



January 2022 was a special moment the Audit Board of the Republic of Indonesia (BPK). One of the reasons is the diamond jubilee of the office. In other words, it has been 75 years that BPK is contributing to help maintain transparency and accountability of state finance.

At this age, BPK has also received various recognitions for its work and competence; not only at the national level, regional, continental, but also the international levels. At the international level, BPK is trusted to be the external auditor of international organizations and also holds strategic positions in international arena; from ASEANSAI, ASOSAI, INTOSAI Development Initiative, to the United Nations.

In the 76-year history of the United Nations, BPK is the only Supreme Audit Institution which holds two strategic positions in the field of audit. Vice Chairman of BPK Agus Joko Pramono is the Vice Chairman of the UN IAAC, which is an internal audit institution within UN. While Chairman of BPK is the Vice Chairman of the UN Panel of External Auditors, which is a forum of external auditors under the UN.

This edition also contains reports related to BPK's efforts in overseeing the implementation of the Sustainable Development Goals (SDGs) in the country.

Another issue covered is related to Indonesia's achievement in holding the Group of Twenty (G20) for a full year. The presidency starts from December 1, 2021 until the G20 Summit in November 2022. The handover of the presidency from Italy (as the 2021 G20 Presidency) to Indonesia was carried out physically on October 21, 2021 in Rome, Italy.

The G20 Indonesia Presidency carries the theme "Recover Together, Recover Stronger". Through this theme, Indonesia invites the whole world to achieve a stronger and more sustainable recovery together.

In this regard, BPK took the initiative to establish the Supreme Audit Institution 20 (SAI20) as part of the G20 Indonesia Presidency. SAI20 puts forward two main priorities that are in line with the G20 Presidency theme: accelerating post-pandemic recover and supporting the achievement of SDGs.

Another report we prepared was about audit of the 2021 Central Government Financial Report, focusing on PC-PEN. The budget allocation for PC-PEN is Rp49.57 trillion or 7.13 percent compared to 2020 which amounted to Rp695.20 trillion. From that figure, the budget realization of PC-PEN program in 2021 increased by 82.75 trillion, or 14.37 percent compared of the budget realization in 2020, recorded at Rp575.85 trillion.

BPK hopes that the increase on the allocation and realization of PC-PEN program will be followed by an increase in the quality of its accountability to LKPP in 2021: accountability from financial aspects and/or the achievement of the details of its output.

Also, be sure to check out BPK's report in dealing with lawsuits related to the Audit Report (LHP). Through this edition, we would also like to clarify the types of lawsuits, which are civil, State Administration (TUN), public information dispute, and criminals. ●

EDITORIAL

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Secretariat

Ni Luh Made Dwiningtyas S
Apriyana
Sudarman

Secretariat Address

The Audit Board
of the Republic of Indonesia
Jalan Gatot Subroto no 31
Jakarta
Phone: +62-21-25549000
Extention: 1188/1187
E-mail address:
wartapemeriksa@bpk.go.id
www.bpk.go.id

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BPK'S ADDED VALUE TO OVERSEE SDGS IMPLEMENTATION

Strategic plan of BPK also includes SDGs as one of its implementation points.

The Audit Board of the Republic of Indonesia (BPK) supports and oversees implementation of the Sustainable Development Goals (SDGs). BPK has even become a role model as a Supreme Audit Institution (SAI) that publishes a sustainability report (SR).

Vice Chairman of BPK Agus Joko Pramono informed that the SDGs were first included as a theme in the INTOSAI community at the 22nd INCOSAI held in December 2016 in Abu Dhabi, United Arab Emirates. "At the time, INTOSAI agreed that the role of SAI in each country, including Indonesia, was to contribute to the SDGs and/or its achievements through its auditing model," he said to *Warta Pemeriksa* recently.

To elaborate, he explained that BPK's contribution to the implementation of the 2030 Agenda for Sustainable Development is carried out in four approaches, in accordance to INTOSAI guidelines. First, by auditing country's readiness in implementing SDGs. Second, he continued, by conducting performance audit on the achievement of the 17 goals implemented by the government, which focuses on the approach, measure, and the like.

Third, by how SAI such as BPK remains a driver in the context of accountability, transparency, and enforcement of justice in a country's business process. "This is in line with the good governance approach which is the main task of SAI," Agus pointed out. And forth, SAI being a role model in achieving organizational goals related to the achievement of the SDGs.

"This is measured using a concept called the SAI Performance Measurement Framework (SAI PMF). BPK publishes a

Sustainability Report (SR), which perhaps makes BPK one of the very few to use the concept of SR in its institution," Agus said.

He pointed out that preparation of the Sustainability Report is an added value offered by BPK. Not to mention, BPK is the only known public sector entity that prepares a Sustainability Report.

"I have conveyed this fact to the international community, and they responded positively. While other may only assess the PMF, we measure waste management, carbon consumption, the use of solar cell, and map the development in the future. That is roughly the role and contribution of BPK in overseeing the implementation of the 2030 Agenda related to the SDGs," Agus explained.

This is also stated in the 2024 BPK Strategic Plan. This strategic plan, among other things, includes carrying out and improving SDGs-related audit to issuing sustainable report on SDGs implementation in BPK.



This is measured using a concept called the SAI Performance Measurement Framework (SAI PMF). BPK publishes a Sustainability Report (SR), which perhaps makes BPK one of the very few to use the concept of SR in its institution.



■ Agus Joko Pramono

“It is in our mid-term plan. By doing this, we hope to actively participate in the global community as SAI in implementing SDGs,” he said.

Agus explained that since 2017, BPK has participated in various international initiatives related to the 2030 Agenda and SDGs, as presenters, resource persons, conveying ideas at international events related to SDGs. To name a few, SAI Leadership and Stakeholder Meeting, High Level Political Forum (HLPF), Asia-Pacific Forum on Sustainable Development (APFSD), South-East Asia (SEA) Forum on Implementation

of the SDGs, SEA Multi-Stakeholder Forum.

“Essentially, we often present at international events. We also join international working groups related to the implementation and audit of SDGs. We even lead in some projects,” he said.

According to Agus, BPK’s active involvement in SDGs is not only reflected internally. As an SAI, BPK also carries out audits on the achievement of SDGs. The audits are adjusted to the objectives run by the government. “For instance, when the government wants to provide good health services, we assess that. When the government



Whenever we learn of new best practices in the context of implementing SDGs, we internalize the best practices, we introduce it into our system. On the other hand, we would also like to inform the public of what we have done and achieved. This is what we call externalization. BPK applies the two things in its external relations.

Founding SDGs Center

The Audit Board of the Republic of Indonesia (BPK) assigns the coordination of SDGs audit to a task force structure. Nevertheless, Vice Chairman of BPK Agus Joko Pramono aspires to establish an SDGs Center in BPK.

“We try to include this in the planning and budgeting process. The SDGs center is planned to be outward-looking. We want to convey messages on SDGs implementation in Indonesia. We want to educate the public about it,” he told *Warta Pemeriksa* in Jakarta, recently.

According to Agus, there are still many Indonesian who are not aware of the SDGs. Therefore, it is important to establish an institution that becomes a center of information related to the development of achieving goals in Indonesia.

“This is a country’s outcome on what has been done. If we are able to show that, we can show our strengths and weaknesses to the public,” he added.

However, for the current BPK, task force concept is considered sufficient in carrying out SDGs audit, because the audit units in BPK are already in charge of each sector being the goals in SDGs. This way, for every audit on a particular sector, there will be an audit unit leading and assisting other audit units.

“For example, for audit on sustainable transport, environment, health, and so on. Each has a corresponding audit unit. That particular unit will then lead the audit, assisted by other audit units,” he said. ●

focuses on education, we also take a careful look. These two sectors – health and education – are usually what we pay attention to. Because the Constitution mandates for these sectors to have sufficient spending,” Agus elaborated.

BPK’s Reports

In the last few years, BPK has submitted three reports related to SDGs audit to the government. Agus mentioned at least there are three reports. First, a report related to the audit result on government’s readiness to implement SDGs programs to 2030. Second, a performance audit report on education. Third, a performance report related to sustainable transport and health.

In addition to that, BPK also reported the review result on the Indonesia’s VNR 2021.

“This is a crucial role and BPK’s products are already related to SDGs,” he remarked.

Agus continued, the assessment of the 2021 Voluntary National Review (VNR) of Indonesia was a breakthrough by BPK. “We are the only SAI in the world doing this. So, this is not an audit on a specific goal, rather a review on how the government has prepared the VNR: are the supporting documents sufficient, is the conclusion correct,” he explained.

Since SDGs is a crosscutting issue, BPK establishes a task force for SDGs audit. As the Steering Committee are the Board Members of BPK led by the Chairman. Meanwhile, Auditor-In-Charge could be from the Secretariat General or the related Audit Unit carrying out specific audit objectives.

For example, detailed Agus, for SDGs target related to education, it will be under the purview of Audit VI. Meanwhile, SDGs target related to transportation is under

Audit IV. "So the structure formed is integrative, not handled by one particular audit unit, depending on the context," he said. Therefore, every audit related to SDGs has been decided, beforehand, what procedures will be taken, and what the purpose of the audit is.

This means that BPK cannot carry out SDGs audit based on the reports we usually make. "The report will be entirely different, because the criteria are different or as determined by the INTOSAI Development Initiative (IDI). Also, the expectation is different, since we want to refer specifically to SDGs audit, not special-purpose audit nor performance audit done by each audit unit," he stressed.

Time Continuity

As for duration of audit, Agus explained that it depends entirely on the scope of audit. When it is related to all SDGs goals, then the audit will be carried out in continuity. But when it is only on specific goals, we use the regular audit timeline.

"However, since our report will usually be conveyed at a High-Level Political Forum around July, then the average time to conduct SDGs audit is during the first semester of the year. Considering that every July we present what each SAI has done in the United Nations," he stated.

As for what is reported, he added, it is a result of the work that BPK has carried out since 2015 until the time of reporting. So, for a report on education, we report whether or not the government has provided proper education as stipulated in SDGs.

"For every report on SDGs, we flash back from 2015." And to improve the audit quality, BPK explores ways to establish cooperation with several related organizations, such as SDGs Center of Universitas Padjajaran and Universitas Indonesia. The cooperation may be related to information/data exchange, experts, and so on.

For each cooperation that BPK establishes, we usually do a process called internalization. "Whenever we learn of new best practices in the context of implementing SDGs, we internalize the best practices, we introduce it into our system.

On the other hand, we would also like to inform the public of what we have done and achieved. This is what we call externalization. BPK applies the two things in its external relations," he told.

In the future, Agus hoped BPK could carry out a thorough audit in each presidential period, how far each ruling government is implementing the SDGs. However, with the current audit concept, he realized that it would be quite a challenge to fulfil.

"In the current status, not all Audit Units include SDGs in its audit plan, so it cannot be consolidated. This way, we need to formulate separate audits for 17 goals and more than 200 criteria. Great efforts are required for this expectation to come to life. But the government must find out where it is at in the context of SDGs, whether it is achieved or not," Agus highlighted. ●

BPK and SDGs

- SDGs is an extension or continuation of the Millennium Goals Development Goals (MDGs). In 2009-2015, the international expected for the program to continue with a new approach. Thus, SDGs was created, with 17 goals and their sets of criteria and subcriteria.
- Basically, SDGs model introduces a balanced development between physical and sustainable development. All state institutions wishing to sustain and continue being relevant must pay attention to this, including BPK.
- "We must live sustainably. Resources must be used carefully to maintain balance. Carbon consumption must be pressed to not create health issues. There's a trade-off for a sustainable development." ●



SAI20 ASSISTS THE ACCELERATION OF ECONOMIC RECOVERY AND SDGS IMPLEMENTATION

SAI20 invites SAs under the G20 to share experiences and best practices.

The Audit Board of the Republic of Indonesia (BPK) initiates the establishment of Supreme Audit Institutions 20 (SAI20) as part of the Indonesian G20 Presidency. SAI20 carries two main priorities namely accelerating post-pandemic economic recovery and supporting the implementation of SDGs. This is in line with the theme carried by Indonesia as the G20 Presidency "Recover Together, Recover Stronger".

"In addition, it is in line with the G20's three priority programs, namely the global health architecture, digital economic transformation, and sustainable energy transition," BPK's Director of Public Relations and International Cooperation Bureau Selvia Vivi Devianti said recently in the 16th discussion on Accounting and Auditing Discussions Series (AADS) themed What is SAI20? (Supreme Audit Institution 20).

The discussion is held by the Bureau of Public Relations and International Cooperation inviting several resource persons and



attended by Senior Auditor Tjokorda Gde Budi Kusuma, Head of Strategic Planning Section I, Directorate of Strategic Planning and Performance Management of BPK Asrarul Rahman and Head of Evaluation and Reporting Section of Performance Audit II, Directorate of Audit Evaluation and Reporting of BPK Nico Andrianto.

Vivi says that SAI20 invites Supreme Audit Institutions under the G20 to share experiences and best practices in the engagement group under the G20 Presidency.

"The priority issue is the acceleration of economic recovery that we can achieve a strong and sustainable economy and support the implementation of SDGs," Vivi said.

Head of Strategic Planning Section I Asrarul Rahman says that SAI20 is part of the engagement group in the 20th Presidency, mentioning the Covid-19 pandemic that had put economic, fiscal and social pressures on all countries in the world. It requires all countries to act addressing this unprecedented crisis.

"Countries in the world, to be specific, the G20 members, need cooperation and collaboration to overcome this, especially to increase transparency and accountability," he said.

SAI20 as a forum for meetings and cooperation among audit institutions of G20 members is obliged to contribute to G20 leaders, especially in the areas of transparency, accountability



■ AADS Zoom Meeting.

and good governance, in addition to sharing views, knowledge and best practices in facing the challenges of the current pandemic and economic recovery, as well as improving the implementation of the SDGs. "Moreover, the GDP of the G20 members control 90% of the world economy," he said.

Global Partnership

Asrarul adds that one of the goals of establishing SAI20 is to build global partnerships with various stakeholders. SAI20 is committed to contributing to the G20 community.

"This is done by providing and promoting good and accountable governance based on the mandate, role and function of the SAI," Asrarul said.

SAI20 also aims to promote collaboration among SAIs in G20 countries and other stakeholders to contribute oversight, insights and foresight to promote accountable economic governance.

In addition, SAI20 encourages the development of platforms to strengthen SAI's role as a partner of G20 member countries in responding to global issues. Not only as an auditor, SAI can also act as a partner of the state in dealing with global issues.

"These goals produce policies to establish a position as a strategic and constructive partner of the government while implementing the objectives under the proposed priority issues," he said.

Then, how does the mechanism of SAI20

work? As SAI20 is part of the G20, Asrarul explains, it is carried out based on the G20 rules. Its members comprise of every audit institution of the G20 countries. The leadership will also follow the G20 Presidency changing every year. "Because we encourage inclusiveness, others can attend as invitees or observers for the SAI20 event," he said

Economic recovery

Head of the Evaluation and Reporting Section of Performance Audit II Nico Andrianto says that the Covid-19 pandemic affects various aspects in almost all countries including the economy and fiscal. On this basis, various countries have launched policies to deal with the Covid-19 pandemic.

"For example, prohibiting traveling between countries and so on," he said.

In this condition, an SAI has important roles in the efforts to deal with Covid-19. One of them is to support the government in avoiding mismanagement and maintaining the effectiveness and transparency of state financial management.

In this regard, according to Nico, the BPK views that audit institutions in each country of G20 members must be able to share experiences in handling Covid-19. "SAI can maintain public trust and ensure the handling is in accordance with the needs of the community," he said.

Based on the World Bank's projections, he says, the pace of global economic recovery would slow down because of the repeated waves of the pandemic that disrupt domestic economic activity, commodity production and supply enforcing the government to make various policy changes.

At the same time, the emergence of Omicron variants and unequal access to vaccines could contribute to more severe economic damage from the pandemic. "Omicron has also increased the number of infected people and increased the number of deaths that have crossed 5 million people in the world," he said.

The Indonesian government has made efforts to issue various policies to handle Covid-19 and encourage national economic recovery. The Indonesian government has also established a Task Force for the Acceleration of Covid-19 Handling and National Economic Recovery. "The task force is indeed formed so that the handling can be more quickly and on target by the regional government," he explained.

