of fertilizer subsidies and the development of independent seed villages, the rehabilitation and extension of irrigation canals, as

well as in the activities of agricultural equipment and machinery tools.

Other significant performance audits were audit on the development of integrated road-based urban public transportation in 2017-semester I 2019 conducted at the DKI Jakarta Provincial Transportation Agency, PT Transportation Jakarta, and other relevant agencies.

BPK concluded that the problems occurred needed to be soon solved by the DKI Jakarta Province as it would affect effectiveness and efficiency of the development of the integrated road-based transportation. It included DKI Jakarta Provincial Government's efforts in developing Bus Rapid Transit (BRT) service routes and feeder transportation services which are inadequate.

In addition, the relevant regional governments also have to pay attention to the special-purposed audit (PDTT) results on the operation of regional banks, conducted on 10 audit objects. BPK concluded that there were 2 local banks that had been in accordance with the criteria, 5 regional banks had been in accordance with the criteria with exceptions, and 3 regional banks had not been in accordance with the criteria.

Chairman of the Committee IV DPD Elvyana appreciated the submission of IHPS II 2019 by BPK. "We through Committee IV will follow up and discuss the IHPS II 2019 documents in accordance with the functions and scope of the duties of the Committee IV DPD RI," Elvyana said.

Meanwhile, Chairman of the Public Accountability Board (BAP) DPD Sylviana Murni was also committed to reviewing and following up on BPK's audit results that indicate state losses. Sylviana would coordinate with each committee based on the scope of their fields. "If there are signs of state losses in the results of the review, the BAP will, of course, continue to coordinate it with every committee," Sylviana said.

She conveyed, despite the Covid-19 pandemic conditions, BAP DPD was committed to continuing to run optimally in order to follow up on the findings of BPK's audit. "We continue to coordinate with related institutions, particularly governments in the regions," he said. ●



This is partly due to the fact that the Yogyakarta province has not yet fully compiled and prepared the regulation of privileged funds, including regulations related to city landscape, cultural affairs and institutional affairs.

Revenue Sharing Fund (DBH) Disbursement does not Need to Wait for BPK Audit

Revenue Sharing Fund (DBH) is meaningful source of fund for local governments in handling the Covid-19 pandemic.

The issue of revenue sharing funds (DBH) underpayment from the central government to local governments (Pemda) comes up amid the Covid-19 pandemic. This source of revenue for the local government is

highly anticipated, especially when the local government is trying to refocus and reallocate the budget.

Regarding the provision and disbursement of underpaid DBH in 2019, BPK Chairman Agung Firmansyah has emphasized that the Minister of Finance does not need to wait for the results of BPK's audit to disburse DBH. Especially when the DBH is for the underpayment in 2018 and 2019.

"It is important to emphasize here that it is irrelevant to use the results of the BPK audit as the basis for DBH payments. There is no relationship between the Ministry of Finance's obligations to the local government with BPK audit," Agung said

when answering reporters' questions in a media workshop that discussed the Summary of Semester Audit Reports (IHPS) Semester II 2019, Monday (11/5).

Agung added, BPK had sent a letter to the Ministry of Finance on April 28, 2020. In the letter, BPK

explained that the audit carried out was not related to the disbursement of DBH by the Ministry of Finance.

Central Java Provincial Government is one of the local governments that has rights to DBH and still experiencing underpayment. "DBH is a the right of the people and one of the sources of local income, thus an underpayment can have an impact on the development that is being carried out within the scope of local government," Central Java Governor, Ganjar Pranowo,

told the *Warta Pemriksa*, some time ago.

In detail, Ganjar explained the total number of DBH rights of the Central Java Provincial Government that has not been paid by the central government until the end of 2019 reached Rp184.30 billion. That number includes the 2018 DBH allo-

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DBH is a the right of the people and one of the sources of local income, thus an underpayment can have an impact on the development that is being carried out within the scope of local government.



cation which has not been paid yet, amounting to Rp19.68 billion. Then, there is an additional allocation of 2019 and 2018 underpayment according to Minister of Finance Regulation (PMK) Number 20 of 2020 on DBH Underpayment in Fiscal Year 2020 and PMK Number 36 of 2020 on Provision of Temporary Allocation of Underpaid DBH TA 2019 in the Context of Handling Covid - 19 Pandemic amounting to Rp164.62 trillion.

Meanwhile, until June 2020, the central government has paid the underpaid DBH amounting to Rp151.24 billion to the Central Java Provincial Government. "Thus, the Central Government's DBH allocation underpayment to Central Java Provincial Government until June 2020 is amounted to Rp 33 billion," said Ganjar.

Ganjar said, these funds became meaningful source to the locals because they needed to respond to the condition of the Covid-19 pandemic. Even so, Ganjar understands the situation as the level of underpayment to the Central Java Provincial Government was considered insignificant. "Because it is Rp 33 billion. But when it is hundreds of billions, then it will definitely not okay," said Ganjar.

In general, Ganjar said, DBH was used by Central Java Provincial Government for mandatory expenditures, such as education and health. Further, DBH is often used for capital expenditure. Thereafter, during the Covid-19 pandemic, the local

government needed to recalculate its budget to ensure the needs of the affected community. Ganjar added that the local government also prepared a budget of Rp1.4 trillion which later increased to Rp2.1 trillion to handle Covid-19.

Ganjar understands that the central government also needs to regulate liquidity. Therefore, the Provincial Government of Central Java often maps its ability to pay by looking at various factors, both domestic and external that have an impact on the state budget. "We also pay attention to external factors, such as the rupiah fluctuation. So we prepare and anticipate," said Ganjar.

Ganjar explained, he will calculate the fiscal capacity of Central Java first. Expenditure priorities as well as sources of revenue both from the local and the central governments are calculated carefully. The focus is on keeping priority expenditures met with realistic funding sources. "Fiscal conditions are still safe. But if you want to add a little more please ask the central government. If that's the case, that's become my business," said Ganjar.

Ganjar admitted, communication with the Ministry of Finance has remained smooth. He also hoped that the Central Java Provincial Government's coordination with BPK related to DBH issue could getting better. "We hope that BPK with its authority can remind the Ministry of Finance regarding the timely transfer of DBH," said Ganjar. ●

BPK and DPR to Synergize on Guarding Covid-19 Management Program

With regard to the management and accountability of state finance in handling Covid-19 pandemic, BPK will carry out a comprehensive risk-based audit.



■ BPK Chairman, Agung Firman Sampurna

The Audit Board of the Republic of Indonesia (BPK) took part in a consultation meeting with the Supervisory Team (Timwas) for Covid-19 Management of the House of Representatives (DPR). Held virtually on Friday (29/5), the meeting aimed to provide an understanding of BPK's functions and duties in the Covid-19 management program, as well as to increase synergy between BPK and DPR.

Deputy Speaker and Supervisory Team Chair Muhaimin Iskandar stated that the establishment of the Supervisory Team was part of the implementation of a more intensive supervision function. In his meeting with BPK, Muhaimin sought inputs from BPK on what DPR, especially the Supervisory Team, could further proceed.

One thing that was highlighted was on a number of regulations issued by the Government in handling Covid-19 pandemic, such as Government Regulation in Lieu of Law (Perppu)

No 1/2020 which has now become Law No 2/2020.

According to Muhaimin, the regulation has made Government's authority very strong, including Bank of Indonesia and the Financial Services Authority (OJK), especially in dealing with the impact of the pandemic.

"At first glance, their authority seem to be very broad, uncontrollable, and absolute. BPK is expected to help carry out a more thorough supervision so that past mistakes in dealing with the problem of economic crisis would not happen again in the future," Muhaimin explained.

Muhaimin reminded that past crises in Indonesia can be a valuable lesson for us. To give an example, he mentioned the case of Bank of Indonesia's Liquidity Assistance (BLBI) to be thoroughly studied to avoid similar incident occurring in the future.

"Moral hazard must continuously be prevented and reminded upon as early as possible," Muhaimin continued.

BPK Chairman Agung Firman Sampurna conveyed that BPK would still maintain its auditing qualities despite the pandemic. He emphasized that no audit standards have been changed. All audits are carried out in compliance with the State Financial Audit Standards (SPKN).

Nevertheless, he admitted that some audit procedures need to be adapted to the pandemic conditions due to the limit in social interactions.

As a consequence, BPK intensified the use of information technology. "This is amongst alternative procedures," Agung said.

With regard to the management and accountability of state finance in handling Covid-19 pandemic, BPK will carry out a comprehensive risk-based audit. The audit, he explained further, will be conducted through 3 types of audit: financial, performance, and special purpose audits on Government's efforts in handling Covid-19 pandemic.

Furthermore, BPK has also conducted an analysis study focusing on identifying, assessing and mitigating state financial risks in handling Covid-19 pandemic. The result, Agung stated, will be used as a consideration for BPK Opinion and audit criteria. BPK Opinion is one of the instruments that BPK has besides audit results. "To formulate BPK Opinion, we have identified a number of risks that arise in the management and accountability of state finance, both in the context of Covid-19 handling and National Economic Recovery (PEN) Program," he explained.

BPK Board Member III Achsanul Qosasi stated that another thing highlighted in Covid-19 handling was the distribution of social assistance (bansos). As Achsanul informed, this distribution was carried out through the Ministry of Social Affairs, which is an institution under the purview of Audit Department III. Annually, IDR72 trillion of the State Budget is routinely distributed through the Ministry of Social Affairs for Indonesian citizens, Achsanul revealed.

Achsanul stated, based on the result of BPK's latest audit on the distribution of social assistance, the Non-Cash Food Assistance (BPNT) program is one of the positive initiatives. By channeling aid through banking system, food assistance has become more transparent and brokering practices could be avoided. However, there are a number of things still need to be noted, such as the management of Integrated Social Welfare Data (DTKS) still having problems.

Ministry of Social Affairs had actually updated modules at the Next Generation Social Welfare Information System (SIKS-NG), including for integrated data development module, Contribution Beneficiary (PBI) data management module, SIKS Offline and SIKS Online data synchronization module, and Food Social Assistance (BSP) data management mo-



dule. This applications can be accessed and used by 514 districts/cities for the management of DTKS.

"But apparently some local governments' leaders did not update the data," Achsanul said.

The problems found include inadequate implementation of verification and validation in producing quality input data for the distribution of social assistance. For this specific problem, Ministry of Social Affairs faced limitations in coordinating the implementation of verification and validation carried out by the local governments because based on the

nature of authority structure, they are under the coordination of the Ministry of Home Affairs.

Furthermore, Ministry of Social Affairs does not have a mechanism to ensure that implementation of verification and validation is in accordance to standards stipulated in the Minister of Social Affairs' Regulation (Permensos) No 28/2017 concerning General Guidelines for Integrated Data Verification and Validation for People with Economic Disabilities.

As a result, cases on distribution of social assistance not on target are quite common. Heads of RT, RW, and even the campaign

team members for local leadership are beneficiaries, sparking protests from various parties.

"The program is good, the system is also good, but the data are not updated," Achsanul reflected.

Achsanul had advised the Government to immediately fix this problem. His department has also invited the Ministry of Social Affairs to formulate improvement plan.

"We kindly ask the Supervisory Team's assistance to monitor whether or not the Ministry of Social Affairs has implemented it. If they haven't, then we will have the same audit findings next year," Achsanul ended. ●

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AGUS JOKO PRAMONO, VICE CHAIRMAN OF BPK

Maintaining Accountability in the Midst of a Pandemic

The moment when the health and economic crises becomes one, thus requires different mitigation measures from previous crises.

Vice Chairman of the Audit Board of the Republic of Indonesia, Agus Joko Pramono, shared auditors' view in mitigating problems in the process of managing state finances related to the response to the Covid-19 pandemic. Agus also conveyed a number of strategic plans that were prepared in making audit objectives and making use of existing data. This was conveyed by Agus in the IPB Business School Business Talk Series entitled 'Economic Solutions for Covid-19 Pandemic Handling in Facing the Challenges of Accountability, Flexibility, Speed, and Risk of the National Economic Recovery Policy' which was held on Saturday (27/6) via video conference.

Agus emphasized that the working principle of BPK, both during normal times and during pandemic storms, is that BPK is on the same ship as Indonesia.

"When this ship sinks, all of us will sink. It was not just the right ones or the wrong ones, not the one who audit or the one who got audited", said Agus.

Agus conveyed that the government is setting up policies that were out of the ordi-

nary during this pandemic because this phenomenon had never happened before in the Indonesian economy. The moment when the health and economic crises becomes one, thus requires different mitigation measures from previous crises.

"We see that the government is actually quite responsive to this situation by issuing a number of regulations. In my opinion, Government Regulation in Lieu of Law (Perpu) Number 1 of 2020, which later became Law Number 2 of 2020, is a bold thing and needs to be taken for the business processes can run based on the rule of the game," said Agus.

Agus conveyed, there are number of risks that are being paid attention by BPK related to policy implementation and budget use in handling Covid-19. He explained, because the Covid-19 pandemic has a large and complex scale, a legal umbrella that integrates problem-handling measures is needed.

Then, regarding fiscal transparency. According to Agus, budget formation requires data validity. Therefore, every policy and budget design has a data reference as the basis.

In addition, Agus said, there is also a risk of fiscal sustainability. He conveyed, there should



■ Vice Chairman of BPK, Agus Joko Pramono

be a projection of Indonesia's fiscal condition in the future. Therefore, all related parties can mitigate the worst that could happen.

"With the opening of this data, all policy makers will have the same sense of risk; have the same sense of urgency. Because if we don't take action now, the situation will continue to dive into a bad condition," said Agus.

Expansion of authority in a force majeure situation also requires clarity of the check and balance scheme. The positions of the executive, legislative, judiciary, and oversight institutions must also position themselves properly.

He said the State Budget has a projection character. Inside, there are several numbers of proportions of things that are not projected and are grouped into the unexpected expenditure. "The problem is in the current condition, this unexpected expenditure becomes dominant. Thus, the projectivity process of a budget management becomes prone to problems," said Agus.

To deal with a number of risks, BPK has also prepared an audit policy. Agus explained that the risk-based audit will be carried out with a comprehensive audit and collects all data. Agus conveyed that BPK will highlight the use of funds from State Budget, Local Government Budget, Central Bank,

the Deposit Insurance Corporation, SOEs, and other public funds handed to the government.

"So you can imagine how big the scope of this audit, because it involves almost all lines and all sectors, both in state level and local level," said Agus.

Agus added, currently BPK continues to coordinate with the government to gather information about policy implementation and budget utilization.

According to Agus, by involving in the process, BPK could record that emergency.

Despite that, Agus admitted, BPK could not observe all sectors. "So, our hope to the government is that all stakeholders who use this budget, record it's emergency conditions," said Agus.

With this step, budget users can explain to BPK when they are audited, the reasons and data used in making the decisions.

Agus also encouraged the government to be able to utilize the data they have and mitigate the risk of problems that may arise. "Social Security Administering Body for Employment (BPJS Ketenagakerjaan) participant data can be used to identify which companies with huge number of employees, the impact on layoffs, and unemployment," said Agus. ●

Providing Added Value for Society

The government is expected not only to pursue the Unqualified Opinion (WTP) on the presentation of the financial statements.



■ Board Member V/BPK Head of State Audit V, Bahrullah Akbar

As an auditing institution, The Audit Board of the Republic of Indonesia (BPK) is always trying to provide added value to society. It can be seen when the BPK conduct financial audits of the LKPD for the fiscal year 2019. In addition to the usual audits, BPK also performs performance audits. There are a number of regions that have become BPK pilot projects. One of them is the DKI Jakarta Provincial Government, which has been involved in efforts to control air pollution in the land transport sector.

"In fact, the International Organization of Supreme Audit Institutions (INTOSAI) has set the International Standard of Supreme Audit Institutions (ISSAI) No 12 on The Value and Benefits of Supreme Audit Institutions - making a difference to the lives of citizens. So, an auditing agency must provide added value to society," said Member V of BPK Bahrullah Ak-

bar to *Warta Pemeriksa* in Jakarta recently.

Bahrullah added that based on these principles, BPK is encouraged to implement them. Thus, there is an initiative to perform financial audit by considering performance achieved by the Government. In this way, the government is expected not only pursue the unqualified opinion (WTP) regarding the presentation of financial statements only, but also motivated to manage existing resources effectively.

"Until now, it can be said that the BPK audits have not directly affected the public, because the audits are more relevant to the financial reports of local government institutions. Through this effort, BPK seeks to provide added value that is directly felt by the community," he said.

DKI Jakarta, continued Bahrullah, is the first example in terms of performance audit of environmental pollution control. This is by considering that many data showing DKI Jakarta has experienced a significant increase in air pollution. This is because Jakarta is the center of activities of the neighborhood area, so it demands high community mobility.

The United Nations Environment Program study estimates that the possible health losses caused by exposure to PM 2.5 emissions in DKI Jakarta amount to 6.1 million cardio-respiratory symptoms with medical costs of IDR 51.2 trillion (US\$ 3.9 billion) in 2016.

The Environmental Quality Index (IKLH) data from the Ministry of Environment and Forestry in 2017 and 2018 also indicates that DKI Jakarta is in the "Alert" position. In this index, Jakarta is the only province to be categorized in this group.

"Even from 2015 to 2018, the number of unhealthy "days during one year continued to increase. The number of "unhealthy" days in 2014 was just 87 days a year. Yet for 2018, the number of "unhealthy" days has risen by 110 per cent to 187 days a year," he said.

Meanwhile, based on the results of the BPK audit, it was concluded that the efforts of the DKI Jakarta Provincial Government to regulate air pollution from the land transport sector still need to be improved. Particularly with regard to the four key problems.

First, DKI Jakarta Provincial Government has not yet had a comprehensive grand design for air pollution control in an effort to improve air quality. The grand design was compiled by accommodating a database and a continuous inventory model in policy-making. In this way, the air pollution control activities carried out can be integrated.

Second, the implementation of environmentally friendly fuel policies to improve air quality in DKI Jakarta has not been supported by an action plan and targets for conversion to environmentally friendly fuels. Third, the implementation of vehicle emissions testing policies has not been optimal in efforts to improve air quality in DKI Jakarta.

"DKI Jakarta Provincial Government has not yet focused on measuring results in the determination of the target of activities and support activities. The vehicle emission testing system has not been updated and the regulations are incomplete and not fully implemented," he said.

Fourth, the implementation of an integrated public transportation system and traffic engineering management has not been optimal in supporting the reduction of air pollution in DKI Jakarta. In this case, the public transportation system is not yet fully integrated. Traffic engineering management patterns were also not optimal in supporting travel patterns and air pollution control.

As regards to the audit results, DKI Regional Government has given a positive response. Even the provincial government really hopes that the BPK will be able to promote action to control air pollution from other parties beyond the jurisdiction of the regional government. The central government, the BUMN, and the private sector, for example.

"In this case, Jakarta assesses that the handling of air pollution cannot be handled on its own. However, it requires the support and synergy of all parties," he said. ●

5 Pilot Projects

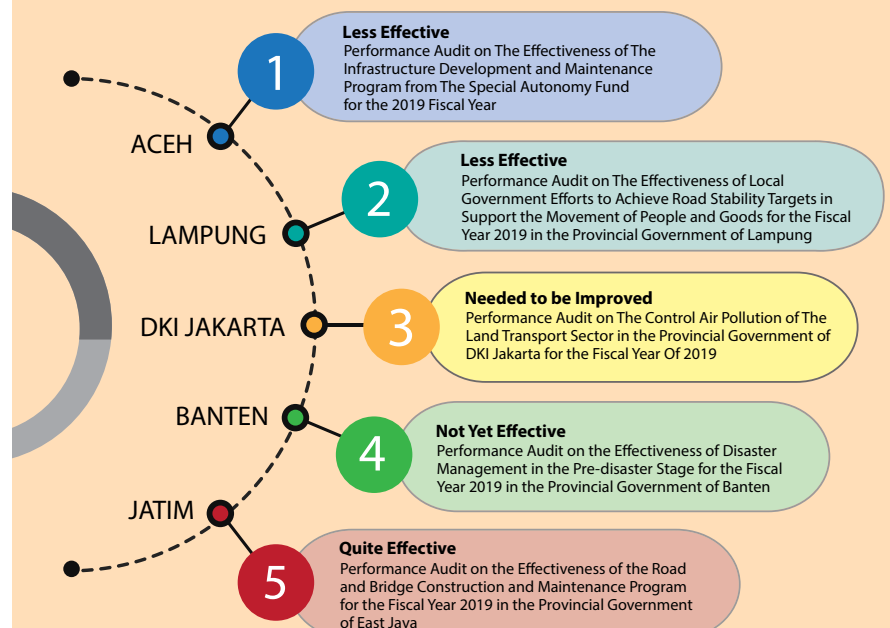
Other than DKI Jakarta, BPK through AKN V, carried out a performance audit with a pilot financial audit of LKPD in four other provincial governments in Java and Sumatra. Such regions are the Provincial Government of Aceh, the Provincial Government of Lampung, the Provincial Government of Banten and the Provincial Government of East Java.

The topic of performance audit in the five regions varies according to the conditions of each entity. In Banten Province, BPK conducted performance audit on the effectiveness of disaster management in the pre-disaster stage of the 2019 fiscal year, the results of which were not yet effective.

In Lampung Province, BPK carried out a performance audit on the effectiveness of local government efforts to achieve road stability targets in support the movement of people and goods for the fiscal year 2019, resulting in less effective.

In the province of East Java, BPK carried out a performance audit on the effectiveness of the road and bridge construction and maintenance program for the fiscal year 2019, the results of which were quite effective. Meanwhile in Aceh, the BPK conducted a performance audit on the effectiveness of the infrastructure development and maintenance program from the special autonomy fund for the 2019 fiscal year, the results of which were less effective.

Meanwhile, the performance audit on air pollution control from the land transportation sector in DKI Jakarta still needs to be improved. "In the coming years, it is not impossible to carry out a performance audit on pollution management in other provincial or city/regency governments. In fact, this kind of performance audit piloting will be extended to other entities," said Member V of BPK Bahrullah Akbar in Jakarta, some time ago. ●



Performance Auditing as a Control Function

The lack of budget is said to be one of the main reasons for the poor road conditions and transportation access in Lampung Province.

The Lampung Provincial Government (Pemprov) welcomes performance audit of the local government conducted by the Audit Board of the Republic of Indonesia (BPK). For the Lampung Provincial Government, BPK conducted a performance audit on the effectiveness of the local government's efforts to achieve the road stability target in supporting the mobility of people and goods for the fiscal year of 2019 that concluded to be "less effective".

The Governor of Lampung, Arinal Djunaidi explained, BPK audit is part of the supervisory function of the performance of state financial management. "BPK has a role as a control function of the accountability for the management of clean and efficient state finances, encouraging the effectiveness of better government per-

formance," he said. According to him, the Lampung Provincial Government always maintains communication with BPK. Regarding this performance audit, the Public Works Local Agency communicated openly with BPK. In addition, Local Agency on Financial and Asset Management (BPKAD) also coordinates with BPK regarding meeting the needs for budget allocation data for programs and activities as well as providing data reports on the realization of programs and activities.

"The capitalization of assets calculation related to road capital expenditures is carried out in accordance with Governor Regulation Number 101 of 2016 on the Accounting Policies of the Lampung Provincial Government which are listed in BPK audit report," he added. In the established communication, Fahrizal explained, it was explained that the consideration and focus of the audit was directed to the management of programs related to road stability. This includes program planning, organizational structure, and work procedures, as well as facilities and infrastructure that support program / activity implementation, program implementation to achieve road stability targets, and monitoring and evaluation (money) to ensure program output is achieved. Indeed, he said, in general, road conditions and transportation access in Lampung Province are still poor. Mainly on road access, that connects industrial and agricultural centers. These road accesses are in still poor condition, both provincial and district roads.

"For provincial roads, with a length of 1,693,273 km, steady road conditions (good and moderate) in 2019 are still 74.41 percent. Meanwhile, the remaining 25.59 percent are in a light damaged and heavily damaged condition," said Fahrizal.



■ Governor of Lampung, Arinal Djunaidi

lampungprov.go.id



■ Vice Governor of Lampung, Chusnunia Chalim (Nunik) reviewed the construction of the Gajah-Simpang Randu City Road, Central Lampung Regency.

He admitted that there were indeed several problems related to this issue. Constraints faced by the transportation sector include the lack of budget for the transportation sector so that it is not sufficient for the procurement and installation of standardized road safety facilities on provincial roads. This results in a high rate of accidents and road congestion that have an impact on road deformation and accelerate the rate of road damage.

Further, the budget needed to implement strategies and policies to reduce air pollution in Lampung Province is enormous. Therefore, that lack of funding and financing are the main problems in this sector.

"The lack of funding has a direct impact on supervision of the public transport drivers' behavior, both passenger transport and freight transport in road traffic. The real impact can be seen from the damage to provincial roads, most of which are caused by freight transport carrying more than the permitted load (JBI) of the vehicle," he said.

Meanwhile, with regard to road management, the obstacles encountered include the unavailability of budget that able to meet the needs for provincial road and bridge infrastructure development. Then, the quality of work is still not optimal and not in accordance with the planned time.

Further, the growth in traffic volume goes higher as the road conditions improve. This

results in an increase in load violations over tonnage that exceeds the structural strength of the road.

In addition, there is a high rate of degradation of provincial roads. Natural topographical conditions where most of the road bodies are located adjacent to rivers and swamps that sometimes result in the submergence of the road body part in several area.

Another constraint, he said, was the increasing use of 'right of way' (rumija) that was not according to its designation by the community. The local community also lacks of cooperation regarding road development.

"There is no synergy in the provision of road and bridge infrastructure between the national, provincial, and district / city authorities. In addition, the use of technology has not been maximized in road management," he said. Even so, the Lampung Provincial Government still hopes to achieve the target of increasing the stability of provincial roads by about 1 percent per year. Meanwhile, the condition of provincial road stability could reach 83 percent by the end of 2024. This percentage takes into account the level of road damage and budget availability.

"By improving the condition of provincial road stability, it is expected that it will support inter-regional connectivity in Lampung Province. Thus, the cost of transportation becomes more affordable and in the end, the gap between regions can be reduced," he explained. ●

BPK Recommendation Becomes Reference for Improvement

Khofifah stated that East Java Province actively accompanied BPK auditors in taking sample on the development result of local government budget (APBD) and giving explanation on the process of the development.

East Java Provincial Government stated that they would coordinate and build a synergy with BPK in supervising their development progress. East Java Governor, Khofifah Indar Parawansa emphasized that BPK audit results and the recommendations have always been used as reference for the East Java Province to make improvement.

"BPK's input will be considered seriously by the East Java Provincial Government as reference for improvement to make better arrangement in the future planning, execution and budget management", Khofifah said to *Warta Pemriksa*.

BPK conducted performance audit along with the execution of financial audit on local government financial statement (LKPD). 5 provinces became the pilot project including the East Java Province.

Khofifah said that East Java Provincial Government always open the door for BPK. She further exposed that the provincial government involved at the annual audit program on APBN pioneer sea transportation and suggested BPK to involve more the local government at the coordination and schedule publication.

"The East Java Provincial Govern-



■ Gubernur Jawa Timur,
Khofifah Indar Parawansa

ment is very cooperative in audit and actively accompanying the auditor in taking audit sample on the development result of local government budget (APBD) and giving explanation on the process of the development", Khofifah explained.

In relation with the transportation development program, Khofifah explained that one of big dreams to realize in East Java is providing mass transportation at the Surabaya agglomeration. Currently, the available mass transportation is only serving Surabaya city and has not been connected to the neighboring area such as Gresik, Sidoarjo, Mojokerto, Jombang, dan Bangkalan.

If any, she said, there was commuter line which is the condition is less proper. In addition to Surabaya, some

areas requiring mass transportation are Malang Raya, Madiun Raya and Jember Raya. "East Java is one of big province that has not had agglomeration mass transportation" Explained Khofifah.

She added that the East Java Provincial Government also want to develop capacity and quality of service station Type B properly and even with the same service quality at the airport, if possible.

According to her, the provincial government is currently preparing a master plan on the development of Station Type B and expected to be realized soon. I will allow the passenger who enter East Java triggering the economic development. Referring to the rail transportation, the East Java provincial government keep maximizing the role of train as fast and local mass transportation, both regionally and inter regionally. In addition to the economic class, the local and regional mass transportation need to be expanded into non-economic class to give public more preferences.

The development of regional connectivity through sea transportation also needs to be promoted, both for commercial-serving advance area, and pioneer transportation to promote the development of area which is relatively under developed.

Optimization of local budget to promote the development of archipelago is expected will evoke the economic potential of the respective area to allow them develop as others. ●

SOE Audits Under the Auspices of the Ministry of Finance

The audit of financing institutions highlights the assessment process carried out on the eligibility of prospective debtors and the activities or projects to be funded.

One of the tasks of the Directorate General of Audit (AKN) II BPK is to audit State-Owned Enterprises and Institutions

(SOEs) under the auspices of the Ministry of Finance. The SOEs are: PT Sarana Multigriya Finansial (Persero) (SMF) which is engaged in secondary housing financing to increase the capacity and sustainability of affordable housing financing by the public; PT Sarana Multi Infrastruktur (Persero) (SMI), which is engaged in infrastructure financing, aims to accelerate the provision of infrastructure financing through partnerships with private parties and/or multilateral financial institutions; PT Penjaminan Infrastruktur Indonesia (Persero) (PII) which is engaged in guaranteeing infrastructure projects, which are financed through a collaboration scheme between the government and business entities (Public Private Partnership (PPP)); and PT Geo Dipa Energi (Persero) which is engaged in the development and management of geothermal resources including exploration and development of steam production and electricity generation, electricity, steam power and associated minerals selling.

In addition, there is one audit en-



tity which is a separated state asset but not in the form of a SOE, namely the Indonesian Eximbank (LPEI) which is also under the guidance of the Ministry of Finance. LPEI is engaged in financing, guarantees and insurance to increasing national exports.

The Director General of Audit II, Laode Nusriadi, conveyed that the audit process for these entities began from the submission of audit plan and preparation of the audit program, implementation, to audit results report.

"Submission of audit plan and audit programs is based on the results of the audit risk assessment including observing the BPK audit policy," Laode said to the *Warta Pemeriksa*.

Laode said, the entity profile needs to be updated from time to time, so that it can be used to streamline the audit direction. Information regarding the results of financial statements evaluation by the Public Accounting Firm (KAP), business development reflected in the achievement of indicators such

as entity risk profile, governance, level of capital and profitability related to the level of financial health of the company, follow-up of previous year's audit result, as well as issues of public interest, could be input in the audit risk assessment.

According to Laode, institutions under the guidance of the Ministry of Finance have different characteristics. Although, said Laode, the core business of SMI, SMF, PII and LPEI is similar, which is related to the financing sector.

He said, in general, an audit of financing companies highlighted the assessment process of the eligibility of prospective debtors and the activities or projects to be funded. Before providing financing, companies conduct a general feasibility analysis that is adjusted to the mandate of each institution. For example, PT SMI financing is directed at the suitability of certain types or infrastructure sectors, LPEI financing is directed at export justification, PT SMF financing is directed at housing loan distribution agencies, and PT PII guarantees are directed at providing guarantees of financial obligations for a project financed through the PPP scheme.

"There are rules and criteria, which refer to the precautionary principle regarding how the approval process for financing proposals should begin, from assessing the capabilities of prospective debtors and prospects for activities or projects to be financed to assessing the fairness of the collateral value, BPK's audit will follow the procedure," Laode said.

From this process, the BPK will ensure compliance with applicable procedures or provisions and appraisal standards related to collateral. "Do not let the unworthy of the funding receive it. Such practices often have the potential to result in bad credit that are difficult to recover, even after restructuring, it can again be non-performing," Laode said.

If the credit has been approved, then BPK highlights the adequacy

of the rights and obligations of each party in the financing agreement and its implementation, which includes binding of collateral, the process of disbursing financing and use of funds, monitoring the process of carrying out activities or project development, fulfilling the covenant, funding sources for paying off financing and the timely payment of installments and interest.

"That's the normal cycle. But, in the audit we can do a short cut by starting based on the existing problems," Laode said.

He said, outstanding financing is generally grouped into the categories of current, substandard, doubtful, and loss. According to him, the category of substandard, doubtful and loss can already be classified as Non-Performing Loans (NPLs). Based on best practices, NPL is one important indicator in assessing the risk level of financing companies.

However, it is also important to look at the reasonableness of the categorization process in each financing company because it can be different from the usual practices in banking. Ideally, NPL calculations take into account 3 aspects namely payment, financial performance, and debtor business performance.

The higher the NPL portion compared to the outstanding financing reflects the problem, this could be the starting point of the audit.

"If it is still well-performing, we can highlight from the aspect of risk, for example whether the financing is still secure in the sense of having sufficient collateral and being bound perfectly. But if it is included in the NPL category it is definitely a problem," Laode said.

According to Laode, from that problematic financing, BPK will trace the process backwards to the approval of financing and adequacy of collateral. "So, are there or not provisions that are violated in each stage of financing, whether or not there is an abuse of authority in the financing decision-making process, is there any indication of fraud? Because it could be that from

the start, the activity or project was not feasible or the debtor did not have sufficient capability to obtain financing. That could be the finding of an audit," Laode said.

Further, Laode said, the audit could also be carried out by highlighting the use of additional funds from the State Capital (PMN) originating from the State Budget (APBN). He said, PMN was given for certain purposes through the financing budget allocated by the government with the approval of the DPR. PMN can be given in cash, or derived from the conversion of SOEs' debt to the government, or in the form of certain assets belonging to Ministries/Institutions surrendered to be managed by SOEs.

"PMN is generally given for the purpose of developing certain businesses or carrying out assignments from the government. During the audit, we just compare whether this PMN is utilized for the objectives that were designed from the beginning and have an impact as expected. If not, it means that there is a problem, because the utilization is not in accordance with the purpose of the PMN, or maybe the utilization is in accordance with the objectives but does not have any impact on the development of the company's business," Laode said.

In some cases, PMNs in the form of assets handed over by Ministries / Agencies to SOEs, apparently do not provide benefits or even become a burden. Because the asset is actually not needed or not in line with the SOE's business plan.

Even so, Laode said, the change in PMN purpose was not necessarily related to fraud. He said, it might occur because of acknowledged corporate actions or approved by the company's divisions/departments. The PMN was diverted for other purposes because the company's priorities changed over time.

"The policy to change the utilization of PMN which is not in accordance with the initial purpose, may or may not be right, so that needs to be assessed," Laode said. ●



The Process of Infrastructure Audit

Infrastructure Audit conducted by the Audit Board of the Republic of Indonesia consists of 2 stages: planning and implementation.

The planning stage starts with a selection of audit samples using a Risk-Based Audit Approach. With this approach, in-depth assessments is conducted to infrastructure working packages with material values in contract, complicated implementation stages, and locations in remote areas.

Planning stage also considers the time allocated to analyze documents and conduct field audit, as well as the preliminary information collected from mass media or complaint records. Coordination/consultation

with independent experts on audit implementation requiring technical qualifications is also carried out. This becomes necessary especially when assessment on work quality is needed.

Auditors collect a few work planning documents from the audited entity as preliminary materials, such as initial planning design drawings, terms of reference for implementation, Bill of Quantity (BoQ), and Owner Estimate (HPS).

Then, work implementation documents such as contract document containing general conditions, special requirements, and



Pixabay

technical specifications are collected. The next planning step is to communicate and coordinate with the audited entity regarding the initial discussion plan and assessment on audit samples.

Following planning stage is the implementation stage. In this stage, auditors analyze the technical planning documents used to draft the Bill of Quantity (BoQ) and Owner Estimate (HPS). This is conducted to check the conformity of quantity and price calculations stated in the work description to the planning design.

Analysis is also carried out on changes in work volume, or reduction/addition of new work determined within the period of work. This is done to ensure that these changes were made based on technical justifications.

Auditors then analyze the conformity of work description stated in the contract to the general conditions, special conditions, and technical specifications which governs the implementation procedures, assessment methods, and payment to the service provider. After that, field audit is carried out to assess the confor-

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Another potential finding in infrastructure audit is overpriced goods.

mity of work implementation method, volume, and work specifications done by the audited entity to the contract or other implementing documents serving as reference to the job.

Should specific skills on technical qualification such as work quality are required, field audit may involve independent experts. One thing commonly highlighted in infrastructure audit is ineffectiveness. It is a condition in which the audit resulted that the physical construction of infrastructure has not achieved the targets set in the development planning stage.

For example, in the construction of a local public health facility (puskesmas), ineffectiveness occurs when due to its bad location (e.g. difficult to access), the community could not optimally utilize the facility initially intended to provide public health services.

Another potential finding in infrastructure audit is overpriced goods. It is defined as additional costs intentionally or unintentionally budgeted by relevant parties to the price of work or contract price, thus resulting in the work having a much higher value than it should.

Overpricing can occur during the project planning or implementation stage. An example of overpricing during project planning is when determining owner estimate (HPS), surveys to compare prices were not done directly to goods supplier, but rather through a third party or intermediaries.

A lack in volume can also be an audit finding. It is defined as a mismatch in the number of work units carried out in fields compared to the number of work units that should be carried out according to the contract agreed upon by relevant parties.

A conclusion on a job lacking in volume is derived after auditors conduct a field audit and an analysis of recalculation of actual work carried out by the relevant parties.

● **Source:** Padang Pamungkas, Director of Audit IV A

Investment Feasibility Audit on Upstreams to Downstream



BPK performs audits and provides recommendations on financial and investment governance to ensure that BUMN (State-Owned Enterprise/SOEs) do not suffer losses, particularly related to the prospect of risky investment.

Chairman of the Audit Board of the Republic of Indonesia (BPK), Agung Firman Sampurna, stated that BPK would continue making reformation. It involved the transformation of the image of the unqualified audit opinion (WTP) stamp institution into a body engaging to protect the states finances from frauds.

Related to this matters, the Director General of Audit VII Akhsanul Khaq explained that BPK, in its

function to preserve state assets, performs its audits from upstream to downstream, including investment by state-owned enterprises (SOEs).

BPK performs audits and provides recommendation on financial and investment governance to ensure that SOEs do not suffer losses, particularly related to the prospect of risky investment.

“The most important thing for us in every recommendation for SOE investment is to uphold the precautionary principle,” he said. Each SOE has its



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The most important thing for us in every recommendation for SOE investment is to uphold the precautionary principle.

own uniqueness to invest. SOE Energy might, for example, invest in refineries and company acquisitions in the field of exploration and extraction.

Then, for SOE on infrastructure, might invest in toll road construction or acquisition of toll road business entities. For plantation sectors, the investment might be applied in sugar factory acquisitions while for financial sector might invest in ATM network to facilitate transactions.

“For particular investment, it might be managed in the form of securities, such as stocks, bonds and mutual funds. Though, for example, SOE on Energy invests bonds, not to seek profits, but to optimize its profit” Akhsanul Khaq said to *Warta Pemeriksa*.

In exploring the SOE investment process, BPK performs audit started from the planning (company work plan), implementation, and the current conditions.

“There are definitely company work plans in the planning phase, discussed at the General Meeting of Shareholders. In addition, there is also project feasibility report,” he said. At the acquisition process, BPK also assessed the investment value based on estimation given by investment evaluation services.

Next, BPK audits the investment feasibility, particularly the risk factors. “Are there any threats, for

example legal risks, are the object is in dispute. We will see the investment opportunities are”

Another feasibility study conducted is by analyzing net present value and internal rate of return. “Once a project is executed, or declared appropriate, are the requirements met, especially when it relates to a contract. BPK even do verification, after the acquisition, does SOE manage the rate of return for repairmen. It applies in managing the toll road acquisition and there are obviously a lot of damage,” he said.

This audit is important to reduce losses or possible losses. After the audit, BPK provides recommendations for the company to run its governance properly.

Achsanul Khaq added that “For example, we recommend sugar factory to evaluate its operational, whether the operation cost is higher than the income. If possible, such costs can be decreased without losing quality. But if that step is not feasible, it needs cut lost. Don’t let the company keep loss. Then, the factory should be saved by selling it or invite investment to modernize the sugar factory.”

He said that the BPK’s recommendations were overseen by the Ministry of SOEs, alias the government, as shareholders. BPK’s recommendations are also based on existing rules, such as those provided by the Financial Services Authority (OJK).

One of the regulations is OJK Regulation Number 73 Year 2016 concerning Good Corporate Governance for Insurance Companies. One of the POJKs stipulates that investments made must be subject to a risk assessment, including financial risk, legal risk and other risks.

Regrettably, Akhsanul said, there are SOEs companies that often do not obey BPK’s recommendations.

In investing in medium-term notes or medium-term debt instruments, Pefindo (credit rating agency) issues rating recommendations from medium-term note issuing companies. “And if Pefindo issued low rating, don’t buy it,” he said.

The same policy shall be implemented by SOEs in investing their money to bonds. When the Investment Committee assess businesses issuing bonds and found that it is not feasible, SOE should not continue buying the bonds.

In principle, he said, BPK performed an audit and issued recommendation to make SOEs not suffer losses, including in terms of investment. Thus, it is necessary for SOEs to obey the investment regulations, particularly by upholding the precautionary principle. ●

Audits of Local Government during Pandemic

BPK does not lessen audit works even amidst the pandemic.

Even in the midst of the Covid-19 pandemic, the Audit Board of the Republic of Indonesia (BPK) continues to carry out its mandate in auditing the management and accountability of state finance. Audits on Financial Reports of Local Governments (LKPD) spread out from Sabang to Merauke also continue to be executed in accordance with State Finance Audit Standards (SPKN).

BPK's Director General of Audit V Akhsanul Khaq recalls that the pandemic period was announced in mid-March 2020. Then the Secretary General circular on the implementation of Work From Home (WFH) scheme is established. As a consequence, auditing practices take a significant change.

Akhsanul explains that BPK is not the only one implementing WFH. Auditees also apply this scheme due to the pandemic. "Out of 283 entities under the purview of Audit V, 257 entities are applying WFH. Thus, this changes the way we audit," he says to *Warta Pemriksa*.

Physical meetings such as field audits or direct interviews for confirming issues cannot be possibly done. Nonetheless, BPK overcomes this challenge by relying on data from preliminary audit carried out before the pandemic, Akhsanul states.

As examples, he mentions LKPD for the Provinces of Central Java, North Sumatera, and Yogyakarta which have received sufficient testing during interim audits. So as the pandemic strikes during detailed audits, auditors only need to add additional procedures such as interviews and do-



cument confirmation via online.

Akhsanul stresses that BPK does not lessen audit works even amidst the pandemic. The quality of audits is maintained because audits are still conducted in accordance with SPKN. "We do not reduce samples to avoid auditors feeling unconfident with the opinion presented," he says.

Like previous LKPD audits, BPK continues highlighting four points in the presentation of financial statements. First, conformity with standards. Second, adequacy of disclosures in the financial statements. Third, reliability of the existing internal control system at the audited entity. Fourth, compliance with statutory provisions.

BPK also makes some adjustments in relation to the submission of Audit Reports (LHP). Akhsanul conveys that for western region, as per 31



May 2020 BPK has submitted 93 audit reports to the Regional Legislative Councils (DPRD). The number makes up 32.86 percent of the 283 entities under Audit V.

Submission of audit reports has been done in a variety of ways, Akhsanul continues. In Yogyakarta, audit reports are submitted directly to DPRD with health protocol in place. While in Banten and Riau Island, submission of audit reports on LKPD are conducted virtually.

BPK has also submitted audit reports in a combined way: by which the Head of BPK Representative Office is physically present, while the BPK Board Member is attending the submission online. Akhsanul says that despite limitations due to COVID-19 pandemic, communication with local governments are still maintained by optimizing information technology.

He acknowledges BPK faces several challenges, such as the limited number of scanning machines that auditees have. "In the end, the documents we requested cannot be fulfilled digitally. If they can scan the documents, they can email it to us, no need for hardcopies," Akhsanul reveals.

Constraints in internet network also becomes an obstacle in the audit of local governments. He says that even in urban areas, this constraints are still felt.

Similarly, these things are also faced in audit works at the eastern region. Director General of Audit VI Dori Santosa stresses the use of information technology as greatly helpful in auditing the region. "Nowadays, conference meetings have become a routine," Dori says.

Dori mentions another type of obstacles faced by his audit teams, such as limited transportation in certain areas like Papua. In fact, there are auditors who cannot return to Papua since airplanes halt all operations. However, audits must go on. Dori states that BPK collaborates with Financial Supervisory and Development Board (BPKP) and inspectorates of local governments. "We have also coordinated with Audit I to transport our employees designated in Papua by Hercules planes," Dori adds.

Anticipating New Normal

After nearly three months implementing WFH, BPK is preparing for a "new normal". Dori says that all BPK representative offices under Audit VI have been asked to apply a pattern of work shifts.

For employees who are sick, pregnant, and have history of severe illness to remain at home,

Dori adds. Although implementing new normal, BPK still prioritizes employees' health and wellbeing. In terms of health protocols, disinfectants must be provided. Employees at all level are advised to wear masks at all times.

Meanwhile, related to the audit plan for Semester II of 2020. Akhsanul states that his department will work closely with Audit VI in overseeing the process of refocusing budget to handle Covid-19 in local governments. The three things that BPK will highlight are social safety nets, health

sector, and economic impacts. "We plan this as a special-purpose audit (PDTT). We are still discussing it with Audit VI and we hope to do a collaborative audit," Akhsanul explains. In addition to the COVID-19 related audit, Audit V plans to conduct an IT-based audit and an audit on the Electronic-based Government System (eGovernment) to achieve BPK's target in conducting IT-driven audits. ●

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We do not reduce samples to avoid auditors feeling unconfident with the opinion presented.

Early Warning for Handling Covid-19

The government must mitigate the depth of a policy against the burden of state finances.



The Audit Board of the Republic of Indonesia (BPK) reminds the government to strengthen risk mitigation in managing the budget for handling the Covid-19 pandemic. Based on the results of the disaster or crisis audit carried out by BPK, it is very important to propose risk mitigation in order to reduce the high burden on public finances.

Vice Chairman of BPK, Agus Joko Pramono, explained that BPK had carried out an audit on Aceh tsunami disaster relief funds and programs, saving the Century Bank, and Bank Indonesia Liquidity Assistance (BLBI). And all of these crises have left a trail of fraud, the findings of which have occurred and have remained so far," said Agus in a seminar held by the State Audit Institute (IPKN) with the theme "Challenges of State Financial Accountability in the Covid-19 Pandemic" which was held at Jakarta, early June.

The results of these audits, he said, can serve as lessons learned and, at the same time, as an early warning system, to which state officials need to pay attention. It is hoped that the mistakes of the past will not be repeated, particularly as regards the weakness of the control system during the crisis.

Agus said, the government must mitigate the depth of a policy against the burden of state finances.