From the fiscal side, the government is refocusing the budget with the aim of accelerating

the national economic recovery. As a result of this policy, the government has issued a large budget for social security and economic empowerment of the affected communities.

In line with the theme carried out by the Indonesian Presidency at the G20, he adds, SAI20 promotes to expedite the economic recovery. At the same time, SAI20 is also encouraged to convince governments to promote global health improvements.

"And also prepare a global health architecture and inclusiveness among countries in the health sector, for example in terms of vaccination, so that there is no inequality among countries regarding vaccine needs. Everything is under the umbrella of brotherhood, equality, justice and transparency," he said.



SAI can maintain public trust and ensure the handling is in accordance with the needs of the community.

He believes that global health architecture will improve the health condition of a country, not only humans, but also animals and the surrounding environment. In addition, improving health conditions will accelerate the improvement of economic conditions in a country.

The global health architecture will also enhance collaboration and cooperation and increase equity of access. This coincides with the improvement of the economy and the resilience of a country from the reescalation of the pandemic. This resilience is needed so that if a pandemic occurs in the future, the impact will not have the destructive power to various fields as has been faced in recent years.

"To increase resilience, the government, parliament and SAI must collaborate with the business sector and other stakeholders to design foresight that they can survive the pandemic while achieving the SDGs targets," he said.

Nico added that SAI20 will also increase the capacity of each audit institution of the G20 member countries in implementing oversight, insight and foresight to provide strategic recommendations for the government. "Especially to be more resilient in anticipating uncertain future." ●



PRIORITY ISSUES:

1 Accelerating Economic Recovery

»»» Discussion directions:

- ◆ How can SAI20 improve multi-stakeholder collaboration in an effort to recover from the impact of the Covid-19 pandemic?
- ◆ How is SAI's strategy in conducting audits in times of crisis in line with the government's efforts to prepare a global health architecture (integrated human, animal and environmental health) to accelerate economic recovery?
- ◆ What is the role of SAI in encouraging governments to foster and participate in global health cooperation (including global supply chains) to ensure global health equity and to accelerate economic recovery?
- ◆ With the roles and capabilities of SAI, namely oversight, insight and strategic foresight, what should the government do to be more resilient in anticipating risks and uncertainties in the future?

2 Supporting SDGs

»»» Discussion directions:

- ◆ What kind of collaborative actions can SAI push to support the SDGs and ensure that nothing is left behind by 2030?
- ◆ What is the role of SAI in promoting transparency and accountability of non-financial information such as environmental, social and governance frameworks of the implementation of government policies related to the transition to a greener economy?
- ◆ What is the role of SAI in promoting transparency and accountability of government programs in digital and economic transformation and at the same time ensuring that no one is left behind because of the digital divide?
- ◆ According to SAI, what should the government do to ensure and promote sustainable growth and an inclusive economy?



SAI20 AGENDA

SAI20 TECHNICAL MEETING

26-27 January 2022
Location: Bali, Indonesia

SAI20 SEMINAR

17 June 2022
Location: Labuan Bajo, Indonesia

SAI20 SENIOR OFFICIAL MEETING

20-21 June 2022
Location: Labuan Bajo, Indonesia

SAI20 SUMMIT

29-30 August 2022
Location: Bali, Indonesia

Source: sai20.org



HAPPY ANNIVERSARY BPK RI

JANUARY 1, 1947 – JANUARY 1, 2022





■ The 2021 unaudited LKPP submission.

THE PC-PEN PROGRAM IS STILL FOCUS OF THE 2021 LKPP AUDIT

BPK appreciates the government for being able to complete the preparation of the 2021 unaudited LKKL, LKBUN, and LKPP.

The government has submitted the unaudited Central Government Financial Report (LKPP) for the fiscal year of 2021 to the Audit Board of the Republic of Indonesia (BPK) to be audited. Chairman of BPK, Agung Firman Sampurna, said that the 2021 LKPP audit is still focusing on the implementation and accountability of the Covid-19 Handling and National Economic Recovery Program (PC-PEN), including how the program meets its funding needs.

Chairman of BPK said that the budget alloca-

tion for the PC-PEN program in 2021 increased by Rp49.57 trillion or 7.13 percent compared to 2020, which was Rp695.20 trillion. Meanwhile, the realization of the PC-PEN program budget in 2021 increased by Rp82.75 trillion or 14.37 percent compared to the realization in 2020, which was recorded at Rp575.85 trillion.

Chairman of BPK hopes that the increase in the allocation and realization of the PC-PEN program budget will be followed by an increase in the quality of its LKPP accountability in 2021, both from the financial aspect, and the achievement of the outputs.



■ Chairman of BPK, Agung Firman Sampurna



BPK hopes that the government has made efforts to improve the implementation and accountability of the PC-PEN program, including those related to several problems that became the findings of the 2020 LKPP audit.

"BPK hopes that the government has made efforts to improve the implementation and accountability of the PC-PEN program, including those related to several problems that became the findings of the 2020 LKPP audit," said Chairman of BPK in the 2021 unaudited LKPP submission and 2021 LKPP Audit Entry Meeting held at the BPK Auditorium, Jakarta on Wednesday (30/3).

Chairman of BPK added that in the 2021 LKPP audit, BPK will also carry out a Fiscal Transparency Implementation Review, Fiscal Sustainability Review, and a Regional Government Fiscal Independence Review. To improve the quality of Implementation of Fiscal Transparency review, BPK will review the Central Government Performance Report (LKjPP) and the Natural Resources Balance prepared by the government.

The 2021 unaudited LKPP was submitted directly by the Minister of Finance, Sri Mulyani Indrawati, as the government representative.

Attending this activity were board members of BPK as well as Head of Ministries/Agencies. Board Members who were present include Board Member II, Pius Lustrilanang, Board Member IV, Isma Yatun, Board Member VI, Nyoman Adhi Suryadnyana, and Board Member VII, Daniel Lumban Tobing.

On that occasion, Chairman of BPK appreciated the government for having completed the preparation of the 2021 unaudited Financial Statements of Line Ministries (LKKL), LK of the State General Treasurer (LKBUN), and LKPP.

"On behalf of the Audit Board of the Republic of Indonesia, I extend my appreciation to the government, because in the midst of the Covid-19 pandemic which currently still ongoing, Government have completed the preparation of the 2021 unaudited LKKL, LKBUN, and LKPP on time," said Chairman of BPK. Soon after the submission of the 2021 unaudited LKPP, the Entry Meeting was also held. In the entry meeting, Board Member II of BPK, Pius Lustrilanang, as the LKPP audit coordinator, conveyed several things that need attention in the LKPP.

Government commitment

Minister of Finance, Sri Mulyani Indrawati, said that the government is committed to continuously improving the quality of LKPP every year. This commitment is manifested in the steps that have been taken during 2021. Some of these steps are improving governance, regulations, and policies in the field of state finance. Then, the government perfected the central government's accounting policies and regulations according to BPK's recommendations.

In addition, Minister of Finance said that the government provides guidance to all state ministries/agencies to minimize repeated findings.

"The government is also following up all BPK's recommendations and monitoring the completion so that it runs comprehensively and effectively," said the Minister of Finance during the submission of the unaudited 2021 LKPP as quoted from a press release from the Ministry of Finance.

The Minister of Finance said the government extend their appreciation to BPK for five year in a row of Unqualified Opinion (WTP) on LKPP since 2016 to 2020 that became the first LKPP during the pandemic. The Minister of Finance also emphasized that the cooperation

and participation of all government agencies and full support from BPK is needed, so that the Unqualified Opinion on LKPP can be maintained.

Even so, the Minister of Finance understands that the Unqualified Opinion is not the ultimate goal. The ultimate goal of managing state finances is to protect the entire Indonesian nation, promote public welfare, educate the nation's life, and participate in carrying out world order based on independence, eternal peace and social justice, as stated in the Preamble to the 1945 Constitution.

In that occasion, Minister of Finance conveyed that based on Government Accounting Standards, the 2021 unaudited LKPP submitted consists of seven components. The seven components are the State Budget Realization Report, Changes in Budget Balance Reports, Cash Flow Statements; Operational Report, Balance Sheet, Statement of Changes in Equity, and Notes to Financial Statements. Furthermore, according to the mandate of Law Number 2 of 2020, the 2021 LKPP also reported about the use of the budget in the context of implementing state financial policies for handling the Covid-19 pandemic and national economic recovery (PC-PEN).

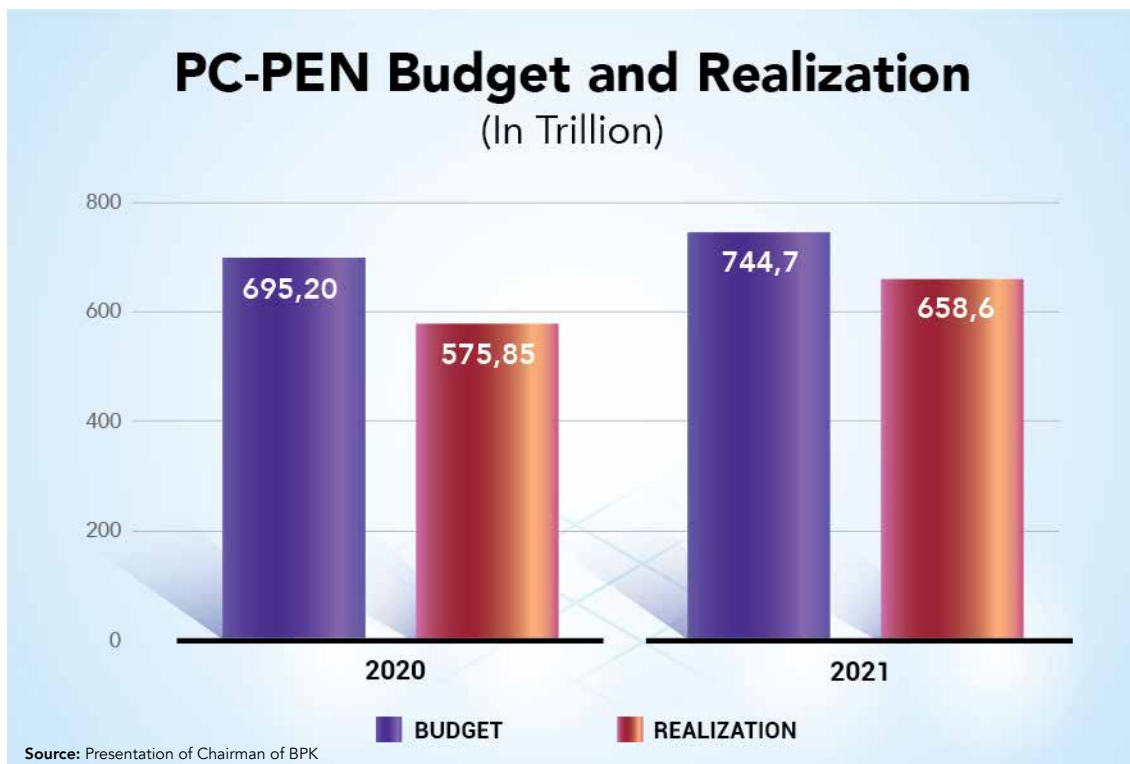
"The state budget is present and works



■ Board Member II Pius Lustrilanang and Minister of Finance Sri Mulyani Indrawati

hard to protect people from life threats due to the pandemic, protecting people from declining welfare due to job losses, protecting and restoring the business, especially small and medium enterprises, as well as protecting and maintaining financial system stability.

The state budget is responsive, flexible in dealing with critical and complex challenges, but still has to be prudent to maintain medium-term sustainability," said the Minister of Finance. ●



FACING A LAWSUIT WITH A QUALIFIED AUDIT REPORT

Of all the decisions that have been inkracht, all have been won by BPK.

Indonesia adheres to the principle of equality before the law, based on the mandate of the 1945 Constitution. This means that every citizen has equality before the law. The Audit Board of the Republic of Indonesia (BPK) is also aware of this in carrying out its mandate to audit the responsibility for managing state finances.

Blucer Wellington Rajagukguk, Director General of Legal Affair, said that the entities or officials audited by BPK had the right to file a lawsuit regarding the audit report (LHP) to the court. Blucer explained, LHP is the final decision which is a product of BPK.

"From the legal aspect, of course this LHP is a legal event because BPK's LHP is a decision, so of course it will become the object of law," said Blucer to *Warta Pemeriksa*, Wednesday (6/4).

Thus, BPK's LHP containing conditions, criteria, causes, effects, and recommendations will create rights and obligations to officials, treasurers, non-treasurers, or third parties being audited. In addition, Blucer said, LHP often also explains acts against the law or unlawful acts. A lawsuit against the results of the audit can arise because the court is also prohibited from refusing to investigate, hear, or decide on a case filed on the pretext that the law does not exist or is unclear.

"So, the court is indeed obliged to investigate and prosecute because this is also regulated in Law Number 48 of 2009 concerning Judicial Power. This is why LHP can be sued," said Blucer. Blucer said that the lawsuit against the BPK could be civil, State Administration (TUN), public information disputes, and criminal. In the last 14 years or from 2009 to 2022, there were 58 civil lawsuits against BPK. Of that number, as many as 26 cases are lawsuits against LHP. Meanwhile, related to TUN, there were 20 lawsuits and 14 lawsuits against BPK LHP.

In general, said Blucer, LHP that is often involved in the lawsuit is the result of an audit with a specific purpose (PDTT). This includes the calcu-



■ Blucer Wellington Rajagukguk

lation of state losses (PKN). For example, one that is quite widely discussed is the Jiwasraya case.

Blucer illustrated a lawsuit arose related to penalty payment which is considered to be too high.

"For example, because something has dragged on for a long time, the work is only worth of Rp10 billion but the penalty is up to Rp6 billion. Because it is unpaid for too long, the penalty becomes too big," said Blucer.

Nevertheless, BPK is here to carry out the function of auditing the management of state finances. Thus, BPK continues to strive to protect the interests of the state.

Of the 26 civil lawsuits related to LHP, 17 cases have permanent legal force or inkracht. Four cases were withdrawn by the plaintiffs themselves, two cases were in the appeal process, and three cases were in the cassation process.

"So, until now, of all the decisions that have been inkracht, all have been won by the BPK," said Blucer.

Regarding the TUN case, of the 14 lawsuits, 11 cases have been inkracht. Then, two cases have been withdrawn and one case is still in the trial process at this time. "All cases that were inkracht were also won by BPK," he said. Blucer said that in responding to the lawsuit, BPK de-

ployed all existing legal infrastructure or legal software. This is through hard work and support from the leadership. "Because it is not easy. In some places like the district court level we often lose initially. But then we fix it again, we map out what the problem is," said Blucer.

Even so, Blucer reminded the auditor that there are still problems that need to be fixed in the future. "What we hope is that the audit report that has high quality and accepted by all parties because of its quality," said Blucer.

Blucer said that BPK's audit must have a higher quality as a preventive measure in dealing with potential lawsuits. Moreover, BPK cannot limit the existence of lawsuits from the entity.

He explained that in handling the case there was a defendant and a plaintiff. There is a legal language, namely *actori incumbit onus probandi*. That is, whoever postulates then he must prove it.

"So, of course, proper planning is needed. When compiling the investigation we have to look at this how to prove that we are not wrong," said Blucer.

Blucer reminded that the auditor must comply with the formal legality of the audit. He illustrated, the letter of assignment and LHP must be signed by the authorities. In addition, the competence of the auditor must also be considered. "Do not let anyone who has not pass the competency perform the task. Auditors who have not passed the training but have already perform the audit can be questioned," he said.

Then, in carrying out the audit, there should be a software that must always be the guidance. According to Blucer, the most important thing is the state financial audit standard (SPKN). Then, the auditor must also follow the audit management guidelines (PMP), the code of ethics, as well as the implementation instructions and audit technical instructions. Then, the audit methodology must also be clear.

"Do not make up things that are not clear. It's also dangerous because it has to be real and definite," said Blucer.

In addition, the use of professional judgment



What we hope is that the audit report that has high quality and accepted by all parties because of its quality.

must also refer to the applicable rules. Auditors must remain objective in responding to a finding.

Then, based on the substance of the audit results, the condition of the facts and documents must be properly documented with the correct document request process. The use of language in LHP also cannot be multi-interpreted.

"The language used in the report should be clear, unequivocal, and concise," says Blucer.

So, said Blucer, the findings must be supported by a complete audit work paper (KKP) and the acquisition is legally valid. This will be the main support of preventive measures for the problems to not occur.

Directorate General of Legal Affairs also routinely conducts training and focus group discussions (FGD) at the central office and at the regional level. So, said Blucer, all assistance, guidance, and legal consultation are always carried out to auditors and also leaders.

Blucer realized that with the number of lawsuits that had emerged, it actually showed that the legal culture in Indonesia had moved in a positive direction. That is, if there are parties who do not agree on something, then it is resolved through the courts.

"We also hope that the judge will give the decision properly" he said.

Nevertheless, BPK hopes that entities can have awareness that the law is not to be abused. Entities, which are mostly executives, should exercise their authorities according to existing regulations. BPK also carries out its duties as an auditor in accordance with the mandate of the Constitution and the law. ●

AUDIT QUALITY STRICTLY TIERED SUPERVISED

During the audit process, strict controls are carried out. Every week there must be a report in stages from the audit team leader and technical controller to the person in charge. This is due to the quality assurance on the results of the audit.

The Audit Board of the Republic of Indonesia (BPK) is currently auditing the financial statements of the central government, ministries and institutions and local governments for the Fiscal Year of 2021. The audit process is systematically conducted with strict procedures to ensure quality audit report.

Director General of Audit V Akhsanul Khaq says that entities must have submitted their financial statements to BPK no later than three months after the fiscal year ends. "It means that on March 31 each year, the report must be submitted to BPK," he said to *Warta Pemeriksa* on April 7.

Akhsanul explains that the audit process usually takes place within two months and there are stages that must be carried out by BPK's auditors, starting from planning, audit process and reporting.

"Of the central government, the audit planning is initiated with evaluation and readiness. The evaluation is in October. So, for the 2021 audit, the audit has been prepared since October 2020 with the formulation of the terms of reference," he said.

The terms of reference are prepared specifically for the interim audit – an audit carried out when the financial statements are still being prepared. It is coordinated by Directorate General of Audit II both for the financial audits of the central government and ministries/institutions and is usually carried out from October to December of the current year.

Beside the terms of reference, BPK also issues letters of assignment and conducts a workshop or a training program. For significant ministries or institutions, a coordination meeting is held with

other related Directorate General of Audits to discuss various parties involved in the financial audit.

A coordination meeting is also conducted to prepare the audit of local governments' financial statements involving all officials of BPK's regional offices. A working group is also formed to evaluate the previous audit. "We build a common perception, not only with the Directorate General of Audit V, but it is also built between the Directorate General of Audit V and Audit VI as those in charge of local governments' audits," he said.

Akhsanul mentions that the unaudited financial statements are usually finalized in February or March. "Well, in May, it is expected that the audit reports can be entirely completed," he said.

During the audit process, strict controls are carried out. Every week there must be a report in stages from the audit team leader and technical controller to the person in charge. This is due to the quality assurance on the results of the audit.

Using Big Data Analytics (Bidics) in the audit is also part of the quality control. "Through Big Data Analytics, we can find out that, for example, there are companies providing goods and services that are actually not the lowest bidder," he said.

Regarding the focus of the audit, Akhsanul says that BPK is still focusing on funds used for Covid-19 handling including grants from the cen-



■ Akhsanul Khaq

tral government to the regions and vice versa. Another focus is on assets recorded by central and local governments.

Directorate General of Audit V also emphasizes on auditing local government revenues. "Because this regional income supports regional fiscal. There is also the performance audit that goes hand in hand with the financial audit, so called the Long Form Audit Report (LFAR). The theme for the LFAR now is related to poverty alleviation," he said.

Quality assurance and quality control

Akhsanul emphasizes that BPK always maintains quality assurance and quality control when conducting audits. The quality of the audit results is always a highlight. According to him, by implementing quality assurance and quality control, BPK can thus always win if there are parties suing BPK's audit reports.

"Based on the available information, there is not any lawsuit against BPK's audit reports that makes us lose. There had been once at the District Court, but later the Higher Court overturned the decision of the District Court," he said.

Generally, things often sued are related to findings of overpayments. Based on these findings, providers of goods and services are required to return a certain amount of money to be deposited into the state or regional treasury due to non-conformance of specifications or lack of volume.

"Regarding the overpayment, the existing audit data show that the findings are repetitive. It seems that it often happens as it has become a risk for providers of goods and services," he said.

To anticipate a lawsuit, BPK already implements a risk mitigation. BPK, he said, has prepared three things. First, the audit process must be guided by technical guidelines, such as infrastructure audit guidelines.

Second, the quality control is implemented better from year to year. Quality control is a tiered control mechanism. Audit team member and



■ Akhsanul Khaq



Based on the available information, there is not any lawsuit against BPK's audit reports that makes us lose. There had been once at the District Court, but later the Higher Court overturned the decision of the District Court.

team leader up to the person in charge each are required to prepare a weekly report.

"So the supervision is carried out on what the audit team does in the field, whether they have been in accordance with the procedures, whether they have communicated properly with the audited entity that the documents produced based on the audit are adequate to conclude, for example, that there was an overpayment or an error in a certain account testing," he said.

Last but not least is the quality assurance, which can be carried out by both the Inspectorate General and structural officials – the Head of BPK Regional Office, for instance. Even though he is not included in the audit team, he is still required to perform quality assurance on audit activities to ensure that the audit has been in accordance with standards and guidelines applicable in the BPK.

"These steps are used to mitigate the risk of a lawsuit. So, even if there is a lawsuit, the results of the audit have been produced based on standards and guidelines applicable in the BPK." ●

AUDIT QUALITY IS NON-NEGOTIABLE

BPK has strict Audit standards and carried out quality control process as well as quality assurance for every audit that being carried out.

Audit Board of the Republic of Indonesia (BPK) continues to improve the quality of audit results. The quality of an Audit report (LHP) is non-negotiable because it is the responsibility of BPK as an Supreme Audit Institution. There are various procedures and guidelines that work units and Auditors must comply with to produce a quality Audit.

Director General of State Finance VI BPK, Dori Santosa, said, one of the benchmarks for quality audits is a recommendation on a finding that can be followed up by the entity. Dori emphasized that BPK's audit would be more useful if the entity followed up on the recommendations.

"This is an important key for BPK that in conducting an audit, the recommendations we provide must be followed up by the entity," said Dori to *Warta Pemeriksa* in early April. Dori explained that BPK had strict Audit standards and carried out quality control process as well as quality assurance for every audit that being carried out. This is regulated in the State Financial Audit Standards (SPKN) in accordance with BPK Regulation Number 1 of 2017 concerning SPKN.

BPK also has an Audit Management Manual (PMP) which is used as a reference for Auditors in carrying out their audit duties. In addition, BPK has established Implementation Guidelines (Juklak) and Technical Guidelines (Juknis) for Auditing Financial Reports, Auditing Performance, and Auditing Compliance. The entire Implementation and Technical Guidelines are stipulated in a BPK Decree. He said that SPKN, PMP, Financial Statements Audit Guidelines, Performance Audit Guidelines, and Compliance Audit Guidelines, aimed to serve as guidelines for Auditors so that there is uniformity of perception and methodology in conducting audits, including quality assurance carried out by officials (PSP).



■ Dori Santosa

Meanwhile, when writing the results of the Audit into a report, the data submitted must be ensured to be valid and accurate. AKN VI also conducted a cross review between one team and another. "This is to reduce errors, such as numerical errors. Because sometimes, when someone makes a report, he feels that he is right. However, when it was corrected by other people, it was found that there were things that still needed to be improved," said Dori.

Another thing that needs to be ensured in maintaining the quality of the Audit is that the recommendations can be followed up. Dori said AKN VI always try to provide concrete recommendations. AKN VI does not want recommendations that ambiguous and too general, which makes the entity confuses.

"If our recommendations are concrete, it will be easier for entities to follow up on it. Because if our recommendations are ambiguous or too general, for example, entities are sometimes confused and ask what the purpose is and whom the recommendation addressed for," he said.

To make the recommendation can be followed up by the entity, said Dori, BPK and the entity will make an action plan before the BPK's recommendations or findings included in the final report. In the action plan, the entity can see what recommendations are given by BPK. Then, what steps will be taken by the entity to



This is an important key for BPK that in conducting an audit, the recommendations we provide must be followed up by the entity.

follow up on the recommendations of the audit results. "This action plan is very important to ensure our quality Audits because the recommendations can be followed up by the entity," he said.

According to Dori, recommendations that are difficult to follow up are usually when there is an organizational change or mutation. "Therefore, if we give a recommendation to an official, then the successor official in the future must also be responsible for following up on the recommendation."

Dori added, BPK in the Audit process usually asks for responses on the findings from the entity. Entities are welcome to refute these findings if they have data that can 'cancel' the findings.

"But if they (entities) are just trying to refute the findings without any data, that is not possible. Therefore, it is important for us to ensure that our Audits must be accompanied by correct and valid data. So, it cannot be refuted or anything similar. Entities will not be able to dodge."

Regarding the follow-up of the recommendations, Dori said that a number of entities under AKN VI had a percentage of completion of follow-up recommendations over 90 percent. According to him, one of these entities is the Food and Drug Supervisory Agency (BPOM). Based on AKN VI data, the follow-up rate on recommendations by BPOM in the 2015-2019 period reached 98 percent.

Free from lawsuits

Dori said, so far there have been no cases of lawsuits for Audit reports (LHP) at the Ministry and Agency Financial Reports (LKKL) level within AKN VI. According to him, this is insepara-

ble from awareness and compliance in implementing SPKN, Audit guidelines, compliance guidelines, and technical guidelines for LKPP, LKKL and LKBUN Audits.

However, for the Audit of the Regional Government Financial Statements (LKPD) within AKN VI, Dori admitted that there were several lawsuits against the results of the LKPD Audit. However, no suit has been received by the court so far.

The audit sector being sued or questioned are some of the findings contained in several reports related to Compliance, namely Expenditures and also State Losses Calculation. In addition, Financial Report audit report, especially Book II on the Internal Control System and Compliance with Legislation.

Based on the records from 2009 to 2021, the plaintiffs consist of regional heads, DPRD members, and private companies that are partners with entities and individuals. The lawsuits filed by the plaintiffs are in the form of civil lawsuits and state administrative lawsuits.

For civil lawsuits, for example, there are six cases in the period 2009-2020. A total of two cases have inkraht status, consisting of one decision of the Supreme Court (MA) namely the claim cannot be accepted and one decision of the District Court (PN) which states that the lawsuit is completely rejected. Then, two cases are in the process of appeal to the Supreme Court. For these two cases, in the PN and High Court (PT) decisions, the PN stated that it was not authorized to try. Then, as many as two cases it was decided that the lawsuit was withdrawn and there was a decision to withdraw the lawsuit.

Dori added that BPK's report is a final decision. The report is produced through a systematic and measurable quality control and quality assurance process in accordance with Audit standards and the provisions of applicable laws and regulations. "If the respective parties feel that there is something wrong in the Audit, they can report it to the court or if there is an auditor who violates the Auditor's Code of Ethics, it will be processed in the Honorary Council of BPK Code of Ethics and in accordance with applicable laws and regulations." ●

SIX PILLARS OF QUALITY CONTROL OF BPK

Quality assurance is important in the entire audit process, starting from the planning, implementation, and audit reporting stages, as well as follow-up monitoring. Quality assurance must see whether quality control has been designed and implemented at all stages that have been defined.



■ Rita Amelia

The Audit Board of the Republic of Indonesia (BPK) has the main mandate to carry out audits of the management and responsibilities of state finances.

Therefore, maintaining the quality of audit results is very important. In an effort to maintain and continue to improve the quality of audit results, BPK in 2020 has issued the Six Pillars of BPK Quality Control System through BPK Decree Number 6/K/I-XIII.2/6/2020. Inspector for Obtaining Audit Quality Assurance (PKMP), Rita Amelia, said the decision affected the quality control system in the 2009 Implementation Manual for Quality Assurance System, which was previously known as the nine pillars of the quality control system.

Rita detailed that the six pillars consisted of BPK's Responsibility for Quality, Ethical Requirements, Risk Planning and Consideration, Human Resources (HR), Audit and Other Authorities' Performance, and Monitoring. She ex-

plained that the first pillar related to BPK's responsibility for quality was carried out by establishing policies and procedures designed to encourage an internal culture that recognizes that quality is an important part in carrying out audits and other authorities. "These policies and procedures are set by BPK, which has overall responsibility for quality," Rita told *Warta Pemeriksa* in mid-April.

The second pillar of BPK's Quality Control Standards relates to Ethical Requirements. In this second pillar, BPK establishes policies and procedures designed to provide adequate assurance that BPK and all BPK employees as well as auditors and/or experts from outside BPK who work for and on behalf of BPK, comply with the applicable BPK Code of Ethics and employee discipline regulations.

Further, the third pillar of BPK Quality Control Standards is Planning and Risk Consideration. BPK establishes policies and procedures designed to provide reasonable assurance that BPK will only carry out audits and other authorities if it fulfills a number of conditions. The first requirement is to be competent to do the work and have the ability, including in terms of time and resources to carry it out. Second, can comply with applicable ethical requirements. Third, it has considered the integrity of the organization being audited and considered how to treat the risks that arise related to quality.

Furthermore, the fourth pillar of BPK Quality Control Standards is related to HR. "Regarding this fourth pillar, BPK establishes policies and procedures designed to provide adequate assurance that BPK has sufficient human resources and has competence, capability, and



It is important to remember that the responsibility for the quality of the audit results remains with the audit team and the audit unit. The head of the audit unit must implement the six pillars of quality control, especially the first pillar of Quality Responsibility to maintain the quality of BPK's audit results.

commitment to ethical principles that apply to carrying out work in accordance with the standards and provisions of laws and regulations and publish reports that are in accordance with the actual conditions," he said.

The fifth pillar of BPK Quality Control Standards is Audit and Other Authorities' Performance in the context of implementing BPK's roles and functions. Rita explained that BPK established policies and procedures designed to provide adequate assurance that the audit process and other authorities had been carried out in accordance with the standards and requirements of applicable laws and regulations. Then, BPK publishes a report that is in accordance with the actual conditions.

These policies and procedures should cover several things. First, things that are relevant to promote consistency in the quality of the work done. Second, the responsibility for supervision. While the third thing is the responsibility of the reviewer.

While the sixth pillar relates to Monitoring. BPK, said Rita, designed the monitoring process in order to provide adequate assurance that the policies and procedures related to the quality control system were relevant, adequate, and run-

ning effectively.

The monitoring process must consider and evaluate on an ongoing basis the quality control system at BPK, including a review of the audit sample and other authorities that have been completed.

Then, the monitoring process must be the responsibility of BPK and can be delegated to BPK employees who have the appropriate and adequate competence, experience, and authority at BPK to carry out these responsibilities. "BPK must also ensure the independence of the party conducting the monitoring (not involved in the implementation of the audit and other authorities or participating in quality control reviews)," she said.

Rita added that quality assurance is the implementation of the sixth pillar which is intended to evaluate the implementation of quality control. Quality assurance is not intended to resolve claims against the results of the audit, but with quality assurance, it is possible to identify things that need to be improved in the implementation of quality control to be applied in future audits.

Quality assurance is important in the entire audit process, starting from the planning, implementation, and audit reporting stages as well as follow-up monitoring. Quality assurance must see whether quality control has been designed and implemented at all stages that have been defined.

To ensure quality assurance is maintained, said Rita, BPK continues to update the quality assurance system in line with developments in its environment. With the publication of the Six Pillars of the BPK Quality Control System, adjustments must be made to the guidelines for implementing quality assurance.



The hot review carried out by the Inspectorate General also helps identify matters that need to be considered by the audit team before the audit report is issued.

In addition, internationally, the International Auditing and Assurance Standards Boards (IAASB) have issued International Standard on Quality Management (ISQM) 1, previously known as ISQC 1 and ISQM 2. This also affect the implemented quality assurance design to be aligned with international developments," she said.

In terms of resources that carry out quality assurance, BPK also continues to strengthen both in terms of quantity and quality. This strengthening is carried out through the recruitment of competent reviewers as well as education and training carried out by the Inspectorate General.

"However, it is important to remember that the responsibility for the quality of the audit results remains with the audit team and the audit unit. The head of the audit unit must implement the six pillars of quality control, especially the first pillar of Quality Responsibility to maintain the quality of BPK's audit results," she said.