"We have informed the KSSK (Financial System Stability Committee), the Minister of Finance, Bank Indonesia, the Deposit Insurance Corporation, and the Financial Services Authority that it must be mitigated first before the policy is made. They must mitigate the depth of the policy against the burden on state finances. Well, these results should be an early warning," Agus said.

He also hopes that the government will be able learn from the implementation of the BLBI policy and



The widening of the budget deficit without a fixed cap, without paying attention to the principle of periodicity, and funding large amounts of debt, has the potential to increase the risk of fiscal sustainability and in effect threaten the country's sovereignty.

the saving of Century Bank. In the BLBI case, the government did not know the exact amount of the debt burden of banks facing liquidity problems due to the effect of the monetary crisis. At that time, the amount of fees needed to save Century Bank was not known with certainty.

This can be seen from the original budget to save Century Bank, which was just Rp670 billion, but then it swelled to Rp7 trillion. In the absence of reliable data, the financial burden of saving the economy at that time was immense and the number continued to rise.

Regarding the handling of the impact of Covid-19, Agus said the BPK had conducted a study on Government Regulation in lieu of Law (Perpu) No.1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the Corona Pandemic which was later passed into law. Based on the BPK's study, said Agus, macro assumptions in the implementation of the APBN were generally ignored by the existence of the Perpu.

In terms of the budget deficit assumption, for example, article 2 of the perpu states that the government has the authority to set a budget deficit limit that exceeds 3 percent of gross domestic product (GDP) during the handling of COVID-19. Previously, in compliance with the State Finance Act, the budget deficit was limited to a maximum of 3% of GDP. The government will restore the 3% deficit limit later in 2023, and that will be achieved in phases.

"The widening of the budget deficit without a fixed cap, without paying attention to the principle of periodicity, and funding large amounts of debt, has the potential to increase the risk of fiscal sustainability and in effect threaten the country's sovereignty," he said.

Compliance with the standard

Agus said, BPK can carry out performance audit and special-purposed audit (PDTT) related to the

handling of the Covid-19 pandemic. He admitted, the COVID-19 pandemic had indeed caused restrictions and delays in various activities, including those related to the preparation and audit of financial reports. Even the present condition can cause uncertainty, which has the potential to rise the possibility of new material misstatements. "Therefore, in planning audits, the auditors may not have considered or identified the risks associated with the pandemic and how to mitigate them," he said.

In fact, even in the midst of a pandemic, the audit process still needs to comply with the appropriate standards. Therefore, the auditor needs to consider the development of alternative procedures that are useful in gathering adequate and relevant evidence to support the conclusion of audit. At the same time, he said, BPK has implemented a WFH (work from home) work system.

This practice certainly has an impact on the performance of the auditor's duties, such as restrictions on face-to-face audit and the obligation to follow health protocols.

He also asked each auditor to be innovative in selecting and using alternative procedures. "The International Auditing and Assurance Standards Board (IAASB) has released the publication 'Highlighting Areas of Focus in an Evolving Audit Environment Due to the Impact of Covid-19' released in March 2020. IAASB states that in carrying out its work, auditors needs to make adjustments to the changing environment. For example, by considering quality control policies and procedures related to the direction and supervision of assigned teams and reviewing their work," Agus said.

One issue must be considered is that auditors must remain vigilant about the possibility of fraud and / or errors. This includes the presentation of misleading financial reports (fraudulent financial reporting). This is done while maintaining an attitude of professional skepticism in carrying out the audit procedure. ●

Challenges to Implement SDGs



The next challenge in implementing SDGs lies in the ability of countries to choose the most significant SDGs targets.

Indonesia is one of the member states of the United Nations (UN) which is highly committed to carrying out Sustainable Development Goals (SDGs). Indonesia has even submitted its Voluntary National Review (VNR) report twice.

The second VNR report was submitted by the Government of Indonesia at the High-Level Political Forum (HLPF) at the UN Headquarters, New York, in mid-July 2019. Of the 193 UN member countries, only 7 countries have submitted VNR for the second time.

Audit Board of the Republic of Indonesia (BPK) as Supreme Audit Institution (SAI) also contributes to oversee the SDGs in the country through audits, from planning to implementation. In fact, BPK also has a contribution in

the global arena by sharing knowledge and experiences about SDGs audit to the other SAIs through seminars.

Recently, BPK held a Seminar on Strengthening External Oversight on The Implementation of SDGs held at the BPK Head Office, in Jakarta, Monday (16/12).

The seminar initiated by BPK and INTOSAI Development Initiative (IDI) aiming to share SAI's knowledge and experience about SDGs audit. In the seminar, BPK presented the results of the audit of the preparedness and implementation of SDGs by the Government of Indonesia's and provided advice to SAIs throughout the world before conducting an audit of SDGs.

BPK Vice Chairman, Agus Joko Pramono in his presentation reminded



the main objective of the 2030 Agenda for Sustainable Development. He said, on September 25, 2015, 193 countries in the UN General Assembly adopted the 2030 Development Agenda entitled "Changing Our World, Agenda 2030 for Sustainable Development".

The Agenda had 17 goals which also known as SDGs. "SDGs are a universal call to end poverty, protect the planet, and improve the lives and welfare of all people and in all parts of the world," Agus said.

Agus stated that the Government of Indonesia first delivered its VNR in 2017. In the VNR, the Government said that it had issued a Presidential Regulation (Perpres) as a form of Indonesia's highest commitment to implement SDGs. The second VNR was reported in 2019 followed by the launch of the SDGs road map as a form of long-term commitment.

"With only a decade left to achieve this goal, I want to quote a summary of the 2019 SDGs progress report from the United Nations. The latest SDGs progress report shows that despite progress in a number of areas, the main challenges remain," Agus said.

Based on the report, he said, the next challenge in implementing SDGs lied

in the ability of countries to choose the most significant SDGs targets to start interventions. This was a difficult task because the SDGs are holistic and have interlinkages between targets.

BPK also has three main findings in the audit of the preparedness and implementation of SDGs. First, related to the coherency between planning and policy. The different political election cycles creates the risk of policy incoherence at the central and local government levels. Second, related to coordination between agencies. BPK found that the complexity of problems was cross-sectoral in poverty alleviation which created gaps in budget planning and policy.

“BPK also found that government entities still work in silo when implementing their budgets because of the lack of optimal coordination mechanisms at the operational level,” he said.

Finally, in monitoring and evaluation, the ability of existing indicators to represent 40 percent of populations with the lowest income needs to be improved. BPK found that the lack of data used in compiling indicators for monitoring and evaluating public services occurred because the survey planning was carried out in silo based on the budget of the institution which had the mandate to carry out the survey with a sectoral approach.

As an improvement in the future, BPK issued a number of recommendations. BPK gave recommendations to the Government of Indonesia to strengthen the Perpres regarding the implementation of SDGs. BPK recommended the Government to issue a Presidential Regulation that is able to promote the quality of government planning and budgeting in providing



The latest SDGS progress report shows that despite progress in a number of areas, the main challenges remain.

access to public services for the targeted 40 percent of the population with the lowest income. Then, building data integration at all levels of ministries and institutions. Thus, accurate indicators are available in measuring the achievement of SDGs targets.

Based on the 2019 VNR theme, the BPK conducted an audit of the implementation of SDGs with a focus on quality education. In this audit, BPK found that at the implementation stage, inaccurate data on the targeted 25 percent of the lowest income population as education funding support program beneficiaries that potentially misdistribute the fund to population who was not on target.

In addition, in a number of cases, BPK found that lack of coordination between government entities triggered overlapping resources when running infrastructure projects to build facilities and school equipment.

Reflecting on the audit experience that has been done, Agus also suggested SAls to pay attention on three things before conducting an audit on SDGs. First, related to institutional capacity. SAI

needs to ensure its mandate first.

Second, organizational capacity. Since the SDGs implementation period will end in 2030, a comprehensive and long-term audit strategy is needed. In this regard, BPK RI in its strategic plan has aligned its audit priorities with the National Medium Term Development Plan (RPJMN).

“While the third is related to the capacity of the auditor. The complexity of the SDGs audit approach requires auditors with more comprehensive analytical skills,” he said.

Meanwhile, Board Member II of BPK, Pius Lustrilanang in his speech said, IDI could open a broader perspective on how SAI can audit SDGs and perhaps provide better means to communicate with stakeholders.

In addition to increasing the capacity of the SAI, this seminar was also expected to promote audit techniques to increase stakeholder awareness about the importance of efforts to improve the function of external oversight in the implementation of SDGs.

“I am sure our auditors will make effective use of this opportunity to explore this new audit model and then apply this technique to future assignments,” he said.

The Seminar on Strengthening External Functions in the Implementation of SDGs was also attended by IDI Deputy Director General, Archana Shirsat, IDI experts, Asian Organization of Supreme Audit Institutions (ASO-SAI), Ministry of National Development Planning, Ministry of Home Affairs, University of Indonesia, The World Bank and GIZ. The seminar was also attended by BPK employees from Head Office and Regional Offices. ●



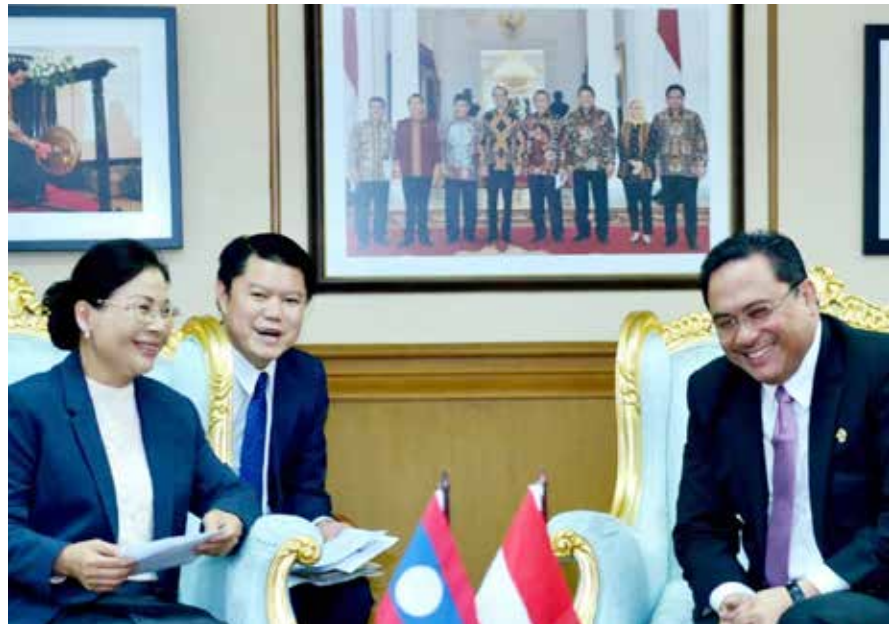
BPK Assists SAO Lao Develop Audit Quality

BPK was entrusted to hold a training program for audit team leaders of SAO Lao.

The Audit Board of the Republic of Indonesia (BPK) is committed to enhance its close cooperation with the State Audit Organization of Lao People's Democratic Republic (SAO Lao). BPK Chairman Agung Firman Sampurna emphasized that BPK welcomes any collaboration to increase auditing and institutional capacity.

Agung conveyed that statement when receiving a high-level visit from the President of SAO Lao Viengthong Siphandone, accompanied by the Lao Ambassador to Indonesia Phomma Sidsena and other delegates at BPK Head Office on February 20, 2020.

During this bilateral visit, 2 major activities were taken place: the Executive Discussion on Grading Scheme for BPK Auditors; and the training pro-



gram for SAO Lao's audit team leaders. It was an honor for BPK to be entrusted to hold a training program for SAO Lao, Agung expressed.

Meanwhile, President of SAO Lao conveyed her appreciation to BPK for its long-standing assistance to SAO Lao in developing its auditing and ins-

titutional capacity. She also expressed her desire to continue the cooperation that has been well established thus far.

The Executive Discussion was delivered by BPK Vice Chairman Agus Joko Pramono as key presenter and BPK Secretary General Bahtiar Arif as moderator. In his presentation, Agus elaborated on the background, process of preparing auditor grading scheme, impacts, benefits, and challenges faced in implementing the scheme. This topic of presentation would hopefully be useful for SAO Lao who is currently developing a grading scheme for its auditors.

As for the training program for SAO Lao audit team leaders, it was part of the action plan implementation under the bilateral cooperation signed in 2019. Aimed to increase the leadership capacity and competence in auditing methodology for SAO Lao's audit team leaders, the program was held for 5 days at the BPK Training Institute in Kalibata, Jakarta. ●

Functional Position		
Level	Auditor	Assesor
Senior	13	14
Mid-level	11	12
Junior	9	10
Newly-appointed	8	

BPK Auditors Share the Knowledge and Experiences in INTOSAI WGEI Training



The training aims to improve the understanding on how to identify risks and select the audit topic on Production Sharing Agreements (PSA).

As part of BPK's international commitment to encourage knowledge sharing and cooperation on auditing of extractive industries, BPK sent its two auditors as trainers to the INTOSAI Working Group on Extractive Industries (WGEI) – 1st International Training on Understanding Production Sharing Agreements (PSA) in Pretoria, South Africa, on 3-7 February 2020.

The trainers were Paulina Klara Fransiska Sinaga and Rino Widhy Leksono who joined with

other trainers from SAI of Norway and Uganda. Rino said that a week before the training, the trainers met to design and discuss the training materials. A total of 30 participants from 11 countries participated in the training.

Rino said the training aimed to improve the understanding on how to identify risks and select the audit topic on Production Sharing Agreements (PSA). This activity was a collaboration between INTOSAI WGEI and the African Organization of Supreme Audit Institutions (AFROSAI-E).



BPK was trusted to be trainer considering to BPK's wide experience in extractive industry, particularly in the oil and gas sector. The Indonesian Government is a pioneer in implementing the PSA model for cooperation in the management of oil and gas with the private sector.

"Most of the participants come from the countries which will implement PSA at the first time. So they did learn," Rino said to *Warta Pemriksa*.

Some of materials shared by BPK trainers were the issues of contracts, taxes, royalties and bonuses, as well as profit sharing calculations. They also shared the history of oil and gas management in Indonesia and BPK's audit method. "We also share audit findings as teaching material," Rino said.

Furthermore, Rino admitted that he also gained new experience from these activities. As an example, Norway is a country that only conducts upstream oil and gas activities. "So they don't have a profit sharing scheme, they're all purely exported," Rino said.

In addition, with a trainer from Uganda, Rino admitted that he even shared BPK's experience with oil and gas audit. He explained that Uganda is still in the exploration phase and that production has not yet begun.

"They've learned a lot from us," Rino said.

In fact, from the 11 countries participating in the training, only Oman had produced oil and gas. Therefore, other participating countries have just learned how to conduct an audit in this area.

This forum is also a form of externalization of BPK's experience at the international community. Rino hopes BPK could continue to be active in similar activities. "In my opinion, because we want to be leading SAI, especially in WGEI, we must continue to be active in such international activities," Rino said. ●

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Most of the participants come from the countries which will implement PSA at the first time. So they did learn.



BPK Showcased iDance Application in Prague



Although BPK is not a member of the EUROSAl, iDance application developed by BPK team became one of the few selected applications published in the Hackathon website.

Carrying the theme of “Hack for Accountability”, the Audit Board of the Republic of Indonesia (BPK) delegated a team of 5 officials to participate in the 1st International Hackathon of SAIs in Prague, Czech Republic on March 3-5, 2020.

BPK attended the event as an observer representing Asian countries and a participant of the competition. As an observer, BPK aimed to learn about the development of information technology used in the field of audit in European region, as well as the event organization of the Hackathon Competition.

This event was held by the State Audit Office

of the Czech Republic or Nejvyšší kontrolní úřad (NKU) as part of the European Supreme Audit Institutions (EUROSAl) Congress 2020 event series. The 1st International Hackathon of SAIs was a competition for computer programmers, IT experts, data analysts, graphic designers, and auditors of EUROSAl members. It was organized to develop software such as programs, applications, and visualizations in the effort to support effective and efficient audit implementation and to reduce auditors’ workload. In addition to being an observer, BPK team played a proactive role in the competition as a guest participant. The team promoted a prototype of an audit application called iDance, short for Interactive Data Analytic Center.



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This application was designed to help auditors classifying and analyzing data, as well as identifying potential fraudulent transactions.

This application was designed to help auditors classifying and analyzing data, as well as identifying potential fraudulent transactions. The data used as samples in the iDance application were transaction data from government expenditures and banking sector.

Technically, the rule of the competition gave the freedom to all participants to select and form their teams. Each SAI could form a team with fellow countrymen or collaborate with teams from other countries. In total, there were 11 teams participating the 1st International Hackathon of SAIs was. They were given 2 days to craft an application, program, or visualization, then present their ideas and solutions offered by the application to the judges.

The judges consisted of 7 professionals having various background of expertise, namely auditing, statistics, organizational development, data analysis, journalism, including education experts.

The teams were evaluated based on the quality of their products and their communication

skills: how clear and convincing the ideas and solutions were expressed within a limited amount of time. Each team was only given 3 minutes to demonstrate their products.

Each judge selected 5 applications or programs offering the best ideas and solutions. A shortlist of teams with the most votes was further discussed to determine the winners in 1st, 2nd, and 3rd place.

Although BPK is not a member of the EUROSAI, iDance application developed by BPK team became one of the few shortlisted applications published in the Hackathon website at hackathon.euroesai2020.cz. Results of this event will be presented in a workshop at the EUROSAI Congress to be held on May 31 – June 4, 2020 in Prague, Czech Republic.

The 1st International Hackathon of SAIs was attended by 68 participants from 23 European countries, including Czech republic, Albania, Austria, Belarus, Croatia, Estonia, France, Finland, Netherland, Malta, Macedonia, Spain, Germany, Poland, Russia, Lithuania, Turkey, Slovakia, UK, and Sweden. ●



BPK Actively Participates in The Virtual Meeting of INTOSAI WGEA Steering Committee Members



30 participants from 15 SAIs of WGEA Steering Committee members attended the meeting.

The outbreak of Covid 19 affects the work system of Supreme Audit Institutions (SAIs) in all over the world. Many of physical meeting were replaced by virtual meeting. Among others was a meeting as a follow-up to the cancellation of the 17th Steering Committee Meeting of INTOSAI WGEA in Marrakech, Morocco.

Secretary General of The Audit Board of the Republic of Indonesia (BPK), Bahtiar Arif, attended the meeting, which was led by SAI Finlandia as the Chair of INTOSAI Working Group on Environmental Audit (INTOSAI WGEA). Tytti Yli-Viikari, Auditor General of SAI Finland officially opened this meeting on March 24, 2020 at 3 pm.

30 participants from 15 SAIs of members of the WGEA Steering Committee attended the mee-

ting. Mr. Hery Subowo as the Head of the Training Institute of BPK and the WGEA task force also attended the meeting.

At the meeting held on 23 – 26 March 2020, BPK not only participated as the Steering Committee member, but also played important roles as a Project Leader for Working Package 4: Sustainable Cities and Communities: Focusing on Sustainable Transport, cooperated with SAI China and SAI Thailand. In addition, BPK also acted as Project Leader for Working Package 6: Sharing Experience and Capacity Building on Auditing the SDGs

In addition to that, BPK also a member of Sub-committees for Working Package 2: Responsible Consumption and Production focusing on Plastic Waste, that led by SAI India and the Working Package 3: Climate Action focusing on Climate Finance that led by SAI USA.

At the end of the meeting, the Steering Committee members approved the vision paper and set the timelines for these various working packages stated in INTOSAI WGEA Work Plan 2020-2022. ●



Mutual Support to Strengthen Capacity

Mutually, BPK support other SAIs to strengthen their audit and non-audit capacity. This is reflected by BPK effort to externalize its experiences, capacities and capabilities, including to support its counterpart SAIs capacity building.

Audit Board of the Republic of Indonesia (BPK) continues to collaborate with the Supreme Audit Institutions (SAIs) from around the world. Currently, BPK has active bilateral cooperation with 18 SAIs in various fields, ranging from audit capacity building to organizational development.

Of the 18 bilateral cooperation, 16

were carried out based on a Memorandum of Understanding (MoU). While the other two cooperations are the extension of BPK's bilateral cooperation with the Australian National Audit Office (ANAO), namely Office of the Auditor General of New Zealand and the Audit Office of New South Wales.

Through these cooperation, BPK and other SAIs mutually support to build their capacity in the field of audit and non-audit. In this area, BPK has

opportunity to externalize its capacities and capabilities to support the capacity building of its partner SAIs. On the other hand, BPK also gain benefit to internalize new knowledge and experience as well as lessons learned from partner SAIs to be applied at BPK.

Another goal of bilateral cooperation is to improve harmony and closeness between BPK and partner SAIs which will ultimately support BPK in its capacity building needs, as well as su-

support for BPK in international activities.

One of the active bilateral cooperation is the one with the Australian National Audit Office (ANAO). The cooperation with ANAO is based on a subsidiary arrangement (SA) between the Governments of Indonesia and Australia. Forms of cooperation include technical assistance, training, secondment programs, to deployment. While the areas of cooperation include financial audits, performance audits, quality assurance and quality control, risk management, and organizational development.

In the Southeast Asian region, BPK is partnering with the National Audit Authority of the Kingdom of Cambodia (NAA Cambodia), Jabatan Audit Negara Malaysia (JAN Malaysia), The State Audit Office of the Socialist Republic of Vietnam (SAV), and The State Audit Organization of the Lao People's Democratic Republic (SAO Lao PDR).

Cooperation with the NAA Cambodia, titled "The Cooperation on Auditing in the Public Sector", takes form of workshops on performance audit, training, and preparation of audit manuals.

BPK and NAA Cambodia also have an Action Plan of 2020-2021. In the action plan, BPK will assist the NAA Cambodia in developing training curricula for each type of audit. Further, both SAIs will conduct an exchange program according to the needs of each SAI. BPK and NAA Cambodia will also develop joint activities related to the implementation of the SAI Performance Measurement Framework (SAI PMF).

Meanwhile, with regard to cooperation with SAO Lao PDR, both SAIs are committed to help each other in improving audit capacity, especially performance audit, procurement audit, training management, international cooperation, e-audit, follow-up on audit recommendations and other areas agreed upon.

Similarly with NAA, BPK and SAO Lao PDR have prepared an Action Plan of 2020-2021 covering organizing training for the SAO Lao PDR's Team

Leaders at the BPK head office. Moreover, the action plan includes training related to quality control practices in the preparation of financial audit recommendations which was also attended by the SAO Lao PDR's Team Leaders in 2020.

BPK will continue to work on and improve cooperation based on the needs and resources availability. This is done by renewing the MoU that has expired and signing the new MoU that was pioneered in 2019.

In addition to that, BPK is committed to maximize the use of bilateral cooperation results and explore the possibility of new cooperation by focusing on the benefits aspects of increasing the capacity and fulfilling the needs of BPK in achieving its vision.

During 2019, there were 43 activities carried out as the implementation of bilateral cooperation. These activities include workshops, secondments, bilateral seminars in Indonesia and abroad, the signing of a new MoU, and exposure in international forums at the

invitation of the SAI Counterpart. Beside the activities that were carried out with 14 partner SAIs, there were also exploration of new bilateral cooperation with the State Audit Office of the Kingdom of Thailand (SAO Thailand), bilateral meetings with the Office of the Controller and Auditor General (OAG) Zanzibar, and an international seminar organized by the European Union in Myanmar.

In addition to the 43 implementation activities, BPK discussed the draft Memorandum of Understanding on bilateral cooperation with the Italian Corte dei Conti through electronic mail.

The lack of implementation activities with several SAIs is partly due to the delay in implementation by the SAI counterpart, the implementation priority of the SAI counterpart that delay the planning for implementation, and the period of bilateral cooperation that has expired. However, in terms of quantity, the implementation of bilateral cooperation in 2019 has increased from the previous years. ●



LIST OF ACTIVE BILATERAL COOPERATION AREAS

1. National Audit Office of the People's Republic of China (CNAO)

IT audit and IT based audit, quality assurance, performance audit, investigative audit, follow-up monitoring, and environmental audit as well as other areas that are mutually agreed upon.

2. Supreme Audit Court (SAC) of the Islamic Republic of Iran

Petroleum audits, environmental audits, electronic audits, training management, taxation, quality assurance audits, and audit of universities also other areas that are mutually agreed upon.

3. The Accounts Chamber of the Russian Federation

Defense sector audits, oil and gas audits, procurement, performance and construction, as well as other mutually agreed areas.

4. National Audit Authority (NAA) of Kingdom of Cambodia

Exchange of information related to public sector audits, including financial and performance audits, training management, follow-up on audit report recommendations, environmental audits, SAI PMF Implementation, and other mutually agreed areas.

5. State Audit Office of Vietnam (SAV)

Public sector audits, covering the fields of financial and performance audits, environmental audits, and other mutually agreed areas.

6. The Office of the Auditor General (OAG) of Pakistan

The implementation of peer review, audit with environmental perspective and audit of preparedness for the implementation of Sustainable Development Goals (SDGs), and other areas that were mutually agreed upon.

7. The State Audit Organization of the Lao People's Democratic Republic

Audit methodology in the public sector, professional training to improve the professional standards of employees and trainers, audits and joint research projects related to audits, as well as other areas mutually agreed upon, including Procurement Audit, Performance Audits, International Cooperation Management, E-Audit, Risk Based Audit Approaches, Follow-Up on Audit Report Recommendations, and others.

8. Jabatan Audit Negara (JAN) Malaysia

Public sector audits, particularly in the area of audit methodology, employee capacity building, information technology, human resource management, education and training management, environmental audit, SDGs audit, infrastructure audit and other mutually agreed areas.

9. Australian National Audit Office (ANAO)

Financial audit, performance audit, Quality Assurance & Quality Control, Risk Management, and Organizational Development.

10. Najwyższa Izba Kontroli (NIK) of Poland

Financial audits, defense sector audits, Corruption Eradication and Money Laundering, Central Bank Audit, Local Government Audit, Public Debt Audit, Environmental Audit and Disaster Management Audit, Quality Assurance and Quality Control, Peer Review and other mutually agreed areas.

11. The Board of Audit and Inspection (BAI) of Korea

BPK employees capacity building in IT, HR, Quality Control & Quality Assurance, Research and Development, Audit Methodology and other areas that were mutually agreed upon.

12. Nejvyšší kontrolní úřad (NKU) of Czech Republic

Financial Audit, Performance Audit, Defense Sector Audit, SOEs Privatization Audit, State Property Management Audit, Procurement Audit, The Role of SAI and Parliament in Corruption Eradication and other mutually agreed areas.

13. Supreme Audit Office (SAO) of Latvia

Public sector audit, SAI's relationship with Parliament, Performance Management, Investigation Audit, monitoring system of follow-up on audit reports, new strategic initiatives and other mutually agreed areas.

14. General Auditing Bureau (GAB) of the Kingdom of Saudi Arabia

Public sector audits, including financial and performance audits, hajj management audits, and other mutually agreed areas.

15. Court of Account (CA) of Tunisia

Calculation of state losses, implementation of the Quality Assurance System, Human Resource Management Plan, education and training, public awareness in public sector audits, and Evaluation Programs and other areas that were mutually agreed upon.

16. Commission on Audit (COA) of the Philippines

Cooperation in the field of public sector auditing. Areas of cooperation include audit methodologies, professional training to improve employee professional standards, and conducting joint research projects and other mutually agreed areas.

17. Office of Auditor General of New Zealand

Financial audits, performance audits, HR management and other mutually agreed areas.

18. Audit Office of New South Wales

Accrual-based financial audits, use of public accounting firms for audits and other mutually agreed areas.

BPK Vice Chairman Represents Asia as IDI Board Member

The capability and reliability of BPK Vice Chairman are trusted to represent Asia in promoting capacity development of SAls.

The Vice Chairman of the Audit Board of the Republic of Indonesia (BPK), Agus Joko Pramono, has been appointed as Board Member of INTOSAI Development Initiative (IDI) for period of 1 April 2020 - 31 March 2023. Being IDI Board Member, BPK Vice Chairman holds strategic roles in determining policies of IDI as an organ of INTOSAI that supports capacity development of Supreme Audit Institutions (SAIs).

Based in Norway, INTOSAI Development Initiative (IDI) is an organ of International Organization of Supreme Audit Institution (INTOSAI), an umbrella organization for SAls community in the world, that promotes and supports capacity development of SAls mainly in developing countries.

BPK will take plenty advantages since strategic position of BPK Vice Chairman as IDI Board Member will surely open many opportunities to externalize BPK's best practices to the international communities.

In addition, BPK may mutually internalize international best practices that are relevant to its audits so that BPK's audits will in line with international audit standards. Later, BPK is expected to be a center of international references on audits for other SAls.

The virtual meeting among IDI Board Members on 24 March 2020 agreed to appoint BPK Vice Chairman to be one of IDI Board Members in which the appointment was in



accordance with Statutes as well as Rules and Procedures of IDI. The selection process to be IDI Board Member is arranged by Nomination and Remuneration Committee, a special committee in IDI, based on assessments on the personal capacity and the experiences of each candidate in the international communities.

Having through the selection process and considering his active roles in many SAls' communities in Asia and the Pacific, BPK Vice Chairman is trusted to be capable and reliable to represent and be voice of Asia in the needs for capacity development.

The IDI Board Members consist of 10 (ten) high level officials as representatives of SAls member of INTOSAI in which the composition of the members heavily considers the regional representation. The members

consist of Per-Kristian Foss, Auditor General of Norway; Vitor Manuel da Silva Caldeira, President of the Court of Auditors of Portugal; Lara Taylor Pearce, Auditor General of the Republic of Sierra Leone; Pamela Monroe Ellis, Auditor General of Jamaica, Margit Kraker; President of the Austrian Court of Audit; Thembekile Makwetu, Auditor General of South Africa; Helena Lindberg, Auditor General of Swedish; Ase Kristin Berglihn Hemsén, Director General of Financial and Compliance Audit Department, Office of the Auditor General of Norway; and K Kristin Amundsen, Deputy Director General of Performance Audit Department, Office of the Auditor General of Norway. ●

Vice Chairman of BPK Appointed as The Member of UN IAAC



With the appointment of the BPK Vice Chairman as the Member of the UN IAAC, Indonesia has opportunity to play greater role and in improving and facilitating oversight cooperation in the organizations under the UN.

The appointment of Vice Chairman of BPK, Agus Joko Pramono, as a member of the Independent Audit Advisory Committee (IAAC) of the United Nations (UN) for period 2020-2022 has strengthened BPK's position in international community.

The appointment was held at the UN General Assembly on 13 April 2020 through Silence Procedure mechanism. The mechanism was used by the UN during the COVID-19 pandemic.

Previously, the UN Fifth Committee (Administrative and Budgeting Committee) has nominated Agus Joko Pramono as the member of IAAC, representing Asia Pacific Group (APG) region. The nomination was initially based on the information received from the UN Secretariat on 14 January 2020. The Permanent Mission of the Republic of In-

donesia to the UN (PTRI) New York then sent a formal letter to BPK regarding Request for Nomination of Candidate for Member of the IAAC period 2020-2022. BPK then submitted its written nomination to Director General of Multilateral Cooperation of the Ministry of Foreign Affairs on 24 January 2020.

In the nomination process, Indonesia had a Nepalese who also run for this position. Together with the Indonesian Ministry of Foreign Affairs, the BPK team conducted campaigns in both Jakarta and New York, USA. This was conducted to introduce Agus as the candidate to all representatives of UN member states at. However, Nepal later resigned and make Agus became the sole candidate.

Agus Joko Pramono will replace Maria Gracia M. Pulido Tan from Philippines and will soon serve as the Member of the IAAC, representing

APG. IAAC has five members. The other current members of the Committee are Janet St. Laurent (United States of America), Richard Quartei Quartey (Ghana), Dorothy A. Bradley (Belize), and Anton V. Kosyanenko (Russia).

IAAC is a subsidiary body of the UN General Assembly established pursuant to General Assembly Resolution Number 60/248, that serves in an expert advisory capacity. IAAC assists the General Assembly in fulfilling its oversight responsibilities, such as in overseeing the performance effectiveness of the Office of Internal Oversight Services (OIOS), risk management, financial reporting, and operations, as well as in increasing cooperation among the UN oversight bodies.

With the appointment of the BPK Vice Chairman as the Member of the UN IAAC, Indonesia can play a greater role and contribute in increasing and facilitating oversight cooperation in the organizations under the UN. Furthermore, Indonesia will also play its role in ensuring management compliance on the results of oversight and recommendations from other oversight bodies. ●

BPK Vice Chairman Emphasizes Importance of Data Validation in SDGs Forum



■ Vice Chairman of the Audit Board of the Republic of Indonesia (BPK), Agus Joko Pramono

Protection in the form of social assistance to minimize impacts of pandemic is often not achieve when the available data is invalid.

Vice Chairman of the Audit Board of the Republic of Indonesia (BPK) Agus Joko Pramono had the opportunity to intervene at the 7th Asia-Pacific Forum on Sustainable Development (AP-FSD) held virtually on Wednesday (20/5). On that occasion, he emphasized the importance of data validation in achieving Sustainable Development Goals (SDGs).

Agus stated that the world is currently facing great challenges, especially in protecting the welfare and economic capability of citizens due to COVID-19 pandemic. The virus spread has even potentially disrupt or slow down the achievement of SDGs. "Five years ago when SDGs 2030 was launched, no one knew there would be a pandemic. The impact turns out to be very large and broad, thus can affect global achievement of SDGs," Agus shared his perspective.

Agus added that BPK believes in data management as the main key to government's success in increasing social-education-health protections to the public through social assistance. Referring to infectious disease disasters, protection in the form of social assistance to minimize impacts of pandemic is often not achieve when the available data is invalid.

With regard to SDGs achievement, Agus continued, BPK plays a role in providing assurance to Indonesia's Voluntary National Report (VNR) by conducting an audit on Indonesia's preparedness in implementing SDGs back in 2017.

BPK has also encouraged the Government of Indonesia to establish more stringent regulations related to data collection and to ensure the collection of (disaggregated) data on local governments. In 2019, BPK emphasized the importance of synchronizing social protection data with education data to ensure the realization of social protection program in education sector.

"In 2020, BPK's audit results revealed several issues related to the lack of data verification and validation at the national level, resulting in the ineffectiveness of inputted data quality in distributing social assistance," he disclosed.

He added that all BPK's audit recommendations have positive impacts on government performance in achieving SDGs, strengthening accountability, and safeguarding long-term strategy for the implementation of SDGs.

"Our audit is supported by INTOSAI Development Initiative (IDI), where I serve as a member of the Board," he added.

On the occasion, Agus also empha-



sized that impacts of COVID-19 pandemic must be addressed by reviewing the achievements of SDGs.

"BPK will continue to take part in providing assurance to government's VNR as it is essential in increasing stakeholders' trust and accelerate achievements. We all hope for the pandemic to be resolved very soon."

The 7th APFSD was organized by the United Nation (UN) Economic and Social Commission for Asia Pacific (ESCAP). This annual intergovernmental forum serves as a regional platform to encourage countries needing support to implement SDGs agenda. This year's forum raised the theme of "Accelerating Action for and Delivery of the 2030 Agenda in Asia and the Pacific".

The forum brought together various international speakers from various stakeholders such as governments, parliaments, state audit institutions, the UN, academics, non-governmental organizations, and other relevant stakeholders.

Various emerging issues were discussed in this forum with a focus on regional perspective in accelerating progress of 2030 Agenda of the SDGs and linking national-regional-global dimensions of 2030 Agenda.

Its active role and contribution at regional meetings will give way for BPK to introduce its best practices to the international community. With its vast experience, BPK expects to be increasingly recognized at the global level and be at the lead in the international community of supreme audit institutions. ●

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BPK will continue to take part in providing assurance to government's VNR as it is essential in increasing stakeholders' trust and accelerate achievements. We all hope for the pandemic to be resolved very soon.

BPK Going Globally

BPK's achievement of being IAEA external auditor further strengthens its determination and confidence to play important role at the international community. BPK will take any opportunity to be an external auditor of the international institutions.

The Audit Board of the Republic of Indonesia (BPK) keeps steady its role internationally. In addition of being active in various organizations, BPK has been entrusted to be an external auditor of international organization. Currently, BPK is mandated as an external auditor for the International Atomic Energy Agency (IAEA) and the International Maritime Organization (IMO). For IAEA, BPK has been even entrusted to be an external auditor for three consecutive periods: periods of 2016-2017, 2018-2019,

and 2020-2021.

BPK appointment as IAEA external auditor for three consecutive periods is not without justification. The audit conducted by BPK were able to exceed IAEA expectations. BPK Secretary General, Bahtiar Arif explained that BPK has been successfully make the management of the IAEA realize on some issues that had not been of concern so far.

One of them is about official travel obligation in which BPK then gave recommendations on it. In fact, this issue also occurs in Indonesia.



■ Bahtiar Arif

"If there's a postponed business trip, then we check for its responsibility. Due to the cancelled activity, there should be a refund, and so on," Bahtiar told the *Warta Pemeriksa*.

Another new finding was related to the contribution of IAEA member states. Apparently, not all members are paying contributions on time. Delay in paying the contributions affects the IAEA cash flow.

In response to this, BPK as the external auditor then provided recommendations and further steps to make IAEA cash flow not disrupted by the late payment of contributions. "Because the mandatory contributions from members contribute greatly to IAEA's income. This is what we say. Previous audit did not reach that problem (audit done by another external auditor)."

The success of BPK in the IAEA further strengthens BPK's determination and confidence to take part in the international community. BPK will try every opportunity to be an external auditor of international institutions.

BPK's achievement in international community keeps growing. On Friday, 29 November 2019, BPK was appointed as the external auditor for IMO for the period 2020-2023. This appointment was held at the 31st meeting of the IMO Assembly in London, England.

BPK's nomination process in IMO was not very different from IAEA nomination. BPK was assisted by the Ministry of Foreign Affairs (Kemenlu) and the Ministry of Transport (Kemenhub) to take a diplomatic approach to IMO member states. Lobbying the IMO Member states was arranged before the General Assembly meeting. It aimed to convince them of our capability and lead them to vote for BPK in the selection process.

Comparing to the IAEA nomination process, the IMO is more challenging, whereas BPK must compete with the host of the Assembly, SAI of United Kingdom (SAI UK). Further, another competitor was SAI of Italy.

Referring to the proposal submitted to the IMO, at first, BPK was less confidence especially with SAI UK, in term of audit budget. This is because SAI UK will not have to pay high travel expenses. But obviously, the fees offered by SAI UK were still more costly



■ Anhar Riza

compared to BPK, since the wages of the employees are higher.

Another challenge experienced was that SAI UK and SAI Italy kept running for the candidacy until the voting process. This was different from situation when BPK run for IAEA external auditor. SAI India and SAI Philippines as the competitors withdrew their nomination before the election.

In IAEA selection process, BPK was appointed by acclamation. Meanwhile, in IMO, the appointment for external auditor was held through voting which takes two rounds to get the final result.

In the first round of voting, Indonesia won with 64 votes, UK with 55 votes and Italy with 24 votes. However, this number does not indicate the existence of a majority of votes, so a second round of voting was conducted where BPK and SAI UK run.

Bahtiar said that the high competition with SAI UK made BPK less confidence. "Since the scope covers Europe, the member states might support Britain. But it turns out that the BPK has been chosen," said Bahtiar. BPK was elected as an external auditor after winning the second round of voting, by obtaining 75 votes, while SAI UK won 64 votes.

In relation with BPK's role as IAEA external auditor, the head of the National Nuclear Energy Agency (Batan) Anhar Riza said that the IAEA's trust to BPK complemented Indonesia's efforts to show the achievement of nuclear science and technology at regional level.

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We need to improve these successes in the future, both in terms of nuclear science and technology as well as contributions to other issues as achieved by BPK. What BPK has accomplished has also become a motivation that Indonesia can play crucial role at the international level.

He further explained that Indonesia have now been designated by IAEA as a collaborative center in two areas, namely mutation breeding and non-destructive investigation. This designation indicates Indonesia have been acknowledged as reference on nuclear science for other countries especially at the regional level of Asia-Pacific.

This is a good achievement. There are now many researchers from other countries have trained in Indonesia, particularly in mutation

breeding, by making flag ship varieties of plants using gamma radiation.

"We definitely hope that BPK and, of course, all of us will keep continuing the successes we achieved. We need to improve these successes in the future, both in terms of nuclear science and technology as well as contributions to other issues as achieved by BPK. What BPK has accomplished has also become a motivation that Indonesia can play crucial role at the international level," Anhar said. ●

Benefits for Indonesia as the External Auditor for IAEA

Director General of Audit III of BPK, Bambang Pamungkas said that BPK's experience as an IAEA external auditor provided benefits to Indonesia. Moreover, Indonesia is a member states of IAEA.

"Directly or indirectly, BPK's audit to IAEA has benefits for Indonesia," Bambang told to *Warta Pemeriksa* on Thursday (6/18).

Bambang explained that BPK had not only audited IAEA's financial statements, but also carried out a performance audit. The objective of the financial audit is to provide appropriate assurance on the fairness of financial statements and ensure that the financial statement have been reasonably provided in all material respects.

Meanwhile, the aim of performance audit is to assess the effectiveness of IAEA management, including the effectiveness of IAEA services to Member States. The IAEA support programs to Member States include grants for nuclear-related facilities, nuclear training and inspection of nuclear facilities. In addition, in the form of nuclear consultations, such as feasibility studies on the construction of the Nuclear Power Plant (PLTN).

Bambang said that the results of BPK's audit and recommendations might increase the accountability of IAEA's financial statements, the effectiveness of the IAEA's operational management and services to member countries. Thus, the recommendations made by BPK might indirectly bring benefits to Indonesia, particularly to nuclear institutions and stakeholders. BPK may also use the experience and knowledge gained while being an IAEA external auditor when conducting audit in a nuclear institution in Indonesia, namely BATAN.

Then, how is the quality of BATAN's financial statements so far? Bambang reported that BATAN had earned an unqualified opinion (WTP) in the last 10 years.



■ Bambang Pamungkas

In addition to good financial accountability, BATAN has a high commitment to follow up on BPK audit recommendations.

Based on the follow-up of BPK's recommendations during 2006-2018, BATAN has completed the follow-up of 134 of BPK's 143 recommendations. In other words, the level of completion of the follow-up recommendations by BATAN was 93.7%. In the meantime, nine recommendations (6.3%) are still on progress.

Bambang added that the appointment of BPK as an IAEA external auditor is a manifestation of Indonesia's free and active foreign policy. According to him, the appointment of the BPK as an IAEA external auditor for three consecutive periods has gradually made Indonesia capable of competing and being equal to other developed countries in the field of accounting and auditing. BPK also gained recognition from the Government of the United States and the Group of 77 plus China at the 2018 meeting of the IAEA Program and the Budget Committee. "This is a pride that we should be grateful for as an Indonesian nation," he said. ■

BPK needs to expand its role as an external auditor in various international institutions.

BPK Increases Its Sale Value

The achievement of the Audit Board of the Republic of Indonesia (BPK) as an external auditor for the International Atomic Energy Agency (IAEA) and the International Maritime Organization (IMO) confirms the international organization's acknowledgment on BPK's performance.

The Director General of Multilateral Cooperation at the Ministry of Foreign Affairs, Febrian Alphyanto Yorkshire, said that BPK had opened its eyes and assumptions internationally. The name of Indonesia also become more internationally acknowledged as it has more international experts now.

Febrian further explained that this achievement was triggered by BPK working standards itself. This means that BPK's maturity and success in carrying out its tasks and functions has been considered positive. "If the BPK standard is not high, I don't think it is possible for international institutions to recognize it," Febrian explained to *Warta Pemeriksa*.

BPK achievement as an external auditor of international organizations was also considered as very encouraging. This is because to be an external auditor of an international institution, BPK must get approval from the states members. Even so, according to Febrian, the effort to bring BPK to the international community is relatively easy. "Like we sell a luxury car. The quality of the BPK can finally sell itself," he said.

Febrian said that he have accompanied BPK in its nomination to be IAEA and IMO external auditor. An important asset that is not widely owned by other Supreme Audit Institutions (SAIs) is BPK foundation, which is the mandate of the constitution. "It means that it is very positive in terms of independence and credibility," he said.

According to Febrian, BPK should continue to expand and pursue opportunities to be an external auditor in other international institutions. Currently, BPK is preparing to be an external auditor at the International Telecommunications Union (ITU) and the World Custom Organization (WCO). "Even if we can, we need to try to become a UN auditor," he said.

However, Febrian explained, to audit higher international institutions, it is necessary to collect credentials. It can be obtained from the experience and recognition of being current external auditor. "The power of the BPK is not only auditing but also can provide added value compared to the previous



auditor. This innovation is also appreciated," said Febrian.

Febrian said, the BPK role at the international community might give positive effect at the national community. According to him, the accountability of the Government of Indonesia in the international community will be increasingly recognized because BPK is considered to be consistent, both outside and within the country.

"The success of BPK shows its quality of auditing international institutions, which indirectly reflecting BPK's performance in the country," said Febrian.

This international recognition can also increase the confidence of Indonesian people to BPK. Febrian suggested that BPK should continue to increase the number of auditors. He believed that BPK will have many opportunities to be external auditors.

Febrian further said that Indonesia is a member of around 240 international organizations. According to him, if BPK could penetrate and become an external auditor for 20% of those international organizations, that would have been a very good achievement.

"The system of cooperation between the Ministry of Foreign Affairs and BPK must be standardized so that in the future, anyone who serves both the Ministry of Foreign Affairs and BPK will have the same Standard Operation Procedures (SOP) to encourage the progress of BPK in international institutions," he said. ●



Strengthening BPK's Profile Internationally

BPK to run for UN BoA membership in 2028.

The Audit Board of the Republic of Indonesia (BPK) continues to improve its image. This efforts being carried out are image reshaping its role and intensifying promotion of BPK's achievements domestically and internationally.

From these efforts, BPK strives to achieve one of its biggest goals: membership in the United Nations Board of Auditors (UN BoA). Director of BPK Public Relations and International Cooperation Selvia Vivi Devianti stated that 2 approaches are currently being done: image reshaping and marketing. Image reshaping aims for all stakeholders to better understand the role of BPK. "Stakeholders would not un-

derstand our role, should we not communicate," Vivi explained to *Warta Pemeriksa*.

The rapid development of information technology is also being utilized. According to Vivi, BPK would be left behind should it not make proper use of technology and social media. "It would mean that the quality of BPK's audit results could not be disseminated to the public," she added.

With image reshaping, BPK has become more open. It can deliver its regular audit results not only through the Semester Audit Reports Summary (IHPS) or the Audit Report (LHP) of Financial Reports of the Central Government (LKPP), but also through popular information channels.

BPK also intensifies marketing its capacities, especially internationally. Vivi stated that BPK has been internationally exposed since 1999. At that time, BPK was involved in a team of external auditors to the UN bodies. However, BPK's involvement was not yet as an institution, but instead was represented by individual high-achieving auditors.