Broadly speaking, said Rita, quality assurance at BPK is defined as a process to gain assurance in quality by ensuring that the designed quality control system has been running optimally. Quality assurance is carried out by parties outside the quality control system.

"The implementation of quality assurance cannot be separated from the audit process and the audit results, because the audit results are the output of the audit process. Within the organization and working procedures of BPK employees, the Inspectorate General has the task of carrying out quality assurance. For quality assurance, the audit is carried out by the PKMP Inspectorate," she said.

Inspectorate General (Itama) Evaluation

Rita added, BPK already has financial audit standards and audit guidelines that provide instructions on how the audit is carried out. The audit work unit also often holds training or sharing sessions before the audit is carried out to equip the auditor.

In addition, BPK has a strong quality control design where there are several layers of quality control in audit assignments from the team member level to the person in charge. There has been a review process carried out by parties outside the audit team before the opinion is issued. "The hot review carried out by the Inspectorate General also helps identify matters that need to be considered by the audit team before the audit report is issued."

Although all these processes have been carried out, she admits that there are still a number of things that need to be improved from the results of Inspectorate General's review. These include audit working papers that document the auditor's considerations quantitatively, sometimes not containing qualitative considerations. "There should be things that can be considered beyond quantitative factors," she said.

Moreover, the audit work papers are still scattered among the audit team and have not been stored in one place or submitted to the managing officer.

From the point of view of presenting the report on the results of the audit, it was still found that there were typos or miscalculations, but they did not affect the substance of the problems disclosed.

As for several cases where the report (LHP) was sued, the review procedure carried out by Inspectorate General was no different from the LHP which was not sued. "In this case, Itama must believe that the things disclosed in the audit report have been supported by adequate evidence." ●



Increase Body Immunity



Sunbathe daily for 10-15 minutes before 9am and/or after 3pm.

Avoid smoking and alcoholic drinks.



1

5



Exercise with light/moderate intensity.

Limit reading news about the pandemic.

2

6

Online counseling with a psychologist or mental health doctor if anxiety and stress are bothering you.



Meditate and get enough sleep.

3

7

Virtual interaction with family and friends.



Be active as usual in the self-isolation room.



4

8



Postpone Exercise If:

1. Shortness of breath with oxygen saturation $<95\%$ at rest.
2. Fever for the last 2 days.
3. Chest pain, headache.
4. Cough continuously.





BOARD MEMBER IV REVEALS RISK OF INACCURACIES IN CALCULATION OF NON TAXABLE INCOME OF NATURAL RESOURCES

PNBP management agency did not carry out adequate monitoring and verification.

Board Member IV of the Audit Board of the Republic of Indonesia (BPK) Isma Yatun revealed that there is a risk of inaccuracies in calculating the obligation to pay Non-Tax State Revenue (PNBP) by taxpayers. This is due to the fact that several types of PNBP from natural resources (SDA), such as mineral and coal mining sector, use a self-assessment system.

Isma explains, by using this system, taxpayers calculate on their own the amount of PNBP based on the applicable laws and regulations. "The risk from this system is the inaccuracy in calculating PNBP payment obligation by taxpayers, which could lead to the total amount of PNBP not in accordance

with the total amount that should be received by the country," Isma told in a workshop conducted in preparation of the audit on LKPP, LKKL and LKBUN for 2021 at BPK Head Office, Jakarta, mid-January.

Isma added, the first phase in PNBP management control system is monitoring and verification by PNBP management agency on the payments and deposits. In accordance with Government Regulation (PP) Number 58/2020 concerning Management of PNBP, it is stated that the management agency and its partners are obligated to monitor and verify the payment and deposits made for PNBP. However, these activities are often not carried out adequately, resulting in the risk of inaccuracies in calculating PNBP obligations.

Isma emphasized that the utilization of natural resources has been regulated through various policies issued by the government. However, in practice, many are still found to be using the natural resources in mining and forestry sectors without permits. This causes potential loss of PNBPN by the country and environmental damages.

The next thing to also be addressed is the inadequacy of PNBPN information and reporting system. To optimize PNBPN, the Government has developed an e-PNBPN application integrated with various other existing information systems. This application will help assist taxpayers in fulfilling their obligations to calculate, report and pay PNBPN. “Unfortunately, the application still has some weaknesses, thus making the country lose a significant amount of potential non-tax revenues.”

Do Not be Complacent

During this workshop, Isma also reminded the government to not be complacent with the increase of state revenues caused by the soaring prices of various energy commodities. The increase in world energy commodity is basically triggered by the world energy crisis.

“The realization of PNBPN-SDA in 2021 has indeed showed an increase and exceeded the set target. However, this is more due to the soaring prices of various energy commodities at the global level, triggered by the energy crisis experienced by China, India, and most European countries.

The energy crisis, she added, should be a lesson for stakeholders to be able to manage energy sources and other natu-

ral resources with a sustainable concept. Because if it is not managed properly, the burden of dealing with future crises will be far greater than the current income received.

Isma noted that the government has made various efforts to increase state revenues from natural resource management, namely improving the governance of PNBPN through laws amendments, and intensification efforts by reviewing every existing potential to obtain additional state revenues.

Meanwhile, for state revenues still in the form of receivables, the government is collecting and settling PNBPN receivables more effectively. This includes the collection of PNBPN-SDA receivables categorized as bad debts to be transferred to the state receivables affairs committee. In addition, the use of integrated information technology is also needed to increase accuracy and speed of calculations.

“The government must adapt to the rapid development of IT to not be left behind. An effort that must be done is to build an integrated PNBPN information system, such as the e-PNBPN application connected to the Ministry of Finance for Simponi application and export data at the Directorate General of Customs and Excise, as well as to the Ministry of Trade,” she advised.

She exclaimed that the rapid development of various aspects in the country poses risks in managing state finances, including PNBPN-SDA. Therefore, in carrying out the responsibility of auditing the financial reports of the central government, Audit IV expects all parties to re-analyze all risks that occur in controlling the PNBPN-SDA. ●



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AKN VI PAYS CLOSE ATTENTION TO THE REPORTING OF FIXED ASSETS

Problems with fixed assets are often a recurring finding in the audit.

Board Member VI of BPK, Nyoman Adhi Suryadnyana, asked the auditors to pay close attention to the reporting of fixed assets by ministries/agencies and local governments. Nyoman emphasized that fixed assets need serious attention because they are recurring findings in audits. This was conveyed by Nyoman at the 2021 Financial Report of Central Government (LKPP), Financial Report of Line Ministries (LKKL), and Financial Report of State General Treasurer (LKBUN) Audit Preparation Workshop at the Auditorium of the BPK Head Office, in Jakarta, in mid-January. On that occasion, he underlined that the results of the audits in previous years showed that significant problems related to fixed assets still exist.

He revealed that there were double recordings of fixed assets at ministries or agencies, including State Own Enterprises (BUMN) and other agencies in the central government, as well as between the central government and local governments. He illustrated, the problems occurred in the DKI Provincial Government, namely there were 12 plots of land that were double recorded in the Provincial Government Financial Reports (LKPD) of the DKI Jakarta Provincial Government and the LKKL of Ministry of Social Affairs and Ministry of State Secretariat.

Furthermore, previous audits showed that there were still weaknesses in the management of fixed assets, including abandoned assets that were not utilized, assets that not supported by ownership evidence, and assets in dispute.

"I hope that the audit team, both the LKKL and LKPD teams, can observe

the significant problems that are still recurring in the fixed asset accounts and trace the causes," said Nyoman.

According to Nyoman, inaccuracy in recording assets is very basic. However, Nyoman believes that this cannot be fully borne by the local government and line ministries. BPK, according to him, also has a responsibility because BPK conducts audits annually. "This means that education for auditees is not optimal." He hopes that senior auditors can provide guidance and explanations to auditees regarding how to record assets.

This is important so BPK auditors will not only dwell on the same mistakes every year, and could shifts their attention to other aspects that may be more important.

In addition to fixed asset accounts, there is a significant problem that the audit team needs to pay close attention to,



The asset issue, it's actually a huge problem. Because these assets are like a double-edged sword. On the one hand, the government or the state pays for its maintenance, even though these assets are not used optimally. For example, the use of official residence and so on.



■ Nyoman Adhi Suryadnyana

namely the revenue account. First, the database of tax objects and tax payers is not complete and up-to-date because data collection activities have not been carried out regularly. Second, the central government tax object is still levied by the local government because local regulations and the levies have not been revised referring to statutory regulations.

Third, according to him, the use of an idle state property and has the potential to contribute to Non-Tax State Revenue (PNBP) is not yet optimal. "The asset issue, it's actually a huge problem. Because these assets are like a double-edged sword. On the one hand, the government or the state pays for its maintenance, even though these assets are not used optimally. For example, the use of official residence and so on," he said.

Meanwhile at the same time, the assets are transformed into properties that have the potential to generate PNPB. This is what often happens in the regions as well as in ministries or agencies. Nyoman in his speech also reminded the auditors that the law mandates BPK to carry out audits based on the State Financial Audit

Standards (SPKN) which were compiled and determined by BPK. He also reminded to produce quality and useful financial reports.

"Our compliance and consistency with the implementation of SPKN is as stipulated in the BPK Regulation Number 1 of 2017, where our compliance and consistency is an absolute requirement for the quality and not the quantity of the Audit Report (LHP) that we produce. I invite all of us, especially auditors, to refresh our memories and understanding of SPKN," said Nyoman.

He said SPKN was a mandatory guideline in auditing the management and responsibility of state finances. "Our awareness and compliance in implementing SPKN, audit guidelines, operational guidelines, technical guidelines, audit guides for LKPP, LKKL and LKBUN which are published every year, in addition to improving the quality of audits are also closely related to efforts to protect or reduce risk mitigation. Especially the legal risks and complaints and opinions that can reduce the credibility of BPK as a trusted state institution," he said. ●

OVERSEEING SDGS IMPLEMENTATION IN INDONESIA

BPK is involved in cooperative audit of SDGs and capacity development through exchanges of information and experiences.

The sustainable development is a concern of Supreme Audit Institutions (SAI) around the world. As one of the SAIs, the Audit Board of the Republic of Indonesia (BPK) is also active in overseeing the implementation of the Sustainable Development Goals (SDGs) in Indonesia. The BPK's Senior Advisor for Environment and Sustainable Development, Edward Ganda Hasiholan Simanjuntak says



Corruption eradication is very important that the use of the state budget to implement government's programs or activities can be more effective and productive as such in providing public services.

that sustainable development is an important issue as economic activities have implications on environment and social affairs. Thus, balancing the three aspects will enable sustainable development for future generations.

"In the past, we were familiar with Millennium Development Goals (MDGs), and now SDGs with 17 goals," Edward said to *Warta Pemeriksa*, Friday.

SDGs become the common goal for countries all over the world to be achieved by 2030. The implementation of SDGs in Indonesia is integrated with the National Medium-Term Development Plan (RPJMN) and the Regional Medium-Term Development Plan (RPJMD).

With due respect of the SDGs commitments among countries, the International Organization of Supreme Audit Institutions (INTOSAI) reveals four approaches in auditing. First, the assessment of a country's readiness in implementing SDGs. Second, the conduct of the performance audit of the implementation of government programs containing aspects of SDGs.



■ Edward Ganda Hasiholan Simanjuntak

The SAI will also assess and support the implementation of transparency as the 16th goal, related to the achievement of an effective, accountable and transparent institution. In addition, the SAI will also play a role in setting up an example of implementing transparency in an organizational management. Edward says that BPK has actively carried out these roles to oversee the implementation of SDGs, including the audits of the preparation, the performance of aspects of SDGs, VNR and others.

Edward explains that BPK implements its role through two approaches. As an external audit institution, BPK conducts a dedicated audit specifically on SDGs' achievement targets.

For example, Edward says, last year, BPK audits the SDGs Target 3.d: Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.

In the future, said Edward, BPK also plans to conduct an audit of the achievement of Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Then, Edward says, there is the second approach in the form of an embedded audit or audit with SDGs perspective, giving an example of a BPK Regional Office auditing to see how the RPJMD includes issues of SDGs.

Apart from that, Edward says, there are also audits containing substance related to SDGs. For example, BPK has several times audited issues of clean water availability, waste management, or sustainable tourism. These issues are related to SDGs indicators expected to encourage implementation and awareness.

"So, it is how BPK with its audit mandate can encourage the government to implement SDGs in various aspects ranging from data, indicators, planning – whether or not it has been integrated, policies, implementation and reporting monitoring," Edward said.

Technically, Edward says, INTOSAI does encourage the performance audit approach. Nevertheless, according to him, BPK has contributed widely through various types of audits.

He explains that the BPK's regular financial audit is one of the efforts to support the implementation of the 16th goal of SDGs, especially those related to the development of effective,

accountable and transparent institutions that are free of corruption at all levels.

Edward says that in the global arena, BPK's leaders also actively inform the achievements in the SDGs implementation in Indonesia, which is expected to serve as an example for other SAIs.

In addition, BPK is also active in the INTOSAI Development Initiative (IDI). Here, BPK is involved in cooperative audit of SDGs and capacity development through exchanges of information and experiences.

Internally, BPK also tries to set an example by formulating a sustainability report. In the report, BPK shows a number of steps to achieve SDGs such as reducing paper use in offices and other environmental aspects. BPK also highlights the issue of gender equality in the work environment and economic aspects.

"Through its audits, BPK certainly supports the eradication of corruption, which is also one of the goals of SDGs. Corruption eradication is very important that the use of the state budget to implement government's programs or activities can be more effective and productive as such in providing public services," he said.

Edward hopes that the implementation of SDGs and the importance of the audit can continue to be socialized to encourage awareness among BPK personnel. In his opinion, the audit of SDGs, both dedicated and embedded, can play a major role in encouraging the achievement of SDGs.

He considers that BPK's leaders has provided directions and demonstrated a strong commitment to support SDGs according to their respective tasks and functions.

"We can see how strong the leaders' commitment is. It's a matter of how we carry out the audit and how we develop it according to their expectations," he said.

On the other hand, according to Edward, the issue of localizing SDGs needs to be strengthened, mentioning that BPK can continue to encourage the implementation of SDGs at the regional level. Therefore, he hopes that BPK Regional Offices can have such a high spirit of SDGs and direct the audits to SDGs issues.

"The more involvement the better as there are more people that are aware of SDGs issues. SDGs are not only pursuing the 2030 target, but an effort to make our lives, our children and grandchildren, and our planet better," Edward said. ●

ENCOURAGING ECONOMIC EQUITY IN BALI

BPK highlights the realization of investment which tends to be concentrated in the Sarbagita area.

The Audit Board of the Republic of Indonesia (BPK) has carried out a performance audit on the effectiveness of the 2020 new centers for economic development and growth carried out by the Bali Provincial Government. The audit highlights economic development and growth outside the Denpasar, Badung, Gianyar, and Tabanan (Sarbagita) areas.

"The audit results concluded that there were weaknesses which if not immediately addressed by the Bali Provincial Government, could affect the effectiveness of the development and growth of new economic centers for the greatest prosperity of the people," as quoted from the Semester Audit Report Summary (IHPS) I 2021.

The results of the performance audit on the effectiveness of the development and growth of new economic centers reveal four findings that contain six problems of ineffectiveness. The Investment Coordinating Board (BKPM) noted that the realization of investment in Bali Province until December 31, 2020 reached Rp9.65 trillion. This figure consists of foreign investment (PMA) worth Rp4.22 trillion and domestic investment (PMDN) worth Rp5.43 trillion.

Quoted from the Performance Audit Report (LHP) on the Effectiveness of Development and growth of New Economic Centers at the Bali Provincial Government in 2020, BPK highlighted the realization of investment which tends to be concentrated in the Sarbagita area with a total investment value of Rp8.33 trillion or 86.31 percent of the total investment in Bali. Meanwhile, the investment value outside Sarbagita is only Rp1.32 trillion.

From its audit, BPK revealed that there were problems, namely the efforts of the Bali Provincial Government in encouraging increased investment in 2020 were not optimal and had not been adequately supported by busi-

ness empowerment and promotion of investment potential outside Sarbagita.

This is indicated by the ineffective implementation of the provision of incentives and/or facilities to the public and/or investors. In addition, the results of mapping investment opportunities have not been fully documented into the application of the Regional Investment Potential Information System (SIPID/PIR). Further, the implementation of business empowerment for small business actors or MSMEs has not optimized the use of information technology in order to reduce activity costs.