As an institution, BPK feels the need to be actively involved in international activities. BPK also promote itself by organizing various trainings and workshops to other Supreme Audit Institutions (SAIs) or international auditing communities such as ASEAN-SAI, ASOSAI, and INTOSAI. "We strive to market BPK's highly qualified training institute which can host international-scaled trainings and workshops," Vivi said. As this will also optimize BPK auditors' experience. For example, BPK is active in the INTOSAI Working Group of Environmental Auditing (WGEA). As a result, many auditors have the experience and direct involvement with disaster and environmental audit activities. "We believe the capacity of our auditors are really good, so we are sure we can sell this," Vivi said optimistically.

Recently, BPK has been actively providing trainings to various SAIs. A few months ago, BPK delegated trainers to teach auditing in extractive industries. As Vivi mentioned, BPK also continues to expand its wings internationally by becoming the external auditor for International Anti-Corruption Academy (IACA), and UN bodies such as International Atomic Energy Agency (IAEA) and International Maritime Organization (IMO).

Vivi added that BPK is in the process of nominating itself as external auditor for the International Telecommunication Union (ITU) and World Customs Organization (WCO). "BPK is a large organization, our audit methodology is up to the mark, our auditors are highly competent. These are the things we sell as external auditor," Vivi explained.

BPK's role as an external auditor to international agencies has also been appreciated by President Joko Widodo as its contribution to the country, since BPK is also representing Indonesia. BPK officials also continue to mark their international existence. One of them is BPK Vice Chairman Agus Joko Pramono who is appointed as a member of the UN Independent Audit Advisory Committee (IAAC). Along with this high international spotlight, Agus is also asked to be a member of the INTOSAI Development Initiative (IDI) Board. "Both achievements show that BPK is widely recognized by international institutions," Vivi said.

According to Vivi, these achievements would not

be possible without a good human resource management system. BPK has over 7,000 employees, 4,000 of which are auditors. The quality of auditors has been established even since their recruitments as BPK selects either new graduates or those with relevant work experiences.

These auditors-to-be are then further polished at BPK Institute. The professional education is tiered until auditors have enough auditing competencies. In the field, auditors are also equipped with highly qualified audit standards and methodologies. "Even smart people could go all over the place unfocused, if they are not provided with the right track, the right direction. Thus, these standards and methodologies guide BPK auditors to have a strong provision," Vivi said.

Quality control and quality assurance are also given emphasis in each BPK audit. Moreover, auditors are given a bunch of additional trainings and seminars to continue enrich their knowledge and insights. "This might be our competitive advantage compared to other SAIs," Vivi added.



We believe the capacity of our auditors are really good, so we are sure we can sell this.

In accordance with BPK Leadership direction, BPK has a clear target to become Chair of ASOSAI or the organization of SAI communities in Asia for 2024. BPK establishes good relations with the Ministry of Foreign Affairs to strategically arrange steps to reach the target. However, this is not the only position BPK is after. BPK also wants to nominate itself to be a member of UN BoA in 2028. To realize this mission, BPK continues to increase its experience and capacity as an external auditor in international institutions.

According to Vivi, all these international auditing experiences will contribute to its domestic audit. As an example, by being the external auditor for IAEA, BPK also hopes to improve the performance of the National Nuclear Energy Agency (Batan). "Thus, BPK's international achievements also provide benefits for the improvement of accountability in Indonesia," Vivi ended. ●

Sharing Knowledge through Parallel Audit



■ Director of BPK's Public Relations and International Cooperation Bureau, Selvia Vivi Devianti

Through audit, various guidelines and procedures in auditing forestry were enriched.

Bilateral cooperation with neighboring countries is one of the efforts conducted by the Audit Board of the Republic of Indonesia (BPK) to enhance its international cooperation. One such example was a series of parallel audit missions on environmental issues with SAI of Malaysia (Jabatan Audit Negara or JAN) conducted within the period of 2008-2015.

For long, BPK has always concern with the environmental issues that numbers of environmental audits increased significantly during the last fifteen years. Director of Public Relation and International Cooperation, Selvia Vivi Devianti, stated that BPK has been an active member of INTOSAI Working Group in Environmental Auditing (WGEA). Those are reasons why BPK and JAN agreed to conduct parallel audit on forestry.

"We designed the methodology and objective for these series of parallel audits. From such audits, both Indonesia and Malaysia found out how forestry management, land-use planning and their effects on cli-

mate change were in each country," Vivi said to *Warta Pemeriksa*. She elaborated that the audit results had since enriched BPK in drafting various guidelines and procedures in auditing forests.

Besides audit on forestry, BPK and JAN Malaysia have also conducted parallel audits with its own audit methodologies and approaches. As Vivi explained, in accordance with the previous National Medium-Term Development Plan (RPJMN), BPK conducted a thematic audit on border control. "Given in mind the different styles in managing each national border, we also took different audit approaches," Vivi elaborated.

Results of the 2017-2019 audits which revealed problems in border regions in both countries were then discussed and included in BPK's semester audit report as well as five-year report.

According to Vivi, cooperation in the form of parallel audits give positive impacts to BPK. It enriches BPK's knowledge in how other Supreme Audit Institutions (SAIs) conduct audits. "Not to mention how close and culturally similar Indonesia is with Malaysia," Vivi added.

As a project leader in INTOSAI WGEA, BPK is currently proposing a cooperative audit to its members. The proposed theme is audit of infrastructure to support sustainable transport, which is related to the SDGs.

Meanwhile, INTOSAI Development Initiative (IDI) is also initiating a cooperative audit related to the COVID-19 pandemic. One of the audit themes is how the health system deals with a pandemic.

BPK greatly welcomes this initiative. "In fact, in the second semester of this year, BPK will also concentrate on auditing the health sector and how it manages the pandemic," Vivi disclosed. ●

Selection for IMO Auditors Enters Final Stage

The core team of IMO auditors will consist of five to eight people.



■ BPK Secretary General, Bahtiar Arif

The Audit Board of the Republic of Indonesia (BPK) continues to prepare carrying out its duties after its appointment as external auditor for the International Maritime Organization (IMO) for 2020-2024. As BPK Secretary General Bahtiar Arif stated, BPK will start auditing IMO's 2020 financial reports in 2021.

"Soon after its appointment, BPK has immediately started planning, as well as preparing potential candidates to become IMO auditors," said Bahtiar to *Warta Pemeriksa* in mid-June.

Bahtiar explained that the candidate selection was first announced on February 13th 2020. The selection process is carried out through several stages: administrative, competency assessment, and final interview.

"The selection is open for all BPK auditors who have the necessary requirements, such as experience as audit team leader, competence in financial and performance audit, and language proficiency" he revealed.

He added, of the 47 auditors applying, 44 passed the administrative stage. One of the reasons

the other three did not pass was their language proficiency.

Currently, the selection process enters its final stage. Candidates for IMO auditors have conducted competency tests, presented their papers to BPK Board Members, and next they will be interviewed. "Interviews will be done by BPK Chairman and Vice Chairman," he revealed.

The core team of IMO auditors will consist of five to eight people. According to Bahtiar, the amount is sufficient, reflecting on BPK's experiences in auditing the International Atomic Energy Agency (IAEA). However, BPK will also form a backup team to support the core team of IMO auditors.

BPK had initially wanted to deploy a preliminary or interim audit team to prepare for the audit of IMO's 2020 financial report. However, the plan was cancelled by the Covid-19 pandemic causing lockdowns in several European Union countries and stopping outbound flights from Indonesia.

"Regarding the interim team, we are in discussion with IMO, whether to proceed with virtual preliminary audit or come directly to London," he stated.

Preliminary audit, Bahtiar said, is quite necessary to understand the object of audit and to analyze risks.

"In addition to that, preliminary audit is a part of developing strategy for the future and assessing the audit process by previous IMO external auditor," he explained.

Capacity building

According to Bahtiar, being the external auditor of an international organization increases BPK



■ **BPK Director General of Audit III, Bambang Pamungkas**

institutional capacity. It is also beneficial for auditors to increase their capabilities and knowledge which could be further transmitted to other BPK auditors.

"This appointment proves international recognition to BPK's capacity in the world, which could certainly affect public trusts in Indonesia," he told.

Nonetheless, being the external auditor of an international organization has its own challenges. This is due to the international standards which may be different from what is commonly practiced in Indonesia. "However, since we have already experienced being an external auditor, we are certainly more confident now," he pointed out.

Interviewed separately, BPK Director General of Audit III Bambang Pamungkas stated that this is an opportunity for BPK auditors to gain international experience. "The appointment as IMO or IAEA auditors showed that Indonesian auditors are capable, too. Maybe in the eyes of the international community, we are even better," said Bambang.

Director of Human Resources Dadang Ahmad Rifai added that the process of forming the IMO audit team is nearing its end. From the selection process, an output in the form of a talent pool is expected.

Talent pool will serve as a database for BPK in searching for the next potential candidates for international auditors. It could be possible that the audit team members for IMO and other international organizations will be different every year. Talent pool is also BPK's way of assessing the way auditors would perform. "This talent pool is collected based on qualifications and assessments," he ended. ●



■ **Director of Human Resources, Dadang Ahmad Rifai**

Building a Forum for International Auditor

These auditors will focus as external auditors of IMO.

After being selected as the external auditor for the International Maritime Organization (IMO), BPK prepares its best people to serve as auditors for this international agency. Currently, BPK is preparing a talent pool for auditors with international capacity.

Director of BPK's Public Relations and International Cooperation Bureau, Selvia Vivi Devianti, said that through the talent pool scheme, BPK could select qualified auditors to represent BPK in the international arena.

"Those are the auditors who already have audit experience or have been involved in joint activities with international organizations," Vivi said.

Vivi added that currently BPK has carried out a recruitment process with total of 43 applicants. BPK through its Human Resources Bureau conducts administrative selections, a written test, and interviews.

"From this process, we can get information on who has the international audit capabilities," said Vivi. For now, these auditors will focus as external auditors for IMO. However, in the future, if BPK succeeds in getting the opportunity to become external auditor at another international institution, these talent pool information can be utilized.

"So, we gather the best people we can offer to carry out BPK activities internationally," she said. Vivi said that currently BPK is targeting the position of external auditor at the World Customs Organization (WCO). Vivi said,



■ Director of BPK's Public Relations and International Cooperation Bureau, Selvia Vivi Devianti

the external audit at WCO consists of two audits, namely financial and performance audits.

Vivi added, the WCO financial audit was carried out by a public accounting firm. Thus, BPK will only apply for the performance audit.

The success of BPK in becoming an external auditor at the International Atomic Agency (IAEA) and IMO will provide benefits for the application

process to the WCO later. BPK will also explore the WCO work process from the Directorate General of Customs and Excise of the Ministry of Finance who is also a member of the international institution. "We have to understand WCO operations and then determine what kind of things we can offer to WCO. Of course this will not only benefit BPK but for Indonesia as a whole," said Vivi. ●

ISOLATION HANDLING PROTOCOL FOR COVID-19

WHO SHOULD ISOLATE THEMSELVES?



When someone who is sick (fever or cough/runny nose/throat pain/ other respiratory disease symptoms), but has no risk of other comorbidities (diabetes, heart disease, cancer, chronic lung disease, AIDS, autoimmune diseases, etc.), voluntarily or based on the recommendation of health workers, staying at home and not going to work, school, or to public places.

People in monitoring (ODP) who have symptoms of fever/respiratory symptoms with a history of the country/local transmission area, and / or people who have no symptoms but have had close contact with positive patients with COVID-19.

WHAT TO DO WHEN BEING ISOLATING AT HOME

Don't go to work, to school, or to public spaces to avoid transmission of COVID-19 to other people in the community

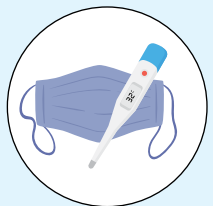


Must isolate yourself and monitor yourself to avoid the possibility of transmission to people around you including your family.

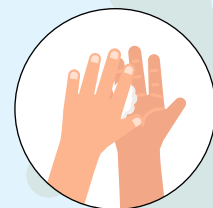
Report to the nearest health care facility on your health condition, history of contact with COVID-19 patients or travel history from the country/local transmission area, for examination of samples by health workers.



Use a separate room in the house from other family members. If possible, try to keep a distance of at least 1 meter from other family members.



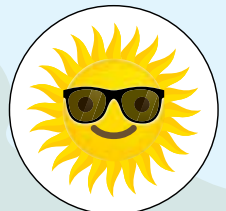
Use a mask and take daily temperature measurements and observe clinical symptoms such as coughing or breathing difficulties.



Apply Clean and Healthy Life Behavior (PHBS) by consuming nutritious food, doing routine hand hygiene, washing hands with soap and running water as well as drying, doing cough/sneezing ethics.



Being in an open space and basking in the sun every morning and keeping the house clean with disinfecting fluids.



Avoid sharing cutlery (plates, spoons, forks, cups) and toiletries (towels, toothbrushes, dipper), and linen/sheets.



Immediately, contact a health care facility if the pain worsens (such as shortness of breath) for further treatment. Contact the Corona Hotline Center for further instructions at 119 ext 9.



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AGUS JOKO PRAMONO

VICE CHAIRMAN OF THE AUDIT BOARD
OF REPUBLIC OF INDONESIA (BPK)

Keep Transforming

The Audit Board of Republic of Indonesia (BPK) has reached its 73 years anniversary. There have been a number of improvements made. The contributions of BPK in international community are even greater. BPK's Vice Chairman Agus Joko Pramono said that BPK will continue transforming. To the *Warta Pemeriksa*, the man born in Palembang explained various improvements that had been and would have been made by the BPK. The following are the quotes of the interview:

For your seven years serving as a Board Member and now as the Vice Chair, how do you see the development of BPK?

I can see us growing and evolving. Alhamdulillah, I feel we're going to adjust to be a better BPK. Many previous achievements have not been systemized, but they have now started to be systematized. For example, the problem of human resources (HR), audit reporting, audits execution, to the problem of supervision. We have started to consider the prudence principle and the alignment of activities in BPK.

We have also changed the positioning of the BPK. Previously, we've just been looking inward, only seeing the internal business processes. Now, We have entered the outcome base, consider and focus on the audit impact. It is not only consider the administrative management, but to see whether the audit results give an impact to the auditee. And I believe that it will continue growing in line with the shifting of our vision.

We encourage the management

of state finances to be qualified and beneficial. We manage the audit to address the public needs. BPK is crucial in this state mechanism, because BPK can map the best practices and the frauds as well as the steps taken by the auditee to solve the problems. We're not only relying on reports, but we uphold the source of the original entry. It means that we go directly to the evidence of the transaction when incident emerged.

BPK has lately become more accessible to the media and public. What do BPK want to achieve for this openness?

If we refer to last few months, BPK has indeed transparent. My vision is to make BPK having more role as alert system. If there are audit findings, they should be informed to the public to make them aware of it.

In particular condition, we are aware, but left behind. It make the awareness not emerged before one incident occurs. In the future we will design the alerts to the middle, not too in

front, not too behind. It will make the auditee has more flexibility to make major changes.

We used to take position not publish audit issues to the public. Yet the auditee awareness now raising when the topic is addressed in public spaces. Even if we have discussed it directly, but it is not a major concern before it enters public space. Based on this reality, if the business processes in government are bringing the issue to the public, we'll follow. We take the issues to the public room.

Has the change in BPK started when you first served BPK?

In 2013, I joined the BPK as Board Member. At that time, I had said that BPK had carried out a state financial audit to align the development path to achieve the nations goals. And it's very much in line with what we're doing right now.

If I may recall, my presentation during the fit and proper test at the Parliament was how to align the direction of the budget implementation



policy. Because in every planning phase, there will be given a budget. The budget would then be made accountable. This accountability will be audited by BPK. That is the business procedure of the entire auditee.

So, if we perform an audit from the planning stage onwards, it means that we have already straightened the path of the development in Indonesia. What I said when joining BPK seven years ago is, in fact, what we are doing together now, which is bringing BPK into an organization that is truly in line with its capacity. Based on our mandate in constitution, BPK has strong position to audit all institutions, involving all state financial officials, so then BPK must provide them with strategic audit recommendations.

We work is not only refer to our planning. Implementation in the field is also referred to written document. Our Strategic Plan and Audit Plan also explains the same message. So, in my view, based on what is written, this spirit is in all BPK Board Members.

What is the challenge of BPK at this time?

It is related to human resource (HR). HR is like a double-edged knife. This is, on the one hand, a driven force for BPK. However, on the other hand, if there is misconduct, that is, BPK personnel who does not perform professionally, it will be an issue for BPK. We're trying to reduce this bad practice. So, the task ahead is to manage professionalism of our personnels. Moreover, if you have data, you have access to data as well as the authority to observe the use of state facilities, if you don't have passion or professionalism as well as the sense of idealism, you will abuse your power.

The next challenge is how to manage IT system. BPK has a very broad data, ranging from SOEs, departments, agencies, local governments, state organizations that play important roles, to international companies that having cooperation contracts with our companies. We need to manage the data we have to make it align with the relevant policies.

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BPK is crucial in this state mechanism, because BPK can map the best practices and the frauds as well as the steps taken by the auditee to solve the problems. We're not only relying on reports, but we uphold the source of the original entry.

What is BPK's effort to manage the professionalism of its personnels, especially the auditors?

Our efforts are very specific. We are continuing to enforce the implementation on BPK Code of Ethics. This Code of Ethics is necessary for us to improve the rules of the game. As we can see, the Code of Ethics are very complex. It grows almost every year. We also socialize the Code of Ethics for auditees on how they will act towards BPK auditors.

Another effort is through the Honorary Council of Ethics (Majelis Kehormatan Kode Etik/MKKE). There are three personnels in this MKKE from external parties, while the other two are from BPK's internal. With that composition, the MKKE has a reasonable degree of independence. The judgment was final and binding.

Are there any further efforts to improve the professionalism of BPK's human resources?

We are now developing a system for evaluating human capital at the level of professional capability and attitude. Alhamdulillah, as of January 2020, BPK was listed by Minister of Administrative Bureaucratic Reform as an organization that had used a merit scheme. In other words, BPK has performed a specified evaluation model to assess the ability and skills of its personnels. We no longer need to hold an open bid to fill a position, since the capacity of the personnel who will be named to fill a role has been properly recorded. Basically, we already know which people are capable of, and when is the proper time for them to fill the positions.

The achievement of BPK is increasingly recognized internationally. Lately, BPK was finally elected as the external auditor of the International Maritime Organization (IMO). Is the HR Capacity Development Plan of BPK really designed to drive BPK to participate in the international community?

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We have joined a number of international auditing organizations, from ASEANSI to INTOSAI. It is to encourage our self-confidence and to know that our positioning is already on track and above average.



BPK is the one and only external auditor for the government. So, if we're going to do benchmarking, where are we going to benchmark? Automatically, we will see the best practices in the international community. We want to know in what level we are compared to other supreme audit institutions. Indeed, our aim is to encourage BPK to play important roles at the international community, so that we know our positioning.

We have joined a number of international auditing organizations, from ASEANSI to INTOSAI. It is to encourage our self-confidence and to know that our positioning is already on track and above average. We compare with existing international auditing standards. How we do it? By actively auditing the multinational organizations. We have to look at what international organizations best practices are, then we also look at how they are practiced in Indonesia.

For example, when we audit the Ministry of Transportation (Kemenhub). How do we know whether the Ministry of Transport has done any good, for example, it would be difficult for us as the auditor if we do not have benchmarks. We could just have been looking at compliance. Did it complied or did not comply with the laws and regulation, but we don't have benchmark system on their business processes. By auditing the IMO, we do benchmarking, and we see what the Ministry of Transport is doing to the maritime transport business. This is important references for auditor.

Our involvement in the international community, therefore, is not only to see the positioning of BPK. Nevertheless, when we win or are elected as IMO external auditors, we realize that BPK is well regarded. But more than that, we will have opportunity to get involved in learning the business processes at IMO and in our ministries.

Apparently, there are a lot of issues showing that Indonesia has better practices compared to what applied in other international organizations. We recommend these best practices to international community. That's because some problems have occurred in Indonesia, and we succeed in making the solution model.

For example, in the case of business trip for government officials. We are already expert to audit the cases related to this matters. Compared to international community, they have not yet many experiences in auditing these cases.

What are BPK's targets and dreams to strengthen BPK's position in international community?

The center for all international organizations is the United Nations (PBB). We have target to actively participate in UN activities. One of the prestigious positions for BPK in UN is UN Auditor Panel.

Second, we want to be gradually recognized at the level of INTOSAI, as we know that INTOSAI is the one and only organization that covering all supreme audit institutions all over the world. We are trying to build international trust that we can be the Chair of INTOSAI. We are planning to become the Chair of INTOSAI in 2028. It's still a long way to go, but we have to take action to achieve the target from now on.

How ready is BPK to achieve targets in the international level?

We are very well prepared in terms of organization, human resources and financing. We look for the opportunity now. We do seek to strengthen cooperation with other ministries/institutions, such as the Ministry of Foreign Affairs. Together with the Ministry of Foreign Affairs, we are conducting a review on whether BPK really has a chance to participate. When there is a chance, we act immediately. We are now also planning to become an external auditor for the International Telecom-

munications Union (ITU) in 2020. From now on, the action must be taken.

We have been an IMO's external auditors until 2023, as well as for the IAEA (International Atomic Energy Agency) until 2021. That means we have been participating in IAEA for six years.

We're going to have to turn over this position and we're looking for others. There must be a continuity for our important role in international level. In fact, we are still seeking to join actively in the international community.

What message would you like to send to the auditors?

Follow the the existing standards, namely ISSAI (International Standards of Supreme Audit Institutions). Besides, you must always be open-minded. This is really significant. When you have been an auditor in construction area, usually your mind would be trapped by focusing thinking only on construction, since it already becomes your habit in auditing all matters related to construction.

Therefore, it is really important for auditors to keep open mind, to keep learning that the focus is not just one. We are seeking to shape an auditor who understands how the proper model of state management is, so the recommendations taken are focused not just on policy, but also on the outcome basis.

Some of BPK Board members referred to the independence of the budget. Which kind of budget independence does BPK wants to achieve?

Every five years, we are peer-reviewed by other SAI (Supreme Audit Institution) to audit whether performance measurement is applied at the BPK. The first domain is independence and legal framework, is BPK's independence and legal framework are adequate to fulfill its authority.

The peer reviewer defined the independence refers to budget and

human resources management. It means that BPK shall be independence from its auditee (government), related to BPK's budget and human resources management.

BPK has duty to audit government institutions. When a question on the trend of our budget formulation comes up, it turned out that our budget might still be interferred by the government (Ministry of Finance). According to the peer review team, this condition make us not independence in terms of budget management. Our budget should be controlled only by the parliament, not by the government. This independence has not been realized until now.

BPK continues to improve its independence. Not a matter of control anymore, but a matter of who can allocate budget amounts to BPK in performing its activities.

Frankly speaking, if I am an auditor and has to audit your institution, you will be the one who will set the budget for my audit activities. You might not give me sufficient audit fee to interfere my audit tasks. That's the common norms happened.

Until now, we've been continuing to negotiate with the government to discuss the budget independence model. In fact, the Constitution of 1945 specified that "In order to audit the management and accountability of state finances, a free and independent Audit Board shall be established". What's the terminology of Independence? Internationally, the independence meaning shall cover the budget.

What activities do you usually do to release the tension or fill your spare time?

I prefer to sit meditating in the morning after the morning prayer or at night. Contemplating, thinking about what to do in the future.

For my hobby, I play music occasionally, but not an expert one. For sport activity, I became a coach of the Indonesian Archery Association (Perpani). ●

HENDRA SUSANTO

BOARD MEMBER I,
THE AUDIT BOARD OF THE REPUBLIC OF INDONESIA

Turn Limitations to Breakthroughs

Of the many 20 years of experience serving in the Audit Board of the Republic of Indonesia (BPK), there is one of the most memorable audit experiences for Hendra Susanto who is now serving as the Board Member I / BPK Head of State Audit I. His most memorable experience was when he conducted an investigative audit and the calculation of state losses from the construction of the Sabang pier in Aceh. The audit also made the man born in Lahat, South Sumatra, September 14, 1972, believe that there is nothing impossible to do if there is a strong determination within a person. In fact, the audit that was initially had limitations, and he could make a breakthrough. The following are the interview between Hendra's interview with *Warta Pemriksa*.



■ Board Member I/BPK Head of State Audit I, Hendra Susanto

What was your initial story about working at the BPK?

Long time ago, I didn't know BPK. 20 years ago, when I just finished my college and enrolled in the BPK as an auditor, I did not understand what BPK was. I just applied and thank God I passed. After I joined, I thought the BPK was a very mysterious institution. In 1999 to 2000, the BPK was not much exposed. Indeed, when I first joined, the BPK was very mysterious. But, it's far different from now. That is a matter of pride for me. If there is digitalization in the outside world, well we have already shifted there. We have kept up with that era.

How do you see the current BPK?

For me, the current BPK is now excellent. BPK's international image has also been very good. From the domestic side, it is also good. I am proud of BPK. I have been in the BPK for 20 years and that pride has grown stronger.

What was the most memorable experience during your time at BPK?

Actually, none of the audit duties entrusted to me were memorable. Because each audit has its own challenges and uniqueness.

However, of all that, there is the most memorable, namely the investigation audit and calculation of state losses on the construction of the Sabang pier in Aceh. Why was it memorable? Because the case was very complicated, involving many parties, multi years of construction, abuse of power from the top to the staff level, the construction value was quite large, almost Rp1 trillion and the value of the country's loss is around Rp300 billion.

Then, what made the investigation audit experience the most memorable?

This was my first case in collabora-

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The key is to work smart and sincere. With these two things, and God's will, all the limitations and impossibilities will be passed through well.

tion with the Corruption Eradication Commission (KPK). Meanwhile, the team member whom I worked with was new in investigating mega construction like this.

That condition required me to adjust the level of knowledge of all team members in a short of time. Alhamdulillah, we could solve all the challenges well. We could even make a new formula in calculating state losses method called as "Real Cost Calculation Method" with four layers of state losses. This method was the first time applied in the LHP PKN (Report on the Result of State Losses Calculation) BPK. I also gave expert testimony in court with regard to the case. With this Real Cost Calculation method, judges could accept with strong confidence the results of the BPK PKN. The key is to work smart and sincere. With these two things, and God's will, all the limitations and impossibilities will be passed through well. Just do it because impossible is nothing.

As Board Member I / Head of BPK I State Financial Audit, what

are you going to do?

Trying to utilize all resources owned by BPK to help facilitate the implementation of duties and activities of all BPK staffs both auditors and supporting staffs.

What are your hopes for the BPK?

We can be independent in terms of budget, recruitment, and career patterns of human resources (HR). With this independence, we can immediately modernize the audit system and good governance, which will make our professionalism improved. At the end, we can achieve public trust and the audit as a requirement can be realized.

The government is intensively building infrastructure to improve connectivity. Has AKN I conducted an audit related to connectivity?

AKN I has directly carried out an audit related to connectivity. By performing an audit at the Ministry of Transportation, AKN I also contributed in auditing the accountability and state finances of port, airport and railways. Audits that have been carried out include sea highway connectivity and land, air and rail transportation infrastructure.

In accordance with the 2020-2024 medium term of national development plan (RPJMN), the government has emphasized connectivity as one of the priorities. Within it, the Ministry of Transportation participates in implementing several strategic priority projects, such as high-speed trains on Java, an integrated main port network, urban mass public transport systems, and 37 air routes in Papua.

Audits conducted by AKN I in the future will emphasize those strategic priority projects. However, it is also necessary to draw up one thematic audit related to connectivity involving all audit units with each portfolio. ●

DANIEL LUMBAN TOBING

BOARD MEMBER VII,

THE AUDIT BOARD OF THE REPUBLIC OF INDONESIA

Maintaining the Direction of SOEs

Daniel Lumban Tobing serves as the Board Member VII of the Audit Board of the Republic of Indonesia (BPK) who leads the audit of state finance VII. One of his duties is to ensure that the management of state finance within the State-Owned Enterprises (SOEs) provides benefits to the country and its citizens. With his vast experience in the professional world, Daniel will highlight efforts of state-owned companies in maintaining food and energy security in Indonesia. Speaking to *Warta Pemeriksa*, Daniel elaborated on his work plan in BPK. Here are the interview excerpts:

You had a brilliant career in the electronics industry before becoming a member of the Parliament, and now a Board Member of BPK. Can you briefly tell us your professional journey to becoming Board Member VII?

After obtaining my bachelor degree in electronics at the University of Kyoto, Japan, I worked as a manager at PT Hirose Elektrik in Bekasi, an electronics manufacturing company from Japan. I then became General Manager at PT Indonesia Epson Industry for 12 years, before serving as a Member of the House of Representatives (HoR) in 2009 from the Indonesian Democratic Party – Struggle (PDIP). In the 2009-2014 period, I served in Commission IV as well as in Commission VI. During this period, I was also elected as the deputy chair of PDIP in the provincial branch of West Java, and a member of the Indonesian Chamber of Commerce and Industry (KADIN) for 2010-2015.

In 2014, I was reelected to the Parliament House for another 5 years or until 2019, where I served in Commission IX. Having represented the people for 2 consecutive periods had inspired me to serve through the supreme audit institution, BPK.

Along with more than 60 other candidates, I went through a series of fit and proper test conducted by Commission XI of the House of Representatives. When

I received 41 votes and was selected as BPK Board Member along with the other 4 candidates, I was extremely grateful as well as challenged to do more for the country.

What motivated you to join the run for BPK leadership?

During my time as a member of Parliament, I had often criticized and encouraged the government to conduct better governance in the management and accountability of state finance, especially in SOEs. I had asked the government to take more efforts in optimizing tax revenues, encouraged the fulfillment of providing national electricity needs (including the 35,000 megawatt program) and national energy security. I had made sure that government carried out its role in managing SOEs' debts and provided SOEs efficiency through holding (including for SOEs in fertilizer, oil and gas sectors), so that SOEs can produce more affordable public goods. I learned that as an audit institution, BPK's duties and authorities are more technically directed to giving recommendations to the government on how it should better manage and account for the state finance. This strategic role of BPK has motivated me to continue implement all the ideas I had back in the House of Representatives. My goal is



to further encourage the management and accountability of state finance in order to achieve the goals of the Founding Fathers as stated in the Preamble of the 1945 Constitution.

What are the things that you will pay attention to during your tenure as Board Member VII in the next few years?

In general, I certainly will continue the things that have been done well in Directorate General of Audit VII, which has the task of auditing the management and accountability of state finance at the Ministry of SOEs, SOEs, and subsidiaries in the sectors of energy, infrastructure, food and agricultural commodities, financial services, and other services. Specifically, I plan to focus on the efforts taken by the Ministry of SOEs and SOEs themselves in terms of food and energy security. These two issues are, I think, fundamental to the sustainability of our nation and in developing a better Indonesia.

In addition to the regular audit on energy sub-

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Specifically, I plan to focus on the efforts taken by the Ministry of SOEs and SOEs themselves in terms of food and energy security.

sidies, will there be any special-purpose or performance audits in the near future?

During the fit and proper test to become a BPK Board Member, I pointed out the importance of BPK in giving the right recommendations, so that the follow up actions by the auditees could be more effective and the results of BPK audits could be more useful. At that time, I also stressed that BPK should increase the number of its performance audits, in addition to the regular financial audits and special-purpose audits. For this reason, I plan to pay more attention to performance audits by taking into account auditors' capacity as well as audit topics that add values to the government in achieving national objectives.

As an institution that is always developing and adopting international best practices, BPK must refer to International Standards of Supreme Audit Institutions (ISSAI) 12, which require us to create values and benefits that can make a difference for both the society and the country. With regard to the audits of SOEs, the value and benefits that BPK provides come in the form of recommendations to improve SOEs' performance as development agents and to contribute to the achievement of national objectives.

The audit program on SOEs managed by DG of Audit VII is part of a bigger task and responsibility that BPK as an audit institution must carry out. Therefore, the audit priority is to collaborate with other DGs of Audit in order to create meaningful benefits in managing the nation. The collaboration must certainly consider emerging public issues. BPK needs to be sensitive to public expectations and dynamic in determining its audit focus, especially when it relates to food and energy security, as well as economic growth.

When you were in the Parliament, you frequently highlighted issues on holding oil and gas, and crude oil lifting targets. As Board Member VII, what program or audit will you take to help the country's performance in the oil and gas sector?

Oil and gas sector is one of the portfolio in my current position. The current condition with oil production and consumption placed Indonesia as a net oil and gas importer country. This is quite a challenge for relevant SOEs, as it is a challenge for BPK's audit.

Not only do SOEs need to ensure adequate supply, they are also expected to maintain affordable and stable fuel prices throughout the entire territory of Indonesia. On one hand, Pertamina and other state-owned energy companies are expected to support the national energy security program. On the other hand, however, they are also expected to continue drawing in state revenues.

BPK must be able to encourage the harmonization between these two roles. A deficit in the oil and gas balance is a fundamental problem that the government is facing, and we need to address it accordingly. In addition to economizing and rationalizing the use of oil-based energy, government needs to make a consistent and systematic energy transition. Optimizing the use of new renewable energy will encourage energy diversification to reduce fiscal burden.

I hope that the combination of BPK's performance audits and special-purpose audits could help increase the country's performance in oil and gas sector.

Some time ago, the Chair of People's Consultative Assembly (MPR) requested that BPK carry out audits on all state-owned insurance companies and pension funds. What do you react to that?

We need to see this request from a prevention perspective to address several cases of noncompliance and imprudence in managing state-owned insurance and pension funds. BPK must certainly respond to this request positively, by taking into account BPK's capabilities and risks faced by each SOE. I will personally make sure that BPK auditors, especially under DG of Audit VII, have conducted the necessary risk assessments in SOEs, i.e. insurance and pension funds companies. Based on these assessments, BPK will selectively carry out its audits to provide not only curative recommendations, but also preventive



and systemic improvements to mitigate negative impacts of noncompliance and imprudence of SOEs management.

What are the steps that you have prepared to further increase BPK's performance?

Through risk-based audits, BPK will be more focused and make optimal use of its resources to produce high-quality outputs. Timeliness, compliance to standards, and relevance to emerging issues are the main parameter of high-quality audits. BPK also needs to ensure that due process is carried out since the planning stage, and that communication with stakeholders is established so the audit results are right as needed and fully utilized. The system is BPK must be able to assure that the audit recommendations given to auditees are effective solutions and applicable.

The result of such audits will make BPK more than just a state institution established to merely deliver a clause in the 1945 Constitution. Rather, BPK is here to fulfil government's needs and create value and benefits that can make a difference. Eventually, BPK's performance and trust it receives from the public will automatically increase.

Do you have messages for BPK officials?

I hope all BPK personnel can contribute to good organizational governance in each of their respective roles. This would include creating internal synergy and collaboration to optimize the resources we have. Additionally, for auditors, I hope we can continue improve the quality of communication and collaboration with stakeholders. A good synergy, collaboration, and communication will help BPK in finding what the stakeholders need, thus, generating a high-quality and useful audits, especially in crafting accurate and comprehensive conclusions and recommendations. ●

PIUS LUSTRILANANG, BOARD MEMBER II

Overseeing the Effectiveness of Government Policy

Prior to his political career, Pius Lustrilanang have been acknowledged at the student movement. Now, he serves as the BPK Board Member II. Even though he has wide experience in various organizations, Pius still keep his determination to oversee the effectiveness of government policies in the development goals.

He shared this thought on audit plan to be undertaken by State Finance Auditorate II to *Warta Pemeriksa*. Here are the interview:



■ Board Member II/BPK Head of State Audit II, Pius Lustrilanang

Would you mind sharing your carrier experiences?

I have involved in student movement since I was in university. Then I became politician and was active in Political Party. I was a Parliament member for 2 period in 2009 – 2014 and 2014 – 2019. I served as Vice Chair of Commission XI with responsibility on man power,, transmigration and health.

What is your concern in serving as BPK Board Members in the coming years?

The responsibility of Board Member II covers state finance audit on economics and national development. There are some issue that has become my concern which are central government financial reporting, fiscal and monetary management including oversight of the financial services sector and deposit insurance

Audit n the state budget management and responsibility reflected at the Central Government Financial statement (LKPP) and Line Ministries Financial Statement (LKKL) need to be maintained to improve its quality. We also need to encourage the relevant institutions to manage well coordination to make the management of real and monetary sector become more prudence.

Further, I see that there is a need to perform deeper audit to assess the effectiveness of government policy in achieving sustainable goals. It can be performed by asses the impact of the policy with regard to the development and stability of real sector such as trade, industry, investment including the development of micro, middle and small business development.

You have responsibilities to audit the ministries and agencies on economic sector. In addition to the financial statement, is there any audit with special purpose or performance audit being conducted or planned?

In Semester I 2020, most of AKN II resources are occupied to perform the financial audit on LKKL/LKBUN/LKPP as mandated by Law No 17 Year 2003 on State Finance and Law No 1 year 2004 on Treasury. Our resources also performed financial audit on Bank of Indonesia, Financial Service Authority (OJK) and Indonesia Deposit Insurance Corporation (LPS). Audit to the 3 agencies are also mandated by Law No 6 Year 2009 on Bank of Indoensia, Law No 21 year 2011 on OJK and Law No 24 Year 2004 on LPS.

In addition to that, AKN II also performs audit with special purpose at the Semester I 2020. This is audit on printing, disbursing, and destroying rupiah

at Bank Indonesia and PT Peruri. This audit is also mandated by Law No 7 year 2011 on Currency.

Meanwhile, In semester II 2020, AKN II will perform some audit with special purpose and performance audits such as on the management of state oil and gas revenues and KKKS assets, guaranteeing National Strategic Projects (PSN), capital market monitoring, planning and budgeting for mandatory spending in education and health, achieving tax ratios, and licensing.

In your opinion, how is the quality of entities' financial statement under AKN II?

In my opinion, all entities under AKN II are committed to improve and maintain their financial statement quality. Even though we still find some issues on incompliance on the regulation and the weak internal control system when performing an audit, but these do not affect to the fairness of the financial statement. Thus, we give unqualified opinion to all entities under AKN II for these recent years.

However, I need to highlight that there is no assurance for entities who gained unqualified opinion in the previous year, they will automatically have unqualified opinion at the following years. It depends on the significant issues found during the audit.



I hope that all BPK personnel understand the BPK strategic role and audit institution with responsibility to audit the management and responsibility of state finance.

What are your ideas to improve the BPK performance?

To improve BPK performance, there are some steps to undertake. First is improving the Human resources. In this view, I will encourage auditor in AKN II to attend activities in improving their capacities such as attending training, Seminar, Workshop and others. Further, I will also promote the development of Knowledge Management System (KMS) as a platform to improve the knowledge of akn II human resources. In addition, the improvement of infrastructure is also important. I will communicate these



■ Board Member II/BPK Head of State Audit II, Pius Lustrilanang

issues with Secretary General to ensure the availability of infrastructure to support the audit.

I will also develop effective communication scheme with stakeholders. In my opinion, effective communication with stakeholders is crucial to improve the BPK performance as by having good communication with our stakeholders, we can get their concern, their expectation as well as what do we need to improve our performance.

In the previous interview, you said that you still have homework to be discussed with the government. It is related to the BPK freedom and independence. Would you mind sharing with us how is the progress?

BPK independence is needed to make BPK perform its mandate as stated at the Indonesian Constitution 1945. I find the BPK Independence have been clearly regulated at the Law No 15 year 2006 on the Audit Board of the Republic of Indonesia. To assure BPK independence, Law No 15 year 2006 have explained that the preparation of BPK budget shall be managed freely and independently. The budget shall be proposed to the Parliament to be discussed at the preliminary State Budget discussion. Then, the result of the discussion is submitted to the Minister of Finance as a material to set the Draft of Law on State

Budget. I have discussed with Minister of Finance several times to improve the BPK budgeting process by considering the independence of BPK as mandated in our constitution.

BPK, in particular AKN II have performed audit on SDGs? How is the progress of SDGs audit now?

In supporting the implementation of SDGs in Indonesia, AKN II have performed 2 audit on SDGs. First is performance audit on SDGs preparedness in Indonesia. This audit aims at assessing the government effectiveness on the SDGs preparedness which covering adopting the SDGs to the national context, effort to provide sufficient and sustainable policy resources and effort to establish SDGs indicator used at the follow up and review of the SDGs implementation in Indonesia

The second audit is performance audit on the program effectiveness contributing the implementation of SDGs. This audit aims to assess the effectiveness of government policy contributing to the achievement of SDGs target in Indonesia for 2015-2019.

At this audit, we found some issue related to SDGs preparedness and implementation such as inadequate effort to ensure the budget availability to support SDGs, there has not been data disaggregation needed at the sub national level and the available data and information has not been fully aligned to support the SDGs at national level. It was also found that the SDGs monitoring and evaluation has not been fully effective.

To address those issues, we have recommended the government to prepare President Decree on qualified budgeting and spending, Finalise the draft of President Decree on One Data to produce qualified and reliable data, align the data and indicator at the national with global level and sub national with national level as well as define the comprehensive and integrated guidance on SDGs, monitoring, evaluation and reporting between central and local government.

What is your advice to BPK auditors?

I hope that all BPK personnel understand the BPK strategic role and audit institution with responsibility to audit the management and responsibility of state finance. The success of BPK is relied on the commitment of its auditors. Thus, I ask all auditors to improve their capacity to align with the current development, particularly in terms of technology and information.

Further, I also hope that all BPK auditor uphold the BPK values. Please keep BPK audit report reliable for public by upholding the BPK values. We shall keep each other to make BPK better! ●



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BPK Strengthens the Prevention Measures

The FGD was triggered by the emergence of several parties who raised issues on audit procedures and BPK Audit Report (LHP) through filing a lawsuit.

Audit Board of the Republic of Indonesia (BPK) held a Focus Group Discussion (FGD) related to lawsuits for unlawful acts, at the BPK Regional Office Bali, Denpasar, Thursday (12/12). The FGD was held to provide an understanding and discuss about the lawsuit against BPK audit reports which related to unlawful acts.

The background of the FGD was the emergence of several parties who raised issues on audit procedures and BPK Audit Report (LHP) through filing a lawsuit. BPK invited the Junior Chief Justice of the Supreme Court of the Republic of Indonesia on State Administrative Justice, Supandi, the Chief of the Denpasar High Court, Zaid Umar Bobsaid, legal practitioners, and advocates as speakers. Also performing as a speaker from internal BPK was Director Ge-

neral of Legal Affairs, Blucer W Rajagukguk.

Chairman of BPK, Agung Firman Sampurna, who attended the FGD said, BPK is a state institution whose results are final and binding. However, Agung considered that it needed an evaluation to improve the law enforcement process.

Agung said, BPK also involved in the process of law enforcement through the process of investigative audits and calculating state losses. Agung also said that BPK wanted to strengthen efforts to prevent unlawful acts within an institution. "In the future, we will make efforts to early detect and prevent fraud or what is known as corruption. So people are not immediately criminalized, but given the opportunity to see what can be fixed," Agung said after attending the FGD.

Agung added, prevention efforts had actually been made by BPK. An audited entity was given 60 days to follow up on the results of the audit.

"If there is a state loss, then within that period it can actually be recovered. Therefore, there should not be any immediate law enforcement efforts carried out," he said. ●

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In the future, we will make efforts to early detect and prevent fraud or what is known as corruption. So people are not immediately criminalized, but given the opportunity to see what can be fixed.

Enforcement of Code of Ethics Requires Support from All Parties



BPK Chairman expects local governments as audited entities to support BPK upholding and reinforcing its code of ethics.

Code of ethics enforcement of the Audit Board of the Republic of Indonesia (BPK) requires support from all parties; not only from internal BPK, but also from external stakeholders.

BPK Chairman Agung Firman Sampurna stated that this is a prerequisite to internalize BPK's 3 basic values of independence, integrity, and professionalism well into the institution and its human resources.

"The motivation for such enforcement is not due to fear of prosecution process or ethics sanctions sentenced by the Honorary Board of Code of Ethics



(MKKE). Rather, it is because we all have the responsibility to uphold these basic values, so that state/local finances are managed based on principles of accountability and transparency, thus serve as a tool to achieve the national objective of creating prosperity for all," BPK Chairman remarked at the Workshop on the Implementation of the Code of Ethics held in Kupang, Friday (13/12).



The workshop was attended by MKKE Member Rusmin, East Nusa Tenggara (NTT) Governor Viktor Laiskodat, BPK Inspector General Ida Sundari, regents and mayors, Chair of the NTT Legislative Council, BPK officials, and local officials of NTT government.

BPK Chairman expects local governments as audited entities to support BPK upholding and reinforcing its code of ethics. Agung also hoped that by holding this workshop, local governments as BPK's audit entities know what to do when discovering a violation of the code of ethics.

"This is an important workshop for audited entities to understand about Code of Ethics in BPK and the Honorary Board having a duty to enforce it, called the Honorary Board of Code of Ethics (MKKE). The aim is to support BPK in creating a conducive atmosphere when carrying out auditing responsibilities," he explained.

At the sideline of the workshop, a commitment statement was signed between local inspectors and heads of local governments in the NTT province. Local inspectors committed to

improve the completion of follow up actions to BPK audit recommendations.

Oath Taking

BPK Chairman Agung Firman Sampurna led the Oath Taking Ceremony of MKKE Chairman and Members from BPK element taking place at BPK Head Office, Jakarta, on Wednesday (8/1). This ceremony was held based on BPK Decree number 11/K/I-XI-II.2/12/2019 regarding Dismissal of BPK MKKE Members 2017-2019 from BPK Element and Appointment of BPK MKKE Members 2019-2022 from BPK Element.

MKKE Members from BPK element taking oath were Achsanul Qosasi (Board Member III), and Hendra Susanto (Board Member I).

This ceremony was witnessed by BPK Vice Chairman Agus Joko Pramono and other Board Members. Also attending the event were MKKE Member Jusuf Halim and other BPK officials. Following the ceremony, BPK Chairman observes a signing of the official oath by MKKE Members. ●

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The aim is to support BPK in creating a conducive atmosphere when carrying out auditing responsibilities.

BPK and Commission XI of DPR Discuss on State Budget Risk Management



The objective of this Focus Group Discussion (FGD) is to promote the accountability and transparency of the state finances.

The Audit Board of the Republic of Indonesia (BPK) held a Focus Group Discussion (FGD) with the Chair and members of Commission XI of the Indonesian House of Representatives (DPR) in Jakarta on Monday (16/12). Chairman of BPK. This event was opened by BPK Chairman, Agung Firman Sampurna.



In his remarks, Chairman of BPK stated that this FGD aimed to promote the accountability and transparency of the state finances. The FGD with the theme "Efforts to Increase Accountability and Transparency in Accountability for the Implementation of the 2019 State Budget (APBN)" was also attended by BPK's Director General of Audit.