As a result, the increase in investment realization that is more evenly distributed in the Bali Province area as stated in the Regional Medium-Term Development Plan (RPJMD) Province of Bali for the 2018-2023 as of December 31st, 2020 cannot be achieved.

In response to these problems, BPK recommended to the Governor of Bali to ask the Head of the Integrated Investment and Licensing Service Agency (PMPTSP) for the Province of Bali to be more optimal in carrying out the socialization of investment policies. BPK also recommends the transfer of knowledge on the use of PIR applications and facilitation of business management develop-





ment and updating of investment potential promotional content/materials.

BPK also found a problem that Bali Provincial Government's efforts to build and develop new economic growth centers outside Sarbagita in 2020 in the context of the greatest possible prosperity of the people were inadequate. This is shown from the medium-term and annual planning documents both at the provincial and regional levels, and the programs/activities of the regional apparatus have not been fully aligned in supporting the development and growth of new economic centers outside Sarbagita.

This has resulted in new economic growth centers outside Sarbagita and investment in the East Bali and North Bali areas as new centers of economic growth in Bali Province which have the potential of not achieving target on time.

BPK recommended to the Governor of Bali to conduct a study in planning development areas and the development of new economic zones outside Sarbagita. In addition, the Governor of Bali needs to harmonize the RPJMD with the RKPD at the Department of Public Works, Spatial Planning, Housing, and Settlement Areas (PUPR Perkim) related to the development

activities of economic centers.

The efforts of the Bali Provincial Government in boosting the market share of local Krama Bali products outside Sarbagita are also not optimal. Baga Utsaha Padruwen Traditional Villages (BUPDA) and Village Owned Enterprises (BUMDes) have not been able to market local Krama Bali products up to 25 percent. This is because BUPDA is still waiting for implementing regulations, and BUMDes has not been able to identify and manage the potential of each village. In addition, the market share of local Krama Bali products in cooperatives does not reach 25 percent because the cooperative business unit is dominated by savings and loan businesses. As a result, the inequality of prosperity between regions outside Sarbagita and Sarbagita area is still high.

BPK recommends the Head of the Office for the Advancement of Indigenous Peoples to immediately draw up a draft regional regulation related to guidelines, mechanisms, and establishment of a BUPDA to be proposed to the Governor. In addition, the Head of the Department of Village Community Empowerment, Population and Civil Registration (PMD Dukcapil) needs to be more optimal in fostering all BUMDes outside Sarbagita to map and manage the potential of each village. BPK also recommends that the Head of the Cooperatives and SMEs Office to be more optimal in encouraging cooperatives to be more engaged in meeting consumer needs and product marketing so that they can help absorb local products in their area.

In the report, the Bali Provincial Government has stated that it accepts the conclusions given by BPK and will take corrective actions by following up on the recommendations provided. This is to increase the effectiveness of the development and growth of new economic centers within the Bali Provincial Government for the greatest prosperity of the people. ●

BPK SUPERVISES THE USE OF SUSTAINABLE LAND MANAGEMENT GRANTS

To date, there are five countries participating in the BioCF-ISFL program.

The Audit Board of the Republic of Indonesia (BPK) has audited financial statements of Preparation of Sustainable Landscape Program (SLP) in Jambi as the grant project from the TF0A7246 and TF0A7244 World Bank Year 2020. The financial statements are prepared by the Climate Change Mitigation Directorate, Directorate General of Climate Change Control of the Ministry of Environment and Forestry, as the executing agency.

It is a special purposed financial report in the form of Project Sources and Uses of Funds, Summary Statement of Expenditures (Sum-SOE) for those Not Subject to Prior Review for the year ended on December 31, 2020 and Notes to Financial Statements. These reports have been prepared based on the financial reporting clauses as stipulated in the Project Financial Management Guidelines aiming at fulfilling the grant agreements of TF0A7246 and TF0A7244 between the World Bank and the Government of Indonesia.

BPK provides unqualified opinion in all material respects for the special purposed financial statements Project Sources and Uses of Funds and Summary Statement of Expenditures (Sum-SOE) for those Not Subject to Prior Review for the year ended on December 31, 2020 in accordance with the reporting framework in the related Project Financial Management Guidelines.

The Directorate of Climate Change Mitigation as the executing agency has carried out the preparation phase of the BioCarbon Fund Initiative for Sustainable Forest Landscape (BioCF-ISFL) program activities Fiscal Year 2020. These activities are part of the

BioCF-ISFL program implemented in Jambi since 2019 and extended until September 2021.

BioCF-ISFL is a multilateral facility program supported by the donor's governments and managed by the World Bank. The program aims to promote and reward the reduction of greenhouse gas (GHG) emissions and increase sequestration through better land management, including REDD+, climate smart agriculture and smarter land use planning and policy.

The concept of this program is an effort to manage agricultural expansion and other land uses to minimize forest loss and greenhouse gas emissions. To date, there are five countries participating in the BioCF-ISFL program, namely Colombia, Ethiopia, Zambia, Mexico and Indonesia, which are currently carrying out the preparation stage.

The BioCF-ISFL program in Indonesia is carried out in Jambi Province with several considerations, including having a fairly large natural forest, a fairly high level of threat of



The concept of this program is an effort to manage agricultural expansion and other land uses to minimize forest loss and greenhouse gas emissions. To date, there are five countries participating in the BioCF-ISFL program, namely Colombia, Ethiopia, Zambia, Mexico and Indonesia, which are currently carrying out the preparation stage.

deforestation including forest and land fires, massive development of plantation and agricultural commodities that trigger the rate of deforestation, the existence of local government support and commitment for the implementation of this program.

To obtain reasonable assurance about the adequate disclosure of the financial statements, BPK also audits the internal control system and compliance with the provisions of laws and regulations. Based on the audit, BPK does not find any significant weaknesses that could be reported.

In addition, BPK also monitors the follow up taken by the Ministry in response to BPK's four recommendations based on the 2019 audit. As per the second semester of 2020, it shows that two recommendations have been followed up by the Ministry.

The audit findings that are still in the follow-up process are giving administrative sanctions in stages to the expenditure treasurer, commitment making official (PPK) and proxy of budget user (KPA) in order to carry out their duties and functions more optimally. ●

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REACHING OUT THE BENEFITS OF THE G20 PRESIDENCY

The moment of Indonesia's G20 Presidency is crucial as the world is still in a health crisis.

The appointment of Indonesia as the holder of the G20 Presidency is a form of appreciation and recognition from big countries in the world, making it a new history for Indonesia as being its first time to hold the leadership of the G20 since its establishment in 1999.

"The election of Indonesia to hold the baton for the G20 Presidency has a strategic value in showing Indonesia's leadership, as a national branding, as well as Indonesia's efforts to play a role in the global economic recovery," Secretary of the Ministry of State Secretariat Setya Utama said in the Kick Off of the Setneg Mantul Road to G20 event held virtually on Friday, February 4, 2022.

He explains that through the theme of "Recover Together, Recover Stronger", Indonesia wants to invite the whole world to work hand in hand and support each other to recover together and grow stronger through the economic growth



■ First G20 Sherpa Meeting.

g20.org

that is inclusive, people centered, environmentally friendly and sustainable. The momentum of the G20 Presidency can be used to create breakthroughs and concrete actions to make a greater contribution to socio-economic recovery, both at the national and global scale.

There are three main opportunities Indonesia will emphasize in the G20 Presidency. These are the transition to a green economy, the increasingly rapid trend of the digital economy, and the improvement of the global health architecture that is more responsive in the face of a global pandemic. More specifically, Setya says, Indonesia's G20 Presidency can be a momentum to increase contributions in supporting domestic economic recovery with a series of meetings inviting thousands of delegates from all member countries and various international institutions.

"From December 2021 to November 2022, it is estimated that there will be an increase in domestic consumption of approximately IDR1.7 trillion to IDR7.4 trillion of the national GDP as well

as the involvement of MSMEs and employment of around 33 thousand workers in various sectors in addition to the revival of the tourism sector affected terribly by the pandemic," he said.

The summit of the G20 Heads of State meeting is planned to be held on November 15 and 16, 2022 in Bali. Before the top agenda, there are two streams of work to finalize the issues to be discussed, namely the Sherpa Track and the Finance Track.

In the Sherpa Track, there are 11 working groups, one initiative group, and 10 engagement groups (EG). All elements of the Sherpa Track will hold meetings and discussions to draft recommendations on the G20 agenda. One of the EGs in the G20 Indonesia Presidency is the Supreme Audit Institution 20 (SAI20).

The Finance Track will hold meetings involving Ministers of Finance and Central Bank Governors of G20 member countries. Head of the Communications Department of Bank Indonesia (BI) Erwin Haryono says that Indonesia's chairmanship in the G20 has an important meaning in showing the nation's identity.

"In the past we initiated the Asia-Africa Conference and that has positioned Indonesia at a very high level. This year we will repeat it," he said.

Erwin emphasizes that the current health, humanitarian and economic crises cannot be resolved individually. The theme "Recover Together, Recover Stronger" is also considered very relevant and gives high confidence to Indonesia.

Senior Advisor for Inter-Agency Relations of the Ministry of Foreign Affairs Muhsin Syihab says that the G20 forum is born because of a crisis. According to him, in the G20 Presidency,



■ G20 Meeting.

Indonesia needs to answer various crises that arise presently.

Muhsin says that after Indonesia's chairmanship, the next G20 presidency will be held by developing countries. After Indonesia, there will be India, Brazil and South Africa.

"Surely it will be an advantage if we mobilize them and voice the interests of developing countries. It's not just the national interest," he said, adding that the moment of Indonesia's G20 Presidency is crucial as the world is still in the state of a health crisis.

There are a number of problems, such as vaccine disparities, politicization of vaccines and imbalanced distribution of vaccines and medical devices. Financial impacts and supply chain disruptions will still color global conditions. Not only that, geopolitical issues related to commodities and rivalries between superpowers will also be in the spotlight.

"Our presidency is in the midst of such a situation. Therefore, Indonesia has the opportunity as well as the responsibility to create a positive environment for post-pandemic recovery," Muhsin said. ●



■ G20 Meeting.

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SUSTAINABILITY ASPECTS IN INFRASTRUCTURE AUDIT

Economic, environmental, and social aspects are important to note so that the infrastructure built does not endanger the people who make use of it or the community surrounding it.

Audit of infrastructure development does not only have to lead to the accuracy of the volume, the accuracy of the completion of the work, to the conformity of the specifications. There are other aspects that are equally important to audit, namely the sustainability aspect.


This was the main discussion in the third Knowledge Transfer Forum event or KTF03 KTF which was held online by the HR bureau of the Audit Board of the Republic of Indonesia on April 13th, 2022. The forum with the theme Auditing the Sustainability of Infrastructure invited the Head of Research and Development Section for Audit with Specific Purposes II of BPK's Directorate of Research and Development., Oktarika Ayoe Sandha as resource person.

Oktarika said that the theme "Auditing the Sustainability of Infrastructure" was chosen because it was related to the auditors' daily work, namely conducting infrastructure audits and the second was related to the Sustainable Development Goals. Through this theme, she hopes that auditors can focus on other aspects, especially related to sustainability, compared to what is usually done.

"What do we usually do? Usually, we test the accuracy of the results of government infrastructure developments in accordance with the contract, whether it is done on time or not, the volume is correct or not, the quality is suitable or not, and others. She said, there are several other angles that could inspire," said Oktarika who is also the Audit Team Mentor for the INTOSAI Development Initiative on Compliance Audit for Transparency, Accountability, and Inclusiveness Audit on Covid-19 for the Asian Region.

Oktarika divides the big theme of Auditing the Sustainability of Infrastructure into several sub-themes. First, Understanding

SUSTAINABLE CONCEPT-ENVIRONMENTAL



Common Impacts	Distinct Impacts
The use of natural resources	Water infrastructure may result in excessive use of water resources or water pollution (leakage, insufficient treatment of sewage, etc.)
Changes in land use	Road infrastructure can fragment habitats or cut off the migration routes of animals
Disturbances in the human environment	Mining can bring about a decline in groundwater levels and produce mining waste and noise caused by explosions
	Energy production from fossil fuels can be associated with various emissions (greenhouse gases, SO ₂ , NO _x , dust) from fossil fuel combustion as well as ash production

Infrastructure Development, Governance Tools, and lastly, Auditing the Sustainability of Infrastructure. In general, she said, governance tools are very important in the audit process. Governance tools are tools that should exist, and should be used by the government to ensure that the infrastructure built works successfully.

"We often see that success is seen in terms of the accuracy of three things, namely time, quality, volume. That is correct. That is three among others. There is the fourth which is to ensure that the infrastructure is built in a sustainable manner," she said. BPK auditors, according to Oktarika, must understand governance tools. Because, governance is part of the auditor's job, namely auditing the management and responsibilities of state finances.

"To be able to audit management, then responsibility, the main tool is governance. If we are not proficient in the government's governance ourselves, we must be careful when we give opinions, give conclusions, regarding the management of state finances," she said.

Oktarika in her first presentation explained, generally, the objects of infrastructure audit always appear every year. In fact, many of the findings in the audit process are related to infrastructure.

Moreover, at the same time, findings in infrastructure always involve large budgets and realizations. Infrastructure is also closely related to access to economic centers and growth.

"There are often findings during field audits, usually related to lack of volume. Moreover, it is also about economic access, there are often findings that the source of the problem is due to a large budget," she said.

Therefore, she said, the auditor must anticipate the risks that may occur after the audit report is out. Not to mention, about the public and media spotlight related to findings in infrastructure. The reason, of course, is that the shortcomings of an infrastructure development are easily visible or visible to the naked eye. For example, the auditor conducts an audit where the object is a football stadium. Initially, there were no problems in the audit process, but because after it was finished there were many shortcomings, so it immediately became the public spotlight.

Economic, social and environmental aspects

In the audit of infrastructure, according to Oktarika, there are other aspects that can be seen by the auditor. The other aspects are economic, social, and environmental. These three aspects are also protected by law so that the government also has an obligation that when building an infrastructure, they must follow the regulations that have been made by themselves.

"And finally, this will also prevent harmful infrastructure from being built. With strong legislation, it regulates three things by considering the three sustainable aspects, namely the economy, social, and environmental," she said.

These three aspects are important to pay attention to, so that the infrastructure built is



■ Oktarika Ayoe Sandha

not harmful to the people who make use of it or to the community surrounding it. Therefore, according to Oktarika, apart from the accuracy of quality, volume, and time, there are other things that can be audited regarding infrastructure development, namely the sustainable aspects.

She added, expenditures is a common thing that is often being audited. However, expenditures are also related to human and surrounding, or environmental impact analysis (Amdal).

Auditors can also audit the durability, which means how long the infrastructure can last. In durability, the suitability and accuracy of the construction can also be audited. Durability is also related to the costs incurred to maintain the strength of the infrastructure.

"Perhaps some who have audited infrastructure, have this experience. Usually, it's not every year when we audit, we might see several projects like A, B, and C, but have we ever ensure that before these projects, there were maintenance project and ensure the durability of the asset's life at the beginning. Further, when there is a maintenance fee, in which stage is it? What percentage of durability has it been that this maintenance was issued?" she said. According to her, durability can also be a finding in the audit. If the auditor generally audit at the end, it is not impossible that through an in-depth audit on resilience, it can be concluded that there is a fraud.

"Because perhaps the biggest fraud was not in the volume or quality at the end, but at the beginning when it was planned to fall apart so that the projects would be repeated every year," she said.

She emphasized that other aspects of the infrastructure audit could also broaden the opinion of the auditor to the auditee, for example to the local government. ●





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SAI20 ESTABLISHMENT IS BASED ON INCLUSIVENESS

SAI20 is an open forum for all supreme audit institution in G20 countries.



■ Chairman of BPK Agung Firman Sampurna at the SAI20 Technical Meeting.

As part of the G20 Indonesia Presidency, the Audit Board of the Republic of Indonesia (BPK) held the Supreme Audit Institution 20 (SAI20) Technical Meeting on 26-27 January 2022 as SAI20 first official event. Chairman of BPK Agung Firman Sampurna stated that SAI20 is an initiative of SAIs in G20 countries focusing on principles of governance and accountabilities.

As an audit institution, he continued, SAI is expected to support sustainability and improve strong governance as a reliable and strategic partner of the government. "Through this initiative, we will work as partners of G20 member

countries and collaborate with other stakeholders to ensure and improve the performance and accountability of public institutions. Also, ensuring that programs and policies run well," he stated during the Opening of SAI20 Technical Meeting on 26 January 2022.