The FGD discussed some issues related to the management of the state budget until 2018. In addition, the discussion also raised the risk identification of the management of state finances in 2019.

"The baseline is our previous audit result and the risk identification that we will face in performing audit in 2019," said BPK Chairman, who was accompanied by BPK's Vice Chairman Agus Joko Pramono and BPK's Audit Board Member II Pius Lustrilanang.

BPK Chairman expected that at this FGD, BPK will gain input from Commission XI as the main stakeholder on the development of state finance management. "We hope to get more detailed input on how we deal with or manage these risks," he said.

At the end of his remarks, BPK Chairman stated that this FGD will support the duties and authority of the DPR RI, especially for Commission XI, as well as will increase the benefits and importance of BPK's audit results to make it in line with the stakeholders' expectations and needs. ●

Chairman of BPK Highlights the Importance of Risk Management



BPK has developed a policy to strengthen risk assessment as the first step of the risk management process.

Audit Board of the Republic of Indonesia (BPK) held an Entry Meeting for the 2019 Financial Statement Audit of the Ministries under the responsibility of the Directorate General of Audit (AKN) IV, on Monday (6/1). In his remarks, Chairman of BPK, Agung Firman Sampurna highlighted that risk management was an important thing to use as a guide in performing duties as a state finance administrator. The Chairman of BPK even said that the case of PT Asuransi Jiwasraya (Persero) also involved issues on the risk management.

"The Jiwasraya case, besides its criminal issue, it has other problems. The-

re is an issue related to risk management," said the Chairman of BPK at the BPK Head Office in Jakarta on Monday (6/1). BPK has developed a policy to strengthen risk assessment as the first step of the risk management process.

"Risk assessment consists of five elements, but the two main elements are the Business Risk Matrix and the Fraud Risk Assessment Matrix. These two elements are important to be under taken by the audited entity and also by the auditor as part of the risk assessment in performing the audit" said the Chairman of BPK.

A business risk matrix is an information about all conditions or events that have significant risks and might affect the audited entity fail in achieving its objectives. These risks of failure can affect the audited entity's financial statements, efficiency and effectiveness, and compliance with laws and regulations.

Meanwhile, Fraud Risk Assessment

Matrix is an appraisal carried out to identify and detect fraud risks that have the potential to cause misstatements in the financial statements. There are three types of fraud, namely corruption, misuse of assets, and misleading presentation.

Also attending the meeting were the Minister of Maritime Affairs and Investment, Luhut Binsar Panjaitan, the Minister of Public Works and Public Housing, Basuki Hadimuljono, the Minister of Agriculture, Syahrul Yasin Limpo, the Minister of Environment and Forestry, Siti Nurbaya, the Minister of Maritime Affairs and Fisheries, Edhy Prabowo, and Minister of Energy and Mineral Resources, Arifin Tasrif.

In her speech, Board Member IV, Isma Yatun said that the opinion of the Ministries in AKN IV were relatively good. She conveyed, five of the six Ministries had obtained the Unqualified Opinion (WTP) while one Ministry obtained Qualified Opinion (WDP). However, she warned that opinion on a financial statement was not static, it might go up and it might go down.

Therefore, BPK expected the Ministries with Unqualified opinion to maintain it by following up the recommendations from BPK to strengthen the Internal Control System (SPI) and to continuously innovate to better manage state finance.

"Furthermore, compliance with laws and regulations should always be maintained so that every Rupiah of state expenditures is utilized as well as possible for the public welfare," said the Board Member IV. ●

BPK Established IPKN



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We are well aware that accountability is not just the responsibility of management or auditors of state finance; rather, it must also become a culture.



IPKN can play a role in maintaining professionalism by preserving the auditor's code of ethics and acting upon its violation.

Chairman of the Audit Board of the Republic of Indonesia (BPK) Agung Firman Sampurna officiated a professional organization for auditors called the Institute of State Finance Auditors (IPKN). The establishment of IPKN was a part of BPK program Accountability for All.

“We are well aware that accountability is not just the responsibility of management or auditors of state finance; rather, it must also become a culture,” Agung said in his remarks at the BPK Head Office, Jakarta on Thursday (20/2).

Agung stated that there is need on a structured and systematic effort to encourage all elements of the society taking part to preserve accountability. The establishment of IPKN is expected to provide auditors with the benefits to share knowledge and experience through seminars, workshops, and professional development. This organization is also expected to maintain professionalism by preserving the auditor's code of ethics and acting upon its violation.



"IPKN can also enhance the relationship between BPK auditors and public accountants as well as government internal auditors in the effort to improve the quality of state finance audits," Agung added.

This event took place at the Auditorium of BPK Head Office and was attended by holders of Certified State Finance Auditor (CSFA) and representatives of various professional organizations in Indonesia. Also present were former BPK Chairmans Hadi Poernomo (2009-2014), Moermahadi Soerja Djanegara (2017-2019), and former BPK Vice Chairman Sapto Amal Damandari (2014-2017). On this occasion, the members of IPKN National Management Board was also appointed, with Bahrullah Akbar as Chair.

The establishment of IPKN was motivated by the challenges BPK faced as a state institution responsible for auditing the management and accountability of state finance. These challenges

include a growing number of state finance, management entities, fraud methodology, and financial irregularities.

BPK has also been expected to always maintain, guarantee, and improve its audit quality in order to actively play a role in encouraging a transparent and accountable way of managing state finance to achieve public welfare. To respond to this expectations, BPK strengthened its institutional system and competencies, one of which is through auditors certification program. As a result, BPK currently has 115 employees holding a Certification on State Finance Auditing.

In addition to guaranteeing auditors competencies, the establishment of CSFA professional certification was the first effort of initiating a state finance auditing organization in accordance with the Minister of Administrative and Bureaucratic Reform's Regulation Number 49 Year 2018 on Auditor Functional Position. The regulation stipulated that "BPK has the duty to facilitate the establishment of professional organizations for Auditor Functional Position" and that "this professional organization shall be established no later than 5 (five) years after this regulation is enacted."

Following the IPKN establishment ceremony, a book discussion forum on "Building an Ideal BPK – Membangun BPK Paripurna" was also held. This book contains a collection of writings by 73 BPK auditors holding CSFA certification hoping to broaden readers' perspectives on state finance auditing. Not only for internal readers, this book is intended for academics, researchers, students, and general public. ●



Overseeing the Auditors Through Enforcement of the Code of Ethics

Enforcement of the code of ethics depends on each BPK personnel.

The Audit Board of the Republic of Indonesia (BPK) officially appointed five members of the Honorary Board of the Code of Ethics (MKKE). In accordance with the article 29 paragraph 1 of Law Number 15 of 2006 concerning BPK, the MKKE consists of two members from BPK, two from academics, and one from the profession.

The appointment was also marked by the oath taking of the chair and members of MKKE from BPK, at BPK head office on Wednesday (8/1). The oath taking was carried out based on BPK Decree Number 11/ K/I-XIII.2/ 12/2019 regarding Respectable Dismissal of BPK MKKE Members from 2017 to 2019 from BPK's representatives and Appointment of BPK MKKE Members from 2019 to 2022 from BPK representatives

The oath taken to serve as BPK MKKE Members coming from BPK representative were Achsanul Qosasi (Board Member III) as the Head of MKKE and Hendra Susanto (Board Member I).

Achsanul said that MKKE is BPK's efforts to uphold the BPK Code of Ethics and Basic Values, including Honor, Equality and Professionalism. However, he stressed that the compliance of the Code of Ethics depends on each of BPK personnel.

"Supervisors may direct, encourage staff to maintain the code of ethics. But, it all comes from themselves," Achsanul said to the *Warta Pemeriksa*.

He believes that all BPK auditors at the head and regional offices are aware of the established code of ethics. However, temptation can not be avoided. Thus, the same perspective between auditee and the auditor needs to be developed.

"The principle (between auditor and auditee)



must be the same. Auditor comes to reveal the mistakes that the directors do not recognize. Not all directors recognize the mistakes made by their staffs," he said.

According to Achsanul, the implementation of the Code of Ethics is aligned with the audit quality. Auditee might influence or give the incorrect answer to auditor. In this view, He stressed that auditors would not be affected by any offers when they know and apply the code of ethics.

He further explained that MKKE has four responsibilities. First, enforcing the code of ethics and following up on any reports. Second, MKKE shall investigate the reported party.

Third, MKKE decides whether any abuses committed by the reported party. Finally, MKKE determine sanction for any violation of the Code of Ethics. "Basically, we are passive. The party who reporting the case should be active. We anticipate the paradigm of seeking mistake as we also have



Inspectorate General overseeing the staff's performance," he said.

Prevention

MKKE Member who is also Board Member I, Hendra Susanto said that the implementation of decision-making at MKKE has been going well. However, he hoped that time for MKKE Meeting would reduce, or even to be deleted. In this way, he said, the coaching process managed by the supervisors or training center went well.

"As a person who was born in BPK, I hope that MKKE will never conduct a meeting. No meeting means zero defects. It means that the upholding of integrity, independence and professionalism go well," said Hendra, who previously served as Head of Auditorate IB.

As he has been working in BPK for more than 20 years, with the increased of remuneration and welfare, he expected there will be no further MKKE meeting on BPK's staff violation. Hendra wants MKKE not to be the last guardian in upholding BPK's ethic, but also involved in prevention of the violations of code of ethics.

At the final meeting, he suggested that the respective employees punished by not performing audit within one or two years and included in the violation prevention system.

"I propose that the one or two years grounded employees are obliged to attend the socialization of code of conduct in BPK. They will be requested to give testimony on his fault and his punishment," he said.

In addition to that, this procedure was expected will indirectly guide them employees to be better. At the same time, the employees could become an agent of change.

Further, he admitted that he suggested the honorary council to publish the punished BPK's employees' in BPK's Human Resources Information System (SISDM). Thus, all BPK employees are aware of the penalty they have received for violating the Code of Ethics.

When the punishment was over, the employee would return to their working unit. "And that his integrity as a BPK employee was restored," he said.

Socialization for Entities

BPK Inspector General (Irtama) Ida Sundari explained that the involvement of MKKE was intended to preserve the reputation and image of BPK employees. Irtama has responsibility to make a record which include complaint, the findings of an Itama audit report, or analysis of mass media

She further explained said that it is important for auditor and auditee to know and communicate the BPK Code of Ethics must always. Thus, Itama often organizes socialization on code of ethic to external parties, including the individual and the auditee.

"The socializations we organize us are attended by governors such as in DKI Jakarta, NTT, North Sulawesi. On this event, we also explain about the whistle blower program as well as the gratification," she said.

This year, the Itama manages to organize socialization to regional office to remind the entities on the BPK Code of Ethics. It is expected that not only the auditors who will uphold the Code of Ethics, but also the auditees.

"If all relevant parties uphold the code of ethics, the results will be much better to lead the achievement of BPK's vision and mission," he said. ●



State Financial Audit Institute (IPKN) Promotes the Professional Capacity of the State Financial Auditor



IPKN wants to improve the understanding of accountability not only in terms of audits, but also in terms of state financial management.

Audit Board of the Republic of Indonesia (BPK) has officially launched the State Financial Audit Institute (IPKN). The institute is a forum for state financial auditors which is established according to the mandate of Law Number 5 of 2014 on State Civil Apparatuses (ASN) and Minister of Administrative and Bureaucratic Reform (Menpan RB) Regulation Number 49 of 2018 on the Functional Position of the Auditor. The Regulation stipulates

that BPK is responsible in facilitating the formation of professional organizations for the Functional Position of Auditor and the formation of professional organizations no later than 5 (five) years after the Ministerial Regulation is enacted.

"So this is not some kind of trickery. We are indeed mandated by the law and we immediately carry it out," said Chairman of the National Board of IPKN Management, Bahrullah Akbar, to *Warta Pemeriksa*.

Bahrullah explained, the purpose of establishing IPKN was to improve the human resources (HR) capacity in terms of external audit of state finance. Bahrullah said, IPKN would be a forum for collaboration from various parties related to state financial audits.

IPKN is open to all elements from both the go-



■ Bahrullah Akbar

vernment and other professional organizations. Even, Bahrullah said, IPKN will also involve various educational institutions for the advancement of state financial audit. "This is in accordance with the message from the Chairman of BPK (Agung Firman Sampurna), accountability for all. We are open to everyone involved in state finance," Bahrullah said. Bahrullah, who is also a Board Member V, appreciated the support of government elements when IPKN was launched last February. In the inauguration held at the BPK head office, the representatives of the Indonesian National Government Internal Auditor (BPKP), the Ministry of Finance, and the Ministry of Home Affairs were also present. According to him, this is a positive step in increasing transparency and accountability in Indonesia. "We want to increase the understanding of accountability not only in terms of audits but also in terms of state financial management. This is not the work of BPK alone but all of us," said Bahrullah.

One of the products of IPKN is the Certification of State Financial Auditor with the title of Certified State Finance Auditor (CSFA). Bahrullah highlighted, in addition to being mandated by the law, this effort was also the first breakthrough by a Supreme Audit Institution (SAI) in the world. According to Bahrullah, this will also show the quality of BPK to international institutions. He stated, BPK in the future will also provide recognition in the form of CSFA titles to BPK's partners



■ Hery Subowo (right) dan Gunarwanto

throughout the world.

Vice Chairman of National Board of IPKN, Hery Subowo, said the IPKN organization consisted of several committees, namely the Professional Development Committee, the Standards and Ethics Committee, and the Cooperation and Education Committee. Then, there is a regional coordinator which is divided into head office, Eastern, Central, and Western regions. Hery explained, the Western region consisted of Sumatra, Banten, and West Java. The central region consisted Central Java, DI Yogyakarta, East Java, Kalimantan, Bali, and Nusa Tenggara. Meanwhile, Sulawesi, Maluku and Papua are included in the coordination of the Eastern region.

The chair of the region is ex-officio Head of the BPK Regional Office who will then form a regional administrative function. The regional administrator will carry out the task of cooperating with BPKP representatives, Provincial and District / City Inspectorates, Public Accounting Firms (KAP), and professional organizations that have links to the state financial audit. Meanwhile, the Head Office coordinator will be responsible for the development of IPKN through cooperating with Inspectorate General of Ministries / Institutions (K / L), State-Owned Enterprises (SOEs), and Public Service Agencies (BLU).

In awarding CSFA certification, Hery said, there were two types of certification. The first, he said, was in the form of recognition of public figures who played a role in the development of state financial audits. "Therefore, we will give out recognitions to law enforcement officials such as KPK," said Hery.

Secondly, there is a regular certification. Similar to other professional certifications, this certification needs to be proven by the process of education, training, and examinations. There are 18 training courses that need to be taken by someone to obtain a CSFA certification. ●

"Asset Revaluation Needs Attention"

Audit on LKPP is a mandatory audit carried out annually and involving auditors from Directorate Generals of Audit I to VII.



Assets revaluation on the Financial Reports of Central Government (LK-PP) Year 2019 needs attention. This was emphasized by the Chairman of the Audit Board of the Republic of Indonesia (BPK) Agung Firman Sampurna during the submission of Unaudited LKPP Year 2019 to BPK by the Government of Indonesia. This submission followed by the entry meeting of 2019 LKPP audit was held via a video conference on Friday (27/3).

Audit on LKPP is a mandatory audit carried out annually and involving auditors from Directorate Generals (DGs) of Audit I to VII. Amidst the current COVID-19 pandemic in Indonesia, BPK takes responsive and anticipative measures by holding virtual meetings via video conference.

BPK also enforces Work from Home policy, and

maximizes the use of information technology and communication to support the audit process. Although both the government and BPK try to complete the audit agenda as scheduled, the current condition would possibly require a slight shift or delay to the audit completion.

The entry meeting and submission of 2019 Unaudited LKPP was led by BPK Chairman and Minister of Finance Sri Mulyani representing the government. BPK Vice Chairman, BPK Board Members, relevant Ministers/Heads of Institutions, Head of Financial and Development Supervisory Board (BPKP), related high-level officials, BPK Director Generals, and BPK auditors and officials in charge of audits on LKPP and Financial Report of Line Ministries (LKKL) were also virtually present. During the entry meeting, Board Member II Pius Lustrilanang delivered a remark highlighting some issues that need further attention from ministers and heads of institutions.

LKPP Year 2019 is a consolidation of Financial Reports of Line Ministries and a Financial Report of State General Treasurer (LKBUN). Despite some notes to the presentation of LKPP, BPK Chairman conveyed his appreciation to the government for their efforts in completing and submitting the Unaudited LKPP Year 2019 on time.

Appreciation was also expressed to all ministers/heads of institutions for their timely submission of Unaudited LKKL Year 2019 to the Minister of Finance. In addition to achieving a timely submission, BPK Chairman also reminded that LKPP should contain all necessary components of a financial statement. An example of such component is the revaluation of State-Owned Assets.

A discussion on asset revaluation being a significant factor in the increase of government fixed assets was also held during the entry meeting. The increase reported was from IDR 1,931.05 trillion in



■ Agung Firman Sampurna

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A discussion on asset revaluation being a significant factor in the increase of government fixed assets was also held during the entry meeting. The increase reported was from IDR 1,931.05 trillion in December 31, 2018 to IDR 6,007.69 trillion in December 31, 2019 – as stated in the Unaudited LKPP Year 2019.

December 31, 2018 to IDR 6,007.69 trillion in December 31, 2019 – as stated in the Unaudited LKPP Year 2019. There was an increase in fair values of fixed assets before and after revaluation: from IDR 1,538.18 trillion to IDR 4,141.59 trillion respectively.

BPK Chairman also revealed weaknesses in presenting LKPP that government needs to improve on, such as asset revaluation. To provide a more complete information on the management of state finance, the audit result of this year's LKPP will be supplemented with 2 additional documents.

First, a review of fiscal decentralization to assess the local level of fiscal independence. Second, a review of fiscal sustainability to assess the level of resilience and going concern over fiscal governance.

In her statement, the Minister of Finance reported that components of LKPP Year 2019 consists of Statement of State Budget (APBN) Realization, Statement of Changes to Accumulated Budget Surplus, Cash Flow Statement, Operational Report, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statement. Minister of Finance also expressed her gratitude to BPK for continuously encouraging the government to improve its state financial reporting. ●

BPK Encourages Ministry of Manpower To Follow Up Audit Recommendations

Audit Recommendations that can not be followed up can be reported to BPK to be assessed as findings that can not be followed up.

The Audit Board of the Republic of Indonesia (BPK) submitted the audit report report (LHP) to Ministry of Manpower (Kemnaker) at the Head Office of the Ministry of Manpower in Jakarta on Thursday (12/3). Board member III delivered some messages at this occasion.

Achsanul explained about BPK's findings which could not be followed up To the Minister of Manpower Ida Fauziyah and her staff . According to him, the findings which can not be



followed up can be reported to BPK to be assessed as findings which can not be followed up. He added that if the findings were not followed up by the relevant ministries / agencies, BPK would not be able to prevent law enforcement to take action.

"If there are recommendations that cannot be followed up, it is better to immediately inform us by sending formal letter. BPK will include them in a cluster of audit findings that cannot be followed up", said Achsanul.

BPK's Board Member III as the Head of State Finance Auditorate III added that the findings that could not be followed up were classified as the findings that had been followed up.

On that occasion, BPK handed the audit result on the compliance of goods and capital expenditures at the Directorate General of Training Development and Productivity (Ditjen Binalattas) and Directorate-General for

Manpower Recruitment and Expansion of Job Opportunities (Ditjen Binapenta and PKK) of the Ministry of Manpower.

This special-purpose audit aimed to provide a conclusion whether management and accountability of goods and capital expenditures was compliance with relevant regulations. The audit covered the fiscal years of 2018 and third quarter of 2019.

The locations sampled included the Head Office in Jakarta and offices in West Java and East Jawa, as well as the Labor Attaché at the Directorate of Foreign Workers Development and Placement (Dit. PPTKLN) in Jeddah, Saudi Arabia and Abu Dhabi, United Arab Emirates.

Based on the audit result, BPK concluded that the management and accountability of goods and capital expenditures at Ditjen Binalattas had been in compliance with the relevant regulations. ●



BPK Supports Government in Handling Covid-19

BPK appreciated Ministry of Home Affairs for intensively coordinating with all government levels, up to the local governments, in handling Covid-19.



dok kemendagri

The Audit Board of the Republic of Indonesia (BPK) commits to support government's policies to prevent the spread of Covid-19 pandemic. The government issued Presidential Instruction No. 4 of 2020 on Activities Refocusing, Budget Reallocation and Acceleration of the Procurement of Goods and Services to Support the Acceleration of the Handling Covid-19. BPK has been intensively coordinating with the government to keep accountability in managing state finance.

On Wednesday, 8 April 2020, BPK Chairman, Agung Firman Sampurna along with Minister of Home Affairs, Tito Karnavian, and Heads of Regional Governments attended a virtual meeting, organized by Ministry of

Home Affairs aiming to get a direct consultation with BPK.

BPK Chairman appreciated initiative from Ministry of Home Affairs, "We appreciate the Ministry of Home Affairs who has been intensively coordinating with all government levels, up to the local governments in having fast responses to handle Covid-19," Agung said.

The virtual meeting was also attended by Head of Financial and Development Supervisory Board (BPKP), Muhammad Yusuf Ateh, Chairman of Corruption Eradication Commission (KPK), Firli Bahuri, Head of National Public Procurement Agency (LKPP), Ronny Dwi Susanto, and Chief Commander of National Police's Criminal Investigation Department (Kabareskrim), Listyo Sigit.

In this meeting, Minister of Home Affairs said that Covid-19 pandemic had severely impacted not only health aspect but also economy aspect. Thus, both aspects need to be prioritized in handling Covid-19 pandemic. "Our main strategy is making public health the first priority whilst at the same time keeping economy not to sink. UN Secretary General said that Covid-19 crisis had devastated economy with a magnitude impact that was incomparable with any other economic crises that the world had experienced. In Indonesia, the economic impact has been approaching, for example in tourism and manufacturing, then the regional budget (APBD) has been tight," he explained.

Prevent Irregularity

Head of Financial and Development Supervisory Board (BPKP), Muhammad Yusuf Ateh, said that BPK's roles were to ensure that there would be no significant irregularities in managing the budget. Yusuf added that BPK, as in the five-line defense concept, made sure that the Government's regulations, policies, and procedures functioned as the Government's internal controls had been able to prevent from the risks of widespread Covid-19 pandemic in Indonesia.

BPK, the fourth line after the Government Internal Supervisory Agency (APIP), is a defense before the irregularities are handed to Law Enforcement Agency (APH). Having this position means BPK ensures the auditors would check and follow up in case of the irregularities found. "In both concepts, BPK will determine the fairness of the government's budget management regardless of the condition," said Yusuf.

BPK as the government's external auditor might advise the government about macro policies in emergency condition of handling Covid-19. The advises might cover the government's efforts to mitigate the risks of macro strategic in handling Covid-19, macroeconomic impacts arising from the government's policies on Covid-19 and the Large Scale Social Restriction (PSBB)'s impacts on sociocultural.

"Those examples are as of BPK's roles as the government's external auditor to oversight, give insight and make foresight," Yusuf said.

Yusuf conveyed that since WHO declared Covid-19 as the global pandemic, the President, Joko Widodo, issued Presidential Instruction No. 4 of 2020 on Activities Refocusing, Budget Reallocation and Acceleration of the Procurement of Goods and Services to Support the Acceleration of the Handling Covid-19 and Presidential Decree No. 9 of 2020 on the Amendment of Presidential Decree No. 7 of 2020 on the Task Force Steering Council for Acceleration of the Handling Covid-19. These issuances aim to guarantee the efforts on handling the Covid-19.