He added, SAI20 will be an open forum for all SAIs in G20 member countries, specifically to discuss relevant issues to strengthen the role of SAI. Under the G20 Indonesia Presidency, SAI20 has taken two priority issues: supporting government efforts in accelerating economic recovery, and supporting SDGs so Indonesia will not be left behind in 2030. These two priorities will be achieved through strategic oversight, insight, and perspective approach.



In the spirit of inclusiveness, we hope to expand the influence of not only G20 countries, but also other SAI organizations.



He further pointed out that while SAIs represent their respected countries, the forum uphold the spirit of inclusiveness. Therefore, in addition to SAIs from G20 countries, Indonesia also invited association of SAI and other international organizations such as the World Bank and the United Nations.

“In the spirit of inclusiveness, we hope to expand the influence of not only G20 countries, but also other SAI organizations,” he told.

Chairman of BPK also hopes that the SAI20 forum will increase transparency and collaboration with stakeholders in each country to improve the quality of future audits. In addition, SAI20 can serve as a platform to share insights and foresight in enhancing sound policy making which relies on accountability.

“So that the work of G20 can lead to better citizen’s lives, for a better world, and can build accountability for all,” he noted. In this event, Chairman of BPK also launched the official website of SAI20 and officially kick-off SAI20 collaboration.

Meanwhile, in his remarks, the Coordinating



■ Coordinating Minister for Economic, Affairs Airlangga Hartanto

Minister for Economic Affairs Airlangga Hartanto conveyed his appreciation to BPK and all participants for SAI20 initiative, informed the priorities of Indonesia’s Presidency in G20, and hoped that SAI20 can be a forum to build role model for synergy cooperation for both developed and developing countries.

The agenda of the Technical Meeting included a presentation from Co-Sherpa of G20 Indonesia Ambassador Dian Triansyah Djani. He elaborated on the way forward of the Rome Declaration which emphasized transparency and accountability. He also expressed hopes for the establishment of SAI20 and for concrete outputs that SAI20 can produce, particularly related to global health, energy transition, and digital transformation.

The next session was led by Director of Public Relations and International Cooperation of BPK Selvia Vivi Devianti to discuss Rules of Procedures for SAI20. Vivi presented inputs received from SAI20 members and opened discussion to obtain further inputs. These inputs will be further elaborated to improve and finalize the Rules of Procedures. ●



■ Participants of the SAI20 Technical Meeting.



THE CHANDLER SESSION FORUM: THE CHAIRMAN OF BPK EXPLAINS THE CHALLENGES OF MEASUREMENT OF CORRUPTION ERADICATION

The Chairman of BPK explained the concept of three generations of measuring corruption to strengthen the CPI.

Chairman of the Audit Board of the Republic of Indonesia, Agung Firman Sampurna, attended the Chandler Session on Integrity and Corruption meeting on Thursday (13/1).

During the meeting, Agung reminded about the dangers of corruption which not only harms the economy, but also harms the stability and welfare of society, undermines democratic values, ethics and justice, and threatens law enforcement efforts.

The Chandler Sessions on Integrity and Corruption is hosted by the Blavatnik School of Government, University of Oxford, with the aim of developing next-generation strategies with various institutions to combat corruption and promote a culture of integrity across the public sector.

In a speech with the theme "Uses, Challenges and Opportunities for Strengthening Corruption Perception Index, Especially in Indonesia," Agung explained that there had been an increase in state losses due to corruption based on the Indonesia Corruption Watch report. In the first semester of 2021, state losses reached Rp26.83 trillion. This figure is an increase of 47.6 percent compared to the first semester of 2020 which amounted to Rp18.17 trillion.

"During the period 2017 to 30 June 2021, BPK has carried out 25 investigative audits and submitted them to law enforcement officers, conducted 270 audits of calculating state losses and became an expert witness in trials for 274 corruption cases," said the BPK's Chairman.

The Chairman of BPK in his speech al-

so explained the Indonesian Corruption Perception Index (CPI) which is routinely issued by Transparency International. Referring to the existing data, there was an improvement in the CPI over a 15-year period, between 2004 and 2019. In 2004, Indonesia's CPI was at 20, while in 2019 it rose to 40. Unfortunately, entering 2020, Indonesia's CPI Index fell to 37 and placing Indonesia in the 102nd place among 180 countries.

CPI uses a range between 0-100. The number 0 indicates the country in question is very corrupt. On the other hand, a score of 100 indicates a country free of corruption.

"Then a critical question arises, is the CPI valid and reliable enough to measure? especially for corruption in Indonesia? Moreover, corruption is a complex problem," he said. For this, he assessed that there were five things that became challenges related to the CPI. First, according to Agung is a matter of definition. The lack of consensus on the meaning of the term corruption makes it difficult to understand the criteria behind the CPI rankings. Second, the measurement problem. The CPI only measures corruption in the public sector, while corruption often involves the private sector.

Next, the methodology. Agung explained that CPI uses "perceptions", while they do not always reflect the truth of facts about the actual level of corruption. Perceptual bias also creates two problems, namely comparability and differences in the definitional framework by respondents.

Fourth is related to results. According to Agung, CPI does not disclose the uniqueness of the problems faced by public entities, besides

that, it does not reflect the fraud prevention program carried out by public entities, does not assess the results of anti-fraud programs, and does not provide information about corrective actions needed to improve anti-fraud programs. Fifth is related to impact. He said the wrong interpretation of the CPI could have implications for countries with low scores. International donors and aid agencies have used country rankings in the CPI as a key performance indicator.

According to the Chairman of BPK, there are several things that need to be considered to strengthen the CPI. "We can consider the concept of 'three generations of corruption measurement' as described by McDevitt (2011), Heinrich and Hodess (2011) to develop an approach to measuring corruption," he said.

The first concept, the first generation seeks to place the country on the corruption level and build perceptions of corruption. CPI is an example of this generation. This measure aims to raise awareness between policymakers and investors. The second generation seeks to assess people's experiences in finding corruption, and to assess whether a system is capable of minimizing corruption. While the third generation focuses on assessing specific corruption risks, using a participatory approach, focusing on processes, triangulated data, and evidence-based advocacy interventions.

"The measurement of corruption must reach the second and third generations. Corruption and fraud risk management measures should be considered an integral part of the National Risk Management Framework (NRMF). The design and implementation of the NRMF must take into account the existing national ecosystem and involve collaboration among various public sector institutions," he said.

Welcoming New Members

Chairman of BPK is actively participate in Chandler Session on Integrity and Corruption. He also attended the Chandler Meeting Session for Call Among Members which was held on Tuesday (11/1). The agenda is to introduce Chandler Sessions members who have not joined the July 2021 meeting. Chair of the Chandler Sessions on Integrity and Corruption Christopher Stone said the purpose of this meeting is to introduce Chandler Sessions members who had not attended the previous session. The two members are Jin-Wook Kim, who is the Director of the Corruption Investigation Office for High-

Ranking Officials, South Korea, and Javier Cruz Tamburrino, the Director of the Financial Analysis Unit, Chile.

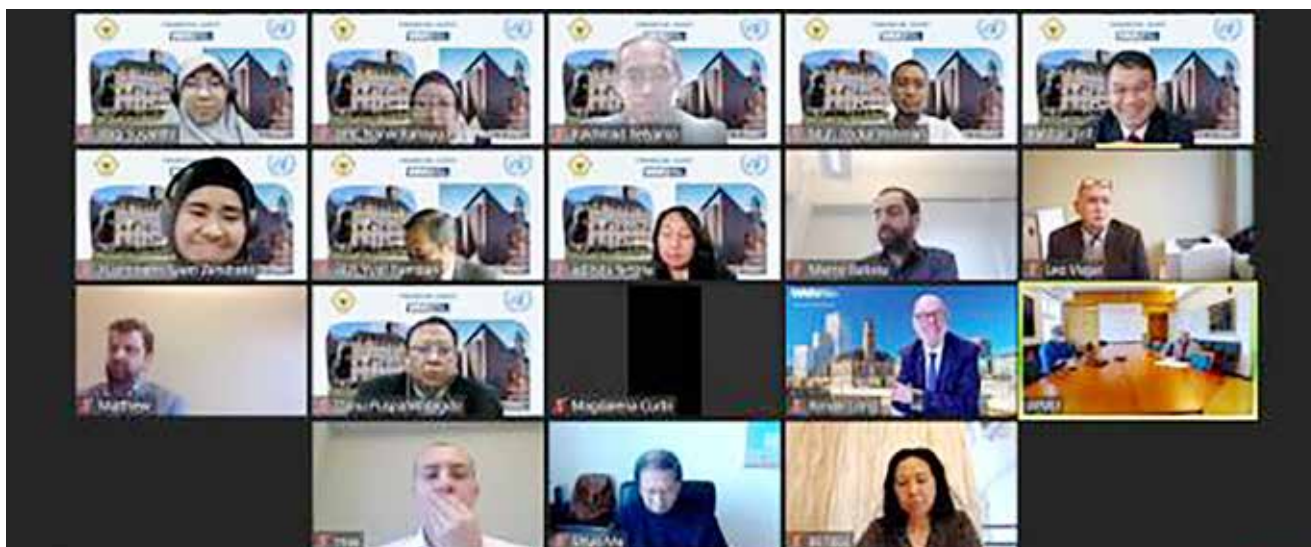
Chairman of BPK, Agung Firman Sampurna warmly welcomed the two new members of Chandler Sessions on Integrity and Corruption from South Korea and Chile. He hopes that the presence of the two members can build a constructive discussion in order to find an innovation strategy to deal with fraud/corruption.

The meeting was also held to re-emphasize that Chandler Session members have their own issues in eradicating corruption in their respective countries. Currently, the public is starting to voice indications of corruption, especially in the government's handling of the pandemic. "Chandler members are people who have commitment, influence, are leaders in their respective fields, with the hope that all of them have a stronger role and more effective strategies in eradicating corruption," he said.

He said that since the discussion held in July 2021, various topics have begun to be discussed, including the independence of anti-corruption institutions in each country, strategies to detect corruption, handling corruption, and others. It is expected that these matters will be discussed in July 2022 and subsequently compiled into a paper, also it is expected that over time there will be developments from each of these topics until July 2022. ●



The measurement of corruption must reach the second and third generations. Corruption and fraud risk management measures should be considered an integral part of the National Risk Management Framework (NRMF). The design and implementation of the NRMF must take into account the existing national ecosystem and involve collaboration among various public sector institutions.



ENTRY MEETING BPK AND WMU MANAGEMENT

The audit team will be responsible for implementing audit standards.

The Audit Board of the Republic of Indonesia (BPK) held an entry meeting for the financial audit of the World Maritime University (WMU) for the 2021 fiscal year on Monday (31/1/2021). The meeting was held online and it is part of BPK's assignment as an external auditor of the International Maritime Organization (IMO) for the 2020-2023 period, which is currently entering its second year. At the entry meeting with WMU management, the Secretary General of BPK, Bahtiar Arif, said that for this period, a remote audit was carried out. However, BPK will continue to prioritize reasonable assurance in carrying out its audits. "BPK will also conduct an audit of the 2020-2021 Nippon Foundation Grant," said Bahtiar, who also acts as the person in charge of BPK's audit of IMO.

The deputy in charge of the audit said that, the planning for the 2021 WMU financial audit will be carried out in the period of October and November 2021. Meanwhile, the final audit will run from January 31st to February 14th, 2022. The audit team will be responsible for implementing audit standards. Further, the team will communicate significant

issues to those charged with governance, maintain independence, and issue audit reports.

The audit process carried out consist of three main activities. First, the submission of WMU's (unaudited) financial reports to BPK on January 31st, 2022. Next is the submission of the management letter on February 28th, 2022. Lastly, the submission of the BPK's audit opinion and long form audit report to WMU on March 8th, 2022.

"BPK will continue to communicate with WMU and is committed to maintain reasonable assurance in financial audits at WMU," said Bahtiar when closing his presentation. WMU President, Cleopatra Doumbia-Henry responded that the Covid-19 pandemic is a reality that needs to be faced together. Therefore, remote auditing is unavoidable. Not only that, educational activities at WMU are also carried out online and offline in small groups.

She added that WMU is the best postgraduate education institution in the maritime field. Meanwhile, BPK is the best audit institution in the world, which is currently able to oversee WMU in being responsible for educational activities, especially to the donors who have supported the activities at WMU. ●

ENTRY MEETING OF IMO IMLI AUDIT FY 2021

Support and cooperation of IMLI management to the audit teams will greatly affect the audit results and success.

The Audit Board of the Republic of Indonesia once again held an entry meeting with the International Maritime Law Institute (IMLI) management of the International Maritime Organization (IMO) on Tuesday (1/2/2022). The virtual entry meeting marked the start of BPK's audit on IMLI's financial statement for fiscal year 2021.

As explained by the Secretary General of BPK Bahtiar Arif, BPK is currently entering its second year of assignment as IMO's external auditor for 2020-2023 period. Due to the current pandemic, the audit on IMLI's 2021 Financial Statement will once again be conducted remotely. Hence, the support and cooperation of IMLI management to the audit teams greatly would greatly affect the audit results and success, as well as in providing added value to IMLI, Arif stated.

"We hope the support and cooperation of IMLI management to the audit teams greatly would greatly affect the success of the audit in providing added value to IMLI," said Bahtiar who is the IMO IMLI Auditor-In-Charge in his remarks.

Adding to the above statement, Deputy-Auditor-In-Charge R. Yudi Ramdan Budiman said that the audit was conducted in nine working days, from February 1 to 11, 2022. While the audit results was received by IMO on February 14, 2022. Meanwhile, the long form audit report (LFAR) on IMLI Financial Statement FY 2021 will be submitted by BPK to the Director of IMLI on March 18, 2022, before further forwarded to the Secretary General of IMO.

On this occasion, R. Yudi Ramdan Budiman also conveyed several obligations that must be fulfilled by IMLI management during the audit. One obligation is to provide a representation letter stating that the 2021 Financial Statement of IMLI has been prepared in accordance with accounting standards and regulations. Another is to



We hope the support and cooperation of IMLI management to the audit teams greatly would greatly affect the success of the audit in providing added value to IMLI.



provide the required financial data and documents, including confirming to a third party related to IMLI's financial position. Further, the management must provide the audit team access to the financial system, as well as the results of management's assessment on the impact of COVID-19 to IMLI's business processes and operations during FY 2021.

"We also request IMLI management to brief us on the latest development with regard to following up the audit results of the previous year," Yudi.

Responding to BPK's remarks, Director of IMLI Professor David Attard conveyed his commitment in fully supporting the audit team, especially in providing all the necessary data and document for the success of the Audit on 2021 Financial Report of IMLI. ●

VICE CHAIRMAN PROVIDES INPUTS TO THE UN OIOS EXTERNAL ASSESSORS



The main agenda of the meeting is to discuss the operational independence of the Investigation Division.

Vice Chairman of the Audit Board of the Republic of Indonesia (BPK) Agus Joko Pramono provides inputs to the external assessors of the United Nations Office of Internal Oversight Services (UN OIOS). The input, among others, is to encourage OIOS to immediately finalize the investigative activity manual and review recommendations from external assessment activities in previous years, including the implementation process.

Agus as Vice Chair of the United Nations Independent Audit Advisory Committee (UN IAAC) also reminds the external assessors regarding the importance of a holistic assessment for the synergy of inter-divisional activities in the context of achieving OIOS strategic goals. His inputs are expected to have a significant influence on the external independent assessment activities to support the goal of improving the performance and accountability of the OIOS Investigation Division, while increasing the active

role of the BPK in the international cooperation.

Agus conveys his inputs when attending a virtual meeting with the External Assessors of the UN OIOS Investigation Division on Friday, February 11, 2022. The main agenda of the meeting is to discuss the operational independence of the Investigation Division, including a holistic assessment by the external assessors and external independent assessment activities of the previous years.

This meeting is held in the context of the external independent assessment as mandated by the UN General Assembly Resolution Number 69/253, 72/18 and 54/244.

Present on the meeting were UN IAAC Chair Janet St. Laurent (United States) and other UN IAAC members, Dorothy A Bradley (Belize), Anton V. Kosyanenko (Russian Federation) and Imran Vanker (South Africa). Other participants are Paul Lachal Robert and Eney Quinones as the external assessors, as well as UN IAAC Executive Secretary Moses Bamuwamyé. ●

VICE CHAIRMAN OF BPK SHARES HIS VIEWS AT THE 57TH UN IAAC

The agenda of the meeting includes the discussion of the latest developments on the UN Peacekeeping report.



Vice Chairman of the Audit Board of (BPK) Agus Joko Pramono provided significant inputs and views in the United Nations Independent Audit Advisory Committee (UN IAAC). Agus, who is also the Vice Chair of the UN IAAC, gave his views on improving the management of the UN Peacekeeping Operation.

The Vice Chairman also gave a response to the self-assessment that had been carried out by the UN IAAC. He provided input to improve the questionnaire in the UN IAAC self-assessment. Especially in relation to the Covid-19 pandemic and the increasing issue of cybercrime.

These inputs and views were provided

by Vice Chairman during the 57th UN IAAC meeting that was held virtually on 16-18 February 2022. The meeting agenda includes the discussion of the latest developments on the UN Peacekeeping report.

Moreover, the agenda includes a discussion with the Chief Information Technology Office (CITO), Bernardo Mariano Jr. It discusses about cybersecurity risks in the context of information and communication technology (ICT) networks in the high-level committee on management (HLCM).

The next agenda item was a committee meeting with Controller Chandramouli Ramanathan to discuss the budget for supporting the Office of Internal Oversight Services (OIOS). Further, the committee reviewed the program plan on the proposed



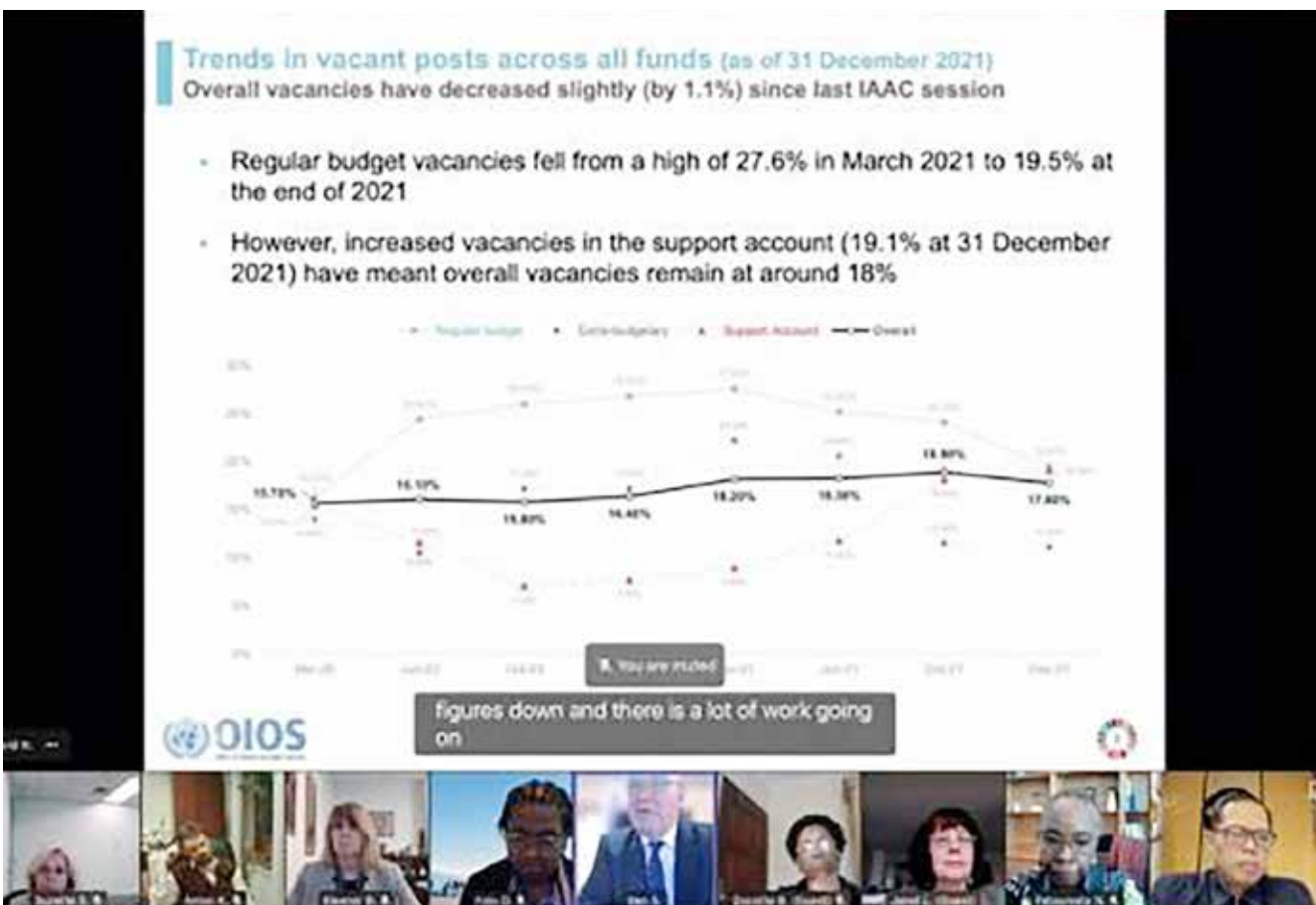
2023 budget, the decision of the United Nations General Assembly at the 76th meeting, and other issues that require special attention from the committee. This includes developments in the financial situation of OIOS.

On the next agenda, the committee met with OIOS Under Secretary General Fatoumata Ndiaye. This meeting discussed several issues, including the proposed final budget for financial support for Peacekeeping Operations for

the period July 2022 to June 2023.

Furthermore, there was a discussion about gap analysis of the divisions under OIOS and the OIOS work plan for 2022-2023 in the Investigation Audit Division (IAD). Next agenda was discussing significant findings related to the cybersecurity audit and OIOS review in 2021. The agenda continued with a meeting between the committee and the Under-Secretary General of the Department of Operational Support (USG DOS) Atul Khare. This meeting discussed the status of enterprise risk management (ERM), especially for the revision of the risk register and the implementation of recommendations related to DOS. It also includes the discussion on the DOS perspective on the involvement and development of the UN internal control report.

The meeting was chaired by the Chair of the UN IAAC, Janet St Laurent (United States). Other UN IAAC members attended the meeting including Dorothy A Bradley (Belize), Anton V Kosyanenko (Russian Federation), Imran Vanker (South Africa), and UN IAAC Executive Secretary, Moses Bamuwanye. ●



BPK CONFIDENTLY TARGETS ILO AND WIPO EXTERNAL AUDITORS

The ILO opens vacancies for the external auditor for 2024-2027 period. The position is also vacant in WIPO for 2024-2029 period.

The Audit Board of the Republic of Indonesia (BPK) is confident to participate in the nomination of external auditors at two United Nations (UN) agencies. BPK's interest is shown through intensive coordination with the Ministry of Foreign Affairs.

The beginning of 2022 is indeed challenging for BPK as there are vacancies open for external auditors at two United Nations agencies, the International Labor Organization (ILO) and the World Intellectual Property Organization (WIPO).

The ILO's external auditor position is vacant for the period of 2024-2027, while the WIPO's is for 2024-2029. BPK has submitted an expression of interest (EOI) to be the ILO's external auditor to the Ministry of Foreign Affairs, which will later be forwarded to the ILO as the official submission of the Indonesian Government's nomination for the position of the external auditor.

In relation to this, a meeting had been arranged with the Indonesian Ambassador to Switzerland, Febrian Alphyanto Ruddyard, at the Permanent Representative of the Republic of Indonesia (PTRI) to the United Nations in Geneva, Switzerland, on March 7, 2022. On that occasion, BPK Chairman Agung Firman Sampurna and Vice Chairman Agus Joko Pramono once again convey the intention to participate in the nominations as the external auditor of ILO and WIPO.

In addition to discussing infor-



mation related to external auditor vacancies, BPK and PTRI Geneva also discuss the strategy for the nomination. A direct coordination with the PTRI Geneva is needed to enable quick and accurate information.

The key considerations in the selection process are based on the candidate's main proposal, which will be evaluated by a specially formed selection committee (ad-hoc committee).

The selection criteria include independence, human resource qualifications, staff training programs, modern and international audit experiences, audit approaches and strategies, proposed audit reports,

and competitive audit fees.

Broadly speaking, candidates will follow several stages of selection including registration, collection of proposals, selection of proposals by the selection committee, presentation of proposals if they are shortlisted candidates and appointment of selected external auditors. The deadline for submitting proposals for the two agencies is the end of June 2022.

Although fairly similar, there are differences in the composition of the selection committee (selection panel). At the ILO, the selection panel consists of representatives from four member countries which are divided into two representatives from the workers' group and two representatives from the employers' group.

Meanwhile at the WIPO, the selection panel consists of seven member countries representing each region, namely Central Asian, Caucasian and Eastern European Countries (CACEEC); Group of Latin American and Caribbean Countries (GRULAC); Group of Central European and Baltic States (CEBS); Group of China; African Group; Asia Pacific Group; and Group B.

BPK expects to develop and expand international audit experiences in various international organizations. Moreover, BPK has had experiences as the external auditor of the International Atomic Energy Agency (IAEA), the International Maritime Organization (IMO) and as the Vice Chair of the UN Panel of External Auditors. ●



BPK CONVEYS ITS APPRECIATION TO IMO MANAGEMENT

The meeting was aimed to communicate the implementation of audit, expected added value, and future plan of audit assignment.

The Audit Board of the Republic of Indonesia (BPK) conveyed its appreciation to the management of International Maritime Organization (IMO) for the kind support, cooperation and good communication with the audit team, so that BPK's audit on IMO could go smoothly. BPK also stated that this meeting was aimed to inform the implementation of audit, expected added value, and future plan of audit assignment.

The above message was conveyed by Vice Chairman of BPK Agus Joko Pramono during his meeting with the Secretary General of IMO Kitack Lim at the IMO Headquarter in London, England on Wednesday (9/3/2022). Also attending the meeting was the Secretary General of BPK Bahtiar Arif as the Auditor In-Charge.

The meeting was a form of communication between BPK and IMO for the Financial and Performance Audit of IMO FY 2021. The audit commenced since 1 March 2022 and ended on 31 March 2022.

In his speech, Agus explained that this is BPK's second year in auditing IMO. The scope of audit included Financial Report of IMO and Consolidated Financial Report of IMO, World Maritime University (WMU), and International Maritime Law Institute (IMLI) FY 2021. "The interim audit conducted in October of last year resulted in an understanding of the entity and an updated risk assessment, followed up by a field audit in London during March 2022," he said.

Agus also stated that prior to conducting the field

audit, the audit team had completed the financial audit of IMLI and WMU for FY 2021. Both financial reports were then consolidated with the financial report of IMO.

The Financial Audit Report of WMU FY 2021 has been submitted on 7 March 2022, while the Financial Audit Report of IMLI 2021 was submitted on 18 March 2022. Currently, BPK is undergoing a financial audit of Nippon Foundation Grant on Professorial Chairs of WMU.

In terms of performance auditing, this is the first time that BPK is conducting a performance audit of IMO, which was started with interim audit in October 2021. The interim audit resulted in the selection of the Integrated Technical Cooperation Programme (ITCP) Planning business process in the context of a results-based approach as the focus of this year's performance audit.

The Vice Chairman of BPK also emphasized that auditors need to communicate with "those charged with governance" (TCWG), namely the Chair of IMO Council. This is in accordance with International Standards on Auditing (ISA) 260. The goal is to communicate the issues found in the audit, the results of the audit, and the audit plan for the future.

Responding to the explanation given, Kitack Lim expressed his appreciation to BPK for the 2020 financial audit result. According to him, the recommendations submitted were very useful for improvements at IMO. It was also emphasized that the current cooperation and communication between IMO management and the inspection team has been going very well. ●

BPK CONVEYS THE AUDIT PROGRESS TO IAEA

The audit is expected can provide positive feedback regarding the operational activities and financial management of the IAEA.

The Audit Board of the Republic of Indonesia (BPK) conveyed the progress of financial and performance audits of the International Atomic Energy Agency (IAEA). The progress conveyed included observations of problems in financial audits and the audit process for performance audits that had been carried out by the audit team.

This was conveyed by Chairman of BPK, Agung Firman Sampurna, during a meeting with IAEA on Thursday (3/3/2022). The meeting, which was held at the IAEA office in Vienna, Austria, was part of the BPK's assignment as the IAEA's external auditor for the 2016-2021 period, which is now entering its final year. It was conveyed, BPK highly appreciates the commitment of IAEA in carrying out follow-up audits. It is expected that this audit will provide positive feedback regarding the IAEA's operations and financial management activities.

BPK also hope that the audits



■ Chairman of BPK and Director General of IAEA



BPK highly appreciates the commitment of IAEA in carrying out follow-up audits.

that have been carried out can make a valuable contribution, both large and small. "Like the values contained at the entrance of the IAEA, 'Famaiy ya'mal mithqala zarratin khai raiy-yarah, Wa maiy-y'amal mithqala zarratin sharraiy-yarah (So whoever does kindness as heavy as a zarrah (atom), surely he will see (the reward)," said the Chairman of the BPK.

This meeting was attended by the Director General of IAEA, Rafael Mariano Grossi and the Special Assistant to the Director General, Mariale Fogante. The Indonesian Ambassador to Austria, Damos Dumoli Agusman, was also present. From BPK, also attended BPK's Secretary General, Bahtiar Arif, and Director of Public Relations and International Cooperation, Selvia Vivi Devianti. ●



BPK CHAIRMAN CONVEYS SAI'S ROLE IN SDGS AT THE AFSD

Invited as a panelist in this forum proves the trust from the international community in BPK's contribution to the achievement of the SDGs through its audits.



■ Arab Forum for Sustainable Development (AFSD).



The Chairman of the Audit Board of the Republic of Indonesia (BPK), Agung Firman Sampurna, mentions three main factors a Supreme Audit Institution (SAI) could do to effectively contribute to the achievement of Sustainable Development Goals (SDGs). First, he said, through the awareness-building of all national stakeholders about the importance of SAI's role in guarding the achievement of SDGs to be more transparent, accountable, and effective.

"The second is to conduct quality audit related to the SDGs. The third is to increase the ability to analyze data and information that can be used to assess the achievement of the SDGs," he said when invited as a panelist on a virtual Arab Forum for Sustainable Development (AFSD) on March 16, 2022.

In this forum, the Chairman presents in Special Session 5 "How can Supreme Audit Institutions support recovery and implementation of the SDGs in the Arab region?". This event is organized by the United Nations Economic and Social Commission for Western Asia (UN ESCWA) in collaboration with Arab Organization

of Supreme Audit Institutions (ARABOSAI), UNDP Regional Hub Office for Arab States and INTOSAI Development Initiative (IDI).

Agung also explains BPK's strategy to support the implementation of the SDGs in Indonesia, which is to conduct strategic audits focusing on certain SDGs targets – the so-called dedicated SDGs audits and other audits inserting SDGs audits called embedded SDGs audits.

"BPK constructs some strategies to audit the implementation of the SDGs to oversee the Goals' programs in achieving SDGs through audits, in which the SDGs-related audits are classified into two categories, dedicated SDGs audit and embedded SDGs audits in other audits conducted by BPK," he explained.

Moderated by Regional Advisor on Governance of the UN ESCWA Karam Karam, the session also invites other panelists such as Director General of Department for Control and Social and Cultural Services of SAI of Palestine Saleh Mousa Mosleh and Deputy Director General of the IDI Archana Shirsat.

The other BPK's officials also present on the session include Director of Public Relations and International Cooperation Bureau Selvia Vivi Devianti, Deputy in Charge of External Auditor Yudi Ramdan Budiman and Deputy Director of the International Cooperation Division Kusuma Ayu Rusnasanti.

Invited as a panelist in this forum proves the trust from the international community in BPK's contribution to the achievement of the SDGs through its audits. The forum can also be a means of externalizing BPK's knowledge and experiences in auditing the implementation of the SDGs useful for other SAIs whenever carrying out similar audits. ●

The Audit Board of the Republic of Indonesia (BPK) is awarded as
The Most Popular Institution in Print Media in 2021

The 7th Public Relations Indonesia Awards (PRIA) 2022

The awarding ceremony takes place in Central Java on March 25, 2022.