The non-priority activities, the blocked fund, the remaining tender and the cancelled activities need to be reallocated. In addition, the non-urgent goods expenditure such as, business trip, meeting expense, event organi-



dok kemendagri

zing, honorarium, and operational expenditure are also to be reallocated. "Besides those, the capital expenditure for non-priority and yet unbounded activities are included," Yusuf said.

Head of National Public Procurement Agency (LKPP), Roni Dwi Susanto, explained that since Indonesia had been experiencing Covid-19 pandemic, the Government had issued Circular Letter of Ministry of Finance No. SE-6/MK.02/2020 on Activities Refocusing and Budget Reallocation in Ministries/Government Agencies (K/L) to accelerate the handling of Covid-19 in which followed by two other Circular Letters of BPKP to ensure that APIP in every K/L did reviews on the activities refocusing and budget reallocation as well as goods/services procurement to accelerate the handling of Covid-19. Roni said that BPK needed to audit sampling of the reviews made by APIP of K/L in the regional governments. "BPK needs to audit funds of Covid-19 or familiarly called dana siap pakai in Budget Execution Document (DIPA) of the National Disaster Mitigation Agency (BNPB)," Roni said.

According to Roni, as a state institution having authority to audit the state financial management and accountability, BPK has strategic roles to assess the government's policies. BPK would assess conformity of the government's policies planning to the laws and regulations as well as compliance of these policies with the budget execution principals such as, effectivity, efficiency and satisfying good financial management for transparency and accountability.

Roni added, "When BPK audits financial statements of 2020 on both central and regional governments in 2021, the auditors are expected to have adequate knowledge of the regulations and policies on goods and services procurement related to the handling of Covid-19." ●

BPK Upholds Standards in Auditing LKPP Year 2019



BPK and the government discuss immediate resolutions to issues affecting the fairness in LKPP Year 2019.

The Audit Board of the Republic of Indonesia (BPK) and the government sat down together at the High Level Meeting (HLM) on the audit of the Financial Statements of Central Government (LKPP) Year 2019 on Monday (27/4) to discuss progress of 2019 LKPP audit. The meeting held via video conference took place a month after the submission and entry meeting of the 2019 (Unaudited) LKPP conducted on March 27, 2020.

BPK Chairman Agung Firman Sampurna said, albeit the Covid-19 pandemic, BPK's audit works must still be carried out according to the auditing standards. "All audit teams together with the corresponding ministries/institutions are making their best efforts in optimally conducting the audit activities. These include assessments, tripartite discussions on proposed corrections as well as on audit findings with alternative procedures," Agung explained.

Besides Agung, the HLM was also attended by BPK Vice Chairman Agus Joko Pramono, all BPK Board Members, and BPK Director Generals. From the government side, Minister

of Finance Sri Mulyani, Minister of Energy and Mineral Resources Arifin Tasrif, Chairman of SKK Migas Dwi Soetjipto, and CEO of PT Pertamina (Persero) Nicke Widyawati were present.

The HLM discussed a number of things, including the presentation of assets and obligations of service concessions, revaluation results of State-Owned Assets (BMN), and transaction accounts between the government and State-Owned Enterprises (SOEs).

In discussing the presentation of these accounts, BPK and the government further exchange views on Undefined Status Government Assistance (BPYBDS) at PT Pertamina (Persero) from the Ministry of Energy and Mineral Resources, compensation debts/receivables between the government and PT Pertamina (Persero) and PT PLN (Persero), as well as debts/receivables between the government and PT Pertamina (Persero) on state oil and gas sales fee. BPK Board Member II Pius Lustrilanang as the coordinator of LKPP audit stated that the meeting was held to discuss immediate resolutions to issues affecting the fairness in LKPP Year 2019.

"This meeting is important to achieve a common understanding between BPK and the government on these issues," said Pius. Through this meeting, Pius expected that decisions be made on the immediate steps to be taken by the government to provide optimal results for accountability and transparency of state finance. ●

Safe Guarding State Finance in the Mid of the Pandemic

There are many lesson learned from the Covid-19 pandemic. To improve time and cost efficiency, utilization of IT support during a pandemic can also be used under normal conditions.

Covid-19 Pandemic did not stop the task of Audit Board of the Republic of Indonesia (BPK) in overseeing state finances. BPK continues to audit even though BPK and the auditee apply “work from home”. To overcome the problem of physical limitations in audit process, BPK maximizes the use of its technological devices and applications.

BPK Board Member V, Bahrullah Akbar, explained that the BPK’s task based on its mandate

is to audit the management and responsibilities of state finances carried out by the central government, local governments, other state institutions, Bank of Indonesia, SOEs, Public Service Agencies (BLU), Local Enterprises, and other institutions or bodies that manage state finances.

Under normal circumstances, submission of unaudited financial statements to the BPK is no later than March 31 each year. Furthermore, the financial statements are audited, and the audit report is submitted to the representative institu-



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BPK team had anticipated this situation by publishing guidance of the audit in the Covid-19 period. BPK uses technology, such as Google Maps as a substitute for physical testing.

tion two months after the BPK has received it. Meanwhile, the Covid-19 pandemic has occurred since early March 2019. “Of the 542 local governments throughout Indonesia, 483 of them applied work from home,” Bahrullah said when speaking at an online talkshow in early May.

Bahrullah explained, this condition was a big challenge for the audit of financial report. Nevertheless, BPK has prepared a variety of strategies for conducting audits. One strategy is to use the same audit team as the previous year.

In addition to that, BPK utilizes online applications to conduct audits. BPK ensures the process of receiving and sending hard copies of documents through delivery services by considering health protocols. Fortunately, Bahrullah said, almost all local governments’ financial management have been based on information systems.

Nevertheless, Bahrullah acknowledged that the audit during the WFH period experienced some challenges, including inability to conduct interviews and direct physical check. “BPK team had anticipated this situation by publishing guidance of the audit in the Covid-19 period. BPK uses technology, such as Google Maps as a substitute for physical testing.”

Other challenge occurred was related to communication. Since the application of WFH, the request for documents or information from local governments needed longer time.

“Sometimes there are some people who make Covid-19 as an excuse to make it longer, so we remind you not to do that,” he said.

Internet network support also becomes an inhibiting factor. Because not all local governments have adequate networks. Moreover, not all documents are in the form of soft copy.

Bahrullah explained, various obstacles were overcome by BPK by strengthening communi-

cation with auditees, implementing alternative procedures, and optimizing the use of IT in audits. During this pandemic, BPK maximized the application of computer-based audit techniques. Further, BPK also ensured electronic documentation of audit working paper stated in SA (audit standard) 230 and the application utilization for financial statements audits quality control.

In terms of optimizing the use of online platforms, BPK has an e-audit portal, SiAP LK application and LKPD monitoring application. “These are what make BPK able to adapt in a strategic environment towards change. So, we continue to progress even though BPK audit is somewhat delayed, possibly until July if conditions have not recovered as it is today,” he said.

According to Bahrullah, there are many lesson learned from the Covid-19 pandemic. He said, to improve time and cost efficiency, the use of IT support during Covid-19 can also be used under normal conditions. Then, alternative audit procedures in the Covid 19 pandemic conditions can be applied in the event of any other emergency conditions in the future. ●

Guidelines for Audit of BPK in the Covid-19 Pandemic

1. Entry and exit meetings using video conference.
2. Physical check using drone/google map live/video conference.
3. Interviews and confirmations using video conference or electronic mail.
4. Stock inventory taking using video conference.
5. Testing the realization of official travel expenditures, tax revenue for public street lighting (PPJU), government assistance in the field of education, and deposits to the state treasury through the e-audit portal.
6. Testing the accuracy of numbers in financial statements with details in the database using the data management audit tool, namely ACL, IDEA, SQL server.

BPK Prepares for Audit on Covid-19 Handling



The audit objective is to examine effectiveness, transparency, accountability and compliance in managing state finance based on risks analysis and public issues.

The Audit Board of the Republic of Indonesia (BPK) will conduct an audit on the use of the IDR 695 trillion Covid-19 budget allocated by the Government to handle the pandemic. For this, a thematic audit involving all Audit Departments in BPK will be launched.

This information was conveyed by Board Member III Achsanul Qosasi during an interview with Elshinta Radio in Jakarta,

Friday (3/7). Achsanul elaborated that this would be a comprehensive audit, or also known as the audit universe. A comprehensive audit is necessary considering the vast amount of Covid-19 emergency fund.

"The total budget allocated to combat Covid-19 reached IDR 695 trillion, not only IDR 203 trillion previously mentioned. Therefore, BPK needs to carefully prepare our audit program, such as methodology, objective, and the audit procedures," Achsanul explained.

To prepare for this audit, BPK organized a focus group discussion involving relevant ministries/agencies. The discussion was aimed to determine Government's goals and plans in implementing the Covid-19 handling program. Ministries and agencies involved were, among others, Ministry of Finance, Ministry of Health, National Disaster Management Agency (BNPB), National Development Planning Agency (Bappenas), and Ministry of State-Owned Enterprises. In addition, BPK also conducted a separate consultation meeting with the House of Representatives (DPR).

"We want to know for sure the Government's intentions and objectives in implementing the Covid-19 program. We analyze what their plans are, then we will test how successful the Government is in planning it, including in executing it," he added.

Achsanul hoped that whatever the audit result may be, it would not be politicized and criminalized. According to him, the finance managers in central and local governments have tried their best in running the program.

"We prepare the audit program with the hope for the benefit of all in the future. BPK is not solely looking for wrongdoers, we only want to enforce transparency and accountability. That's all," he stressed.

Achsanul also conveyed the information on Covid-19 handling audit at the 2020 National Coordination Meeting of Internal Control which was opened by President Joko Widodo on Monday (15/6). He emphasized that in planning an audit on Covid-19, BPK requires good communication and cooperation with the Government Internal Supervisory Apparatus (APIP).

According to Achsanul, APIP's work results will help determine the nature, timing

and scope of audit that BPK will carry out in order to provide optimum added value. Synergy can also be done through structured communication to discuss issues related to policies in handling pandemic, he added.

"This synergy must based on the principle that each part of state finance must be held accountable, and that accountability in handling the Covid-19 pandemic is our collective responsibility," Achsanul said.

Achsanul also conveyed this message at a webinar on "Assessing the Performance of Indonesia Government in Handling Covid-19" held by the Indonesia Doctoral Training Partnership (IDTP) University of Nottingham, United Kingdom on Friday (17/7).

Invited as a resource person, he informed that BPK's audit policy for the management and accountability of state finance in handling Covid-19 is by conducting a comprehensive risk-based audit.

A comprehensive audit refers to an audit program which combines 3 types of audits: financial, performance, and special purpose audits. The scope of audit includes refocusing and reallocation of budgets for handling Covid-19, as well as additional state/local expenditure and the National Economic

Recovery (PEN) scheme.

The audit objective is to examine effectiveness, transparency, accountability and compliance in managing state finance based on risks analysis and public issues. To achieve this objective, BPK will audit the budget allocation provided.

Additionally, BPK will examine whether benefits/facilities/assistance are received by the entitled parties at the right time, quantity and quality. Furthermore, BPK will check whether all transactions are recorded, reported and accounted for, as well as ensure there are no violations of provisions and misuse of budget. ●

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We prepare the audit program with the hope for the benefit of all in the future. BPK is not solely looking for wrongdoers, we only want to enforce transparency and accountability. That's all.

Asset for Contributing at the International Audit Communities

BPK's operational and technical guidelines are valuable tools for BPK to play crucial roles at international audit communities.

The Audit Board of the Republic of Indonesia (BPK) keeps continuing to play important roles at the international audit communities. It is implemented by involving its qualified employee at the audit managed by international organizations.

Kusumaningsih is one of the employees who has the opportunity to involve at the international audit activity by becoming an audit reviewer in IN-TOSAI Development Initiative (IDI). One of her experiences is to review audit reports on the implementation of the Sustainable Development Goals (SDGs) prepared by the Supreme Audit Institution (SAI) of Bhutan and Philippines.

To *Warta Pemeriksa*, the Analyst of Audit Method in R&D Division said that the success of representing BPK and Indonesia at the international activities have provided her with valuable experience. "The most memorable activity was the work pattern adopted there," Kusumaningsih said.

She further explained that the work pattern performed at the international institutions was very tidy and systematic. The entire procedure must be planned well which requires the reviewer to learn more about the audit conducted.

Moreover, her assignment was to review performance audit. "We know that performance audit requires more



■ Kusumaningsih

effort to understand the working mechanism of the audited entity," Kusumaningsih said.

In addition, she said, the reviewer team also had to arrange detailed program and appointment for the review process including the interview schedule. The interview had been scheduled even before conducting the on-site visits or when the reviewers were still in their home country.

This condition requires the reviewer team to prepare the questions or items that will be explored at the in-

terview session long before they meet the reviewees. Such working pattern made the review process became more time-and-cost efficient.

While she gained a wide experience by working at the international organisations, Kusumaningsih said that she was proud on what BPK have been produced so far. She explained that BPK deserved to be proud on the operational and technical guidelines that have been aligned with international standard.

With this condition, Kusumaningsih admitted that she could align herself with reviewers from other countries. "With BPK's operational and technical guidelines, I am confident and not inferior to other countries," she said.

Kusumaningsih encourages to disseminate this perspective to other BPK auditors. As a staff of the Directorate of Research and Development, Kusumaningsih said, BPK's operational and technical guidelines were prepared based on international audit standards such as ISSAI.

By following the operational and technical guidelines, the quality of the audit can be maintained. "Therefore, I also often support colleagues at BPK to actively implement the operational and technical guidelines, because that's our first step to assure the quality of our audit report" she said.

She is also optimistic that if all BPK auditors implement these guidelines optimally, not only the quality of the report that will be positively affected, but also the quality of the auditors will be improved, even they can have skills that internationally recognized. ●



January 8, 2020

BPK Chairman, Agung Firman Sampurna, and BPK Board Member, Hendra Susanto attending the work meeting of Ministry of Foreign Affairs of the Republic of Indonesia.

January 2, 2020

BPK Chairman, Agung Firman Sampurna, accompanied by BPK Training Institute, Hery Subowo, having a dialogue with residents affected by flooding in Kalibata, South Jakarta.



January 13, 2020

BPK Vice Chairman delivering remarks when paying tribute to the late BPK Board Member, Prof Eddy Mulyadi Soepardi.



January 9, 2020

BPK Chairman, Agung Firman Sampurna, leading the oath taking for the Chair and Members of BPK's Honorary Council of the Code of Ethics from BPK representation at BPK head office.

January 30, 2020

Courtesy Visit from high officials of BPJS (Social Security Agency) to BPK Leaders.



January 27, 2020

BPK Vice Chairman, Agus Joko Pramono opening the Training on Public Relations.



January 29, 2020

BPK Board Member I, Hendra Susanto attending the audit entry briefing with KPK.

February 7, 2020

BPK Board Member I, Hendra Susanto attending the audit entry meeting with Kejaksaan (Attorney General Office).



January 30, 2020

BPK Board Member VI, Harry Azhar Azis attending the audit entry meeting with Director of BPJS (Social Security Agency).



January 29, 2020

BPK Board Member I Hendra Susanto attending the Audit Entry Meeting with the Indonesian Army during the Executive Leadership Meeting between the Indonesian National Military and Indonesian National Police at GOR Ahmad Yani.

January 30, 2020

BPK Board Member I Hendra Susanto attending the Audit Entry Meeting with the Indonesian National Military-Land Force during the Executive Leadership Meeting of Indonesian National Military-Land Force at Puri Ardhya Garini.



January 20, 2020

Courtesy visit of Soft Tennis to BPK Board Member IV Isma Yatun.

February 13, 2020

BPK Board Member I Hendra Susanto paying tribute to the late JB Sumarlin (BPK Chairman 1993-1998) at San Diego Hills Cemetery.





January 16, 2020

BPK Board Member V Bahrullah Akbar when paying tribute to the late BPK Chairman Sri Sultan Hamengkubuwono IX in Yogyakarta.

January 17, 2020

BPK Executive Leaders and officials paying tribute to the late BPK Leaders at Kalibata Heroes Cemetery.



January 16, 2020

Inauguration of BPK Employee Care Center and Tunas Bangsa Child Care by BPK Board Member V Bahrullah Akbar.



February 27, 2020

BPK Chairman Agung Firman Sampurna attending High Level Visit between BPK, National Counter Terrorism Agency (BNPT), and United Nations (UNOCT and UNCTED) at BNPT Office in Jakarta.



February 27, 2020

BPK Chairman Agung Firman Sampurna attending High Level Visit between BPK, National Counter Terrorism Agency (BNPT), and United Nations (UNOCT and UNCTED) at BNPT Office in Jakarta.



March 2, 2020

BPK Board Member III, Achsanul Qosasi delivering a public lecture at Udayana University in Bali. In the public lecture on "Transparent and Accountable State Financial Management within Public Universities (PTN)", Achsanul Qosasi encouraged the academic community, management-level and staff-level of Udayana University to understand the State Finance Law, the State Treasury Law, and the Higher Education Law.



March 5, 2020

Director General of Audit V Novian Herodwijanto and Director General of Audit VII Akhsanul Khaq attending Goes to Campus at UIN Lampung as the resource persons.

March 4, 2020

BPK Vice Chairman, Agus Joko Pramono attending Courtesy Call with Guinea-Bissau Ambassador, Carlos Antonio Moren at the BPK head office.



March 13, 2020

Staffs of BPK's Public Relations Bureau and the General Affairs Bureau attending a weekly joint sport activity.



March 17, 2020

BPK's Chairman, Agung Firman Sampurna paying a friendly visit to the Minister of Health, Terawan Agus Putranto.





April 6, 2020

BPK Chairman, Agung Firman Sampurna inaugurating the BPK's Director Generals, namely Novy Gregory Antonius Pelenkahu as the Director General of Audit I BPK, Akhsanul Khaq as Director General of Audit V BPK, and Heru Khresna Reza as Director General of Audit VII BPK. The three Director Generals were sworn by the BPK's Chairman in the BPK Auditorium. Meanwhile, one Senior Advisor, Novian Herodwijanto, was inaugurated as Senior Advisor for State/Regional Owned Enterprises was sworn via video conference.



June 8, 2020

BPK Board Members attending the Submission of the Government's follow-up on the Final Assertions improvement of the 2019 LKPP and the 2020 LKPP Preparation.





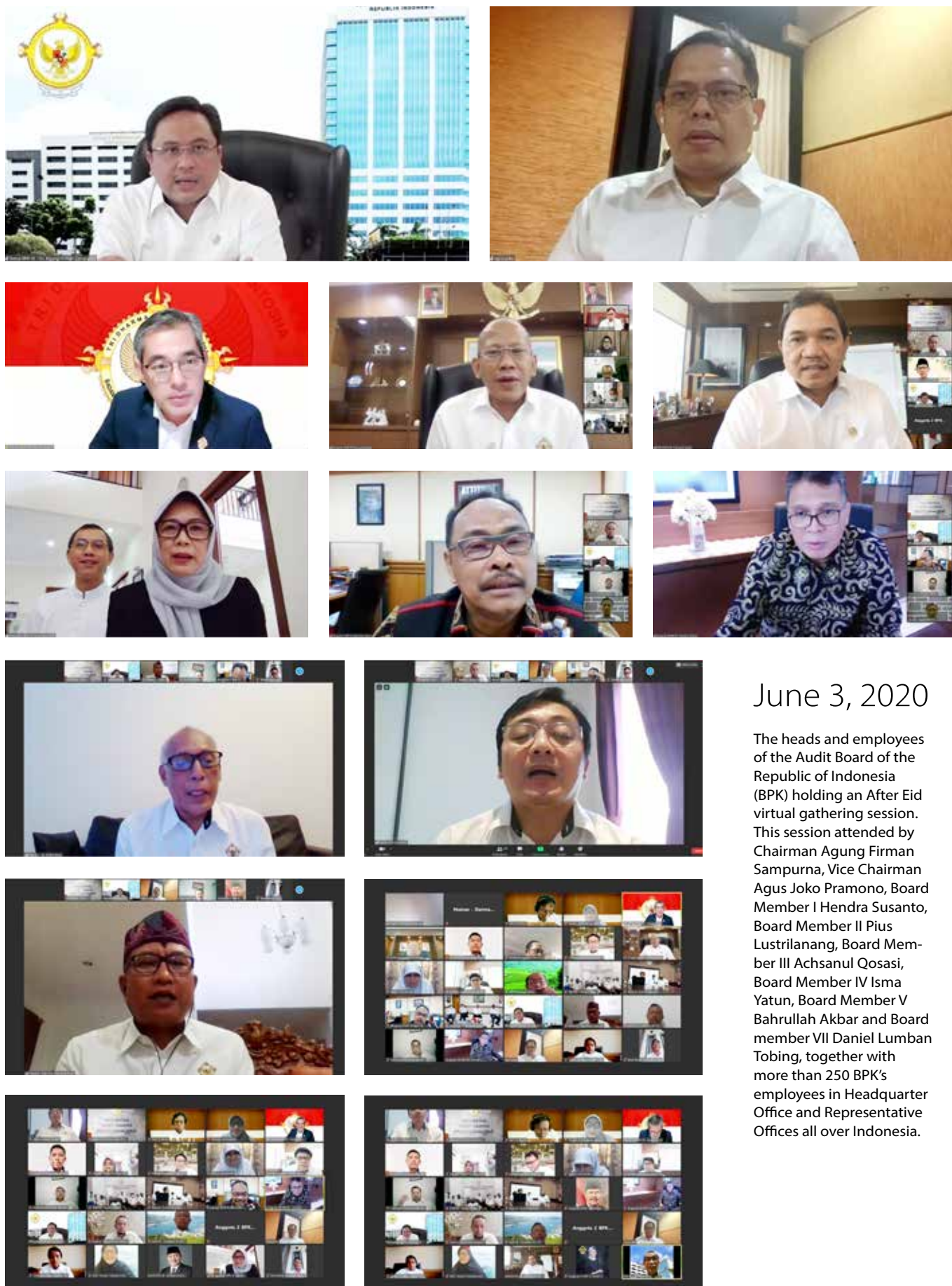
May 11, 2020

BPK Chairman and press attending virtual media workshop discussing Summary of Audit Report of Semester II 2019.



June 3, 2020

BPK's High Officials, including Board Member VII Daniel Lumban Tobing, attending the Virtual Gathering after Eid Mubarak.



June 3, 2020

The heads and employees of the Audit Board of the Republic of Indonesia (BPK) holding an After Eid virtual gathering session. This session attended by Chairman Agung Firman Sampurna, Vice Chairman Agus Joko Pramono, Board Member I Hendra Susanto, Board Member II Pius Lustrilanang, Board Member III Achsanul Qosasi, Board Member IV Isma Yatun, Board Member V Bahrullah Akbar and Board member VII Daniel Lumban Tobing, together with more than 250 BPK's employees in Headquarter Office and Representative Offices all over Indonesia.

June 19, 2020

Press conference held by Chairman of BPK, Agung Firman Sampurna, accompanied by Board Member I, Hendra Susanto, on the result of rapid test of Covid-19 to BPK's employees.



June 22, 2020

Board Member V of BPK, Bahrullah Akbar handing over the audit report of DKI Jakarta Province to Governor of Jakarta, Anies Rasyid Baswedan.



June 22, 2020

Board Member I of BPK, Hendra Susanto, having a meeting with Head of Meteorological, Climatological, and Geophysical Agency.



June 22, 2020

Board Member V of BPK, Bahrullah Akbar handing over the audit report of West Java Province to Governor of West Java, Ridwan Kamil.



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