BOARD MEMBER III OF BPK: RECOMMENDATIONS' FOLLOW UP IS THE CROWN

The number of entities audited by BPK's Directorate General of Audit (AKN) III reaches 37 ministries/institutions managing half the total of the state budget.



AKN III of the Audit Board of the Republic of Indonesia (BPK) holds the entry meeting of the financial audit of ministries/institutions Fiscal Year 2021. Board Member III Achsanul Qosasi reminds ministers and heads of institutions to expedite the follow up of BPK's audit results. According to him, the follow up of the audit results is the manifestation of commitments of ministries/institutions in increasing accountability and transparency.

"For us, the follow up is the crown and a part of the people's demand towards the government to implement transparency and accountability in the state budget management," he said Achsanul at the BPK Auditorium in Jakarta, Thursday. Achsanul

says that BPK and the government are mandated by the Constitution to manage the state finance properly and correctly.

Moreover, he says, the number of entities audited by AKN III reaches 37 ministries/institutions managing half the total of the state budget. "That's why, I really demand for the cooperation of all of you, ladies and gentlemen, so that transparency and accountability in managing the state finance can be realized," he said.

Achsanul mentions that the current completion progress of the follow up of audit recommendations still needs improvement. He underlies several ministries/institutions such as the Ministry of Village, Rural Development and Transmigration, which still only completes 47% of recommendation, Ministry of Youth and Sports 55%, Ministry of



So, it is important as it has an implication on the LKPP. If the LKPP's opinion decreases, the country's rating will also decrease. Thus, all ministries and institutions must be able to refine the not so right and fix the wrong.

Tourism and Creative Economy and Ministry of Social Affairs 60% respectively, Coordinating Ministry of Human Development and Culture 66% and Ministry of Manpower 69%. The non-ministerial institutions such as Indonesian Public Television Broadcaster (TVRI) has only reached 64% and National Agency of Disaster Mitigation (BNPB) 69%.

The monitoring of the follow up of audit results is an important part of the audit process. BPK periodically monitors and reports the progress to the parliament and related parties. It is expected that ministers and heads of institutions will play an active role in accelerating the completion of the recommendations' follow up.

Achsanul also reminds ministers and heads of institutions to maintain transparency and accountability in managing the state finance, conveying that based on the results of the 2020 financial audits, there are 36 ministries/institutions gaining unqualified opinions and one ministry that obtaining qualified opinion. He explains that the opinion obtained will affect the opinion on the central government financial statements (LKPP).



■ Achsanul Qosasi

"So, it is important as it has an implication on the LKPP. If the LKPP's opinion decreases, the country's rating will also decrease. Thus, all ministries and institutions must be able to refine the not so right and fix the wrong," he said at the BPK Auditorium on Thursday.

In terms of budget management, Achsanul says, there are five significant entities including State Secretariat, which has varied and complex organizational structure and manages unintegrated strategic working units, Ministry of Social Affairs, Ministry of Communication and Information Technology and Ministry of Manpower that manage relatively large budgets especially for aid spending and other expenditures and National Research and Innovation Agency (BRIN) that is a merge of several institutions comprising of Indonesian Institute of Sciences (LIPI), Agency for Assessment and Application of Technology (BPPT), National Institute of Aeronautics and Space (LAPAN), National Nuclear Agency (BATAN) and Ministry of Research and Technology.

In addition, there are six significant entities related to public services, including Ministry/ National Land Agency (BPN), Ministry of Youth and Sport, BNPB, Ministry of Tourism and Creative Economy, Workers Social Security Agency, Management Body of Public Housing Savings Program (BP Tapera), TVRI and National Radio Broadcaster (RRI). Of all entities audited by the Directorate General of Audit III, Achsanul spots three ministries namely Ministry of Social Affairs, Ministry of Manpower and Ministry of Communication and Information Technology as having been significant in terms of finance and public services. ●



BPK WILL BE MORE ACTIVE AND RESPONSIVE IN INTERNATIONAL SCENE

Agreed cooperation includes exchange of data and/or information.



Audit Board of the Republic of Indonesia (BPK) intends to be more active and responsive to requests from international communities. It is a part of the world's recognition of BPK's competence as an external audit agency.

"It is also a concrete evidence of the Ministry of Foreign Affairs' diplomatic excellence," stated Chairman of BPK Agung Firman Sampurna after signing a Memorandum of Understanding (MoU) between BPK and the MoFA at BPK Head Office on Tuesday (11/1/22). Agung explained, BPK is actively involved in international communities. BPK's international

role has also been increased by becoming subject matter experts in various international working groups.

In light of this, BPK has ample opportunities in externalizing its best practices to the world. As a manifestation of international knowledge sharing, BPK can also be a reference for other state audit institutions.

Currently, he added, BPK is a member of at least three international organizations. ASEANSAI, ASOSAI, and INTOSAI are multilateral cooperation between audit institutions at subregional, regional, and international level. "Therefore, BPK will be more active and responsive to requests from international communities," Chairman of BPK told.



■ Agung Firman Sampurna



■ BPK Chairman Agung Firman Sampurna and Minister of Foreign Affairs Retno Marsudi signed a MoU between BPK and the Ministry of Foreign Affairs.



The MoU is expected to be a strong foundation for future cooperation between BPK and MoFA with a whole of government approach.

Chairman of BPK and Minister of Foreign Affairs Retno Marsudi signed the MoU on cooperation and coordination to support institutional tasks and functions. The signing was also attended by management and officials of BPK and MoFA.

In his remarks, Agung said that BPK and MoFA are two different institutions. Nonetheless, when it comes to competing internationally, the two must become one as

Indonesia. Therefore, through the signing of MoU, BPK and MoFA hope to further organize and strengthen cooperation to face challenges and take advantage of international opportunities. "The MoU is expected to be a strong foundation for future cooperation between BPK and MoFA with a whole of government approach," he mentioned at the event held in hybrid mode.

Agung further elaborated that the agreed cooperation include exchange of data and/or information, as well as research studies, diplomatic support, education and training, and other activities according to needs agreed upon by the two parties.

BPK hopes the MoU could support its vision in becoming a trusted audit institution that plays an active role in realizing quality and beneficial state financial management to achieve state goals. ●



BPK ENCOURAGES MINISTRY OF HOME AFFAIRS TO REACH 85% COMPLETION OF FOLLOW-UP RECOMMENDATION BY 2022

LKKL audit aims to provide an opinion on LKKL.

The Audit Board of the Republic of Indonesia (BPK) conveyed several recurring issues that need attention at the Ministry of Home Affairs. The statement was made by the Acting Board Member V of BPK Nyoman Adhi Suryadnyana during the submission of 2021 unaudited financial report of the Ministry of Home Affairs at BPK Head Office in Jakarta, Thursday (24/2/2022).

Nyoman who currently serves as Board Member VI of BPK explained that these issues include overpayment of personnel expenditures, related to overpayment of allowances.

On this occasion, Nyoman also appreciated the progress of the completion of the follow-up to the recommendations of BPK audit results (TLRHP). As per Semester II of 2021, the Ministry of Home Affairs has followed up on 75.03% of total recommendations, or as many as 1,217 recommendations given by BPK.

“BPK continues to push for the completion of TLHRP, for the Ministry to further improve and reach 85% completion by 2022,” Nyoman targeted.

He also hopes for the support and cooperation from the entity, in particular from related work units, in providing data and information during the implementation of audit. With that, the audit will hopefully run smoothly and finish timely.

During this activity, Nyoman also elaborated on how the audit on the Financial Reports of Ministry (LKKL) is a regular financial audit carried out annually, in accordance with the constitutional mandate stipulated in the 1945 Constitution, Law No. 17/2003 concerning State Finance, Law No. 15/2004 concerning Auditing Management and Accountability of State Finance, and Law No. 15/2006 concerning the Audit Board of the Republic of Indonesia.

Based on the above mandates, BPK conducts audits independently, starting from plan-



The process of giving this opinion is carried out professionally, through a meticulous audit due process in planning, implementation, and reporting stages.

ning, implementing, determining, audit methodology, as well as in formulating and presenting the audit report. BPK's audits are also conducted based on the state financial audit standards (SPKN) set out by BPK Regulation No. 1/2017.

LKKL audit aims to provide an opinion of LKKL, stated Nyoman. The opinion is given based on four criteria: compliance with government accounting standards, adequacy of disclosure, compliance with laws and regulations, and effectiveness of internal control system.

“The process of giving this opinion is carried out professionally, through a meticulous audit due process in planning, implementation, and reporting stages,” he remarked. ●



BPK EXPECTS A BETTER QUALITY OF MINISTRY OF EDUCATION, CULTURE, RESEARCH AND TECHNOLOGY'S FINANCIAL MANAGEMENT

The financial management in previous years still contains several weaknesses.

The Audit Board of the Republic of Indonesia (BPK) expects a better quality of the financial management of the Ministry of Education, Culture, Research and Technology as in the previous years, it still contains several weaknesses. Board Member VI Nyoman Adhi Suryadnyana mentions the weaknesses including the internal control system, non-compliances and a number of misstatements. Thus, BPK's corrections on the financial statements' figures are still many.

"In order to mitigate these weaknesses and misstatements, it is necessary to improve the quality of state financial governance, in addition to increasing the capacity of human resources in the financial management and internal supervision, as well as optimizing management functions at the Echelon I and Inspectorate General levels within the framework of the three lines of defense," Nyoman said when receiving the ministry's financial statements (unaudited) Fiscal Year 2021 at the BPK Head Office in Jakarta on

Friday, Februari 25, 2022.

Nyoman mentions that the submission of the unaudited financial statements is the responsibility of Minister Nadiem Anwar Makarim. It is a form of accountability in the ministry he leads. Therefore, BPK appreciates the Ministry for delivering its financial statements even before the deadline set by the Law, i.e., two months after the fiscal year ends.

"BPK really appreciates this submission of the financial statements as the accountability report of the implementation of the 2021 state budget a few days earlier before the due date as ruled by the Law. It shows the ability and high commitment of the Minister and all his staff," he said.

According to Nyoman, the submission of the financial statements is the starting point of the audit, which will be implemented within the next two months.

The financial audit is an integral part of the BPK's audit of the Central Government Financial Statements (LKPP), a consolidated financial statements of all ministries/institutions. ●

BPK APPRECIATES GOVERNMENT FOR SUBMITTING THE CENTRAL GOVERNMENT FINANCIAL REPORT TIMELY

Central Government Financial Report is the accountability report for the implementation of the State Budget resulting from the consolidation of Financial Report of Line Ministries and Financial Report of the State Treasury.

The Audit Board of the Republic of Indonesia (BPK) expressed appreciation to the Government for successfully completing the preparation of the 2021 Unaudited Financial Report of Line Ministries (LKKL), Financial Report of the State Treasury (LKBUN), and Central Government Financial Report (LKPP).

This was stated by the Chairman of BPK Agung Firman Sampurna during the Audit Entry Meeting of the 2021 LKPP held in hybrid

mode on Wednesday (30/3/2022). LKPP is the accountability report for the implementation of the State Budget resulting from the consolidation of LKKL and LKBUN. As a consolidated financial report, the quality of LKPP is greatly influenced by the quality of LKKL and LKBUN.

“Since given for the first time in 2005, the audit opinion of LKPP has been continuously improving. The improvement in the audit opinion of LKPP is certainly inseparable from the quality of LKKL and LKBUN which also underwent a number of improvements. Among



■ Chairman of BPK, Agung Firman Sampurna received the 2021 unaudited LKPP from the Minister of Finance, Sri Mulyani Indrawati, as the Government Representative in the Audit Entry Meeting of the 2021 LKPP at the BPK Auditorium, Jakarta, Wednesday (30/3).



■ **Minister of Finance, Sri Mulyani Indrawati**

other things, it is shown by the number of LKKL and LKBUN that obtained an Unqualified Opinion (WTP), at least in the last five years,” said Agung.

In the 2021 LKPP Audit, the implementation of PC-PEN program, including the fulfillment of its funding needs, is still one of the audit focus. BPK hopes that Government has made efforts to improve the implementation and accountability of the PC-PEN program. For example, related to several problems that became the findings of the 2020 LKPP Audit.

Agung explained that the government needed to make adjustments to the notes on

the financial statements (CaLK) of LKPP, LKKL, and LKBUN in 2021. This was done by presenting additional information regarding the realization of the expenditure budget associated with the achievements of output. Especially those that are part of the national program (PN) and the PC-PEN program.

This is a manifestation of transparency and accountability for the implementation of policy “money follow program”. Then redesigning the planning and budgeting system implemented previously.

During the 2021 LKPP audit, BPK will also carry out a review of the implementation of fiscal transparency, a review of fiscal sustainability, and a review of regional government fiscal independence. In addition, BPK will review the Central Government Performance Report (LKjPP) and the balance scorecard of natural resource prepared by the government. This is done to improve the quality of the results of the review on the implementation of fiscal transparency.

The audit entry meeting for 2022 LKPP was also attended by the Board Members of BPK, Echelon I, officials and audit working groups and LKPP audit team. Meanwhile, attendance from the Government side were the Minister of Finance and several other ministers and deputy ministers. ●

Definition

BPK'S VIEWPOINTS

- ✓ BPK's Viewpoints is the assessment, conclusions, and recommendations of BPK on policies and/or regulations in the field of state financial management and responsibility, based on the results of audits and/or studies conducted by BPK in accordance with applicable laws and regulations.
- ✓ Article 11 letter a of Law Number 15 of 2006 on Audit Board of the Republic of Indonesia (BPK) states, BPK may provide viewpoints to DPR, DPD, DPRD, central government/local government, other state institutions, Bank Indonesia, state-owned enterprises, public service agencies, local-owned enterprises, foundations, and other institutions or entities due to the nature of their work.
- ✓ The viewpoints given by BPK include improvements in the areas of revenue, expenditure, loans, privatization, liquidation, mergers, acquisitions, government capital participation, government guarantees, and other areas related to the state financial management and responsibilities.

Criteria for BPK's Viewpoints

- a. Related to the state financial management and responsibilities
- b. Macro, which concerns the state financial management and responsibilities that have a wide impact
- c. Strategic, which has a significant impact on state financial management and responsibilities or concerning the welfare of the society.
- d. Massive, means it is a common problem.
- e. Actual issue, means the problem is currently being an issue.
- f. Urgent, means it is important to be resolved immediately.
- g. Relevant, valid, complete, and can be further processed.

Source of Requests of BPK's Viewpoints

- a. Internal, which is the viewpoints that comes from the BPK's initiative.
 - b. External, i.e. viewpoints derived from requests from parties outside BPK.
- ✓ Viewpoints sourced from internal BPK are divided into two categories:
 - a. BPK's Viewpoints that are based on the results of evaluation and analysis of audit results (IHPS and/or audit reports) by the Directorate of EPP that meets the criteria for its issuance.
 - b. BPK's Viewpoints that are based on the proposed viewpoints materials (UBP).



TAKE THE BEST AND MAKE IT BETTER

Substantially, BPK needs to prioritize accountability as part of building organizational culture.

The Chairman of the Audit Board of the Republic of Indonesia (BPK) for the 2019-2022 period, Agung Firman Sampurna, conveys a message to all employees. Ending his term of office, he advises them to always take the best and make it even better. "Take the best and make it better. Don't forget to always give without remembering and receive without forgetting," he said in Jakarta, recently.

Agung says that it is an honor and a privilege to be able to serve BPK for the last 10 years. He also expresses his gratitude for the support given, especially in the last two and a half years.

"I would like to thank my colleagues, the leaders of BPK. I apologize for any inconveniences and I entrust these enthusiastic faces, the guards, the accountability fighters, because they are the future of BPK, the future of our beloved nation," he said.

Agung tells his story about his 10 year experiences at BPK, from leading the Directorate General of Audit III, Audit V and Audit I, to leading BPK as the Chairman held from November 2019 to April 18, 2022.

He tells about the frenetic audit of Gelora Bung Karno stadium and Kemayoran complex management that manages to save, discipline and strengthen the governance of those two state assets having very high values. In addition, the audit of the recruitment of civil servant candidates (CPNS) had succeeded in identifying weaknesses as well as laying new foundations in civil servant management as we know it today, especially in recruitment and strengthening the commitment of competence of the civil servants.

One of the interesting findings in this audit is that the involvement of a number of state universities in the CPNS recruitment process does not guarantee the accountability and integrity of the process. "In higher educa-

tion, the risk of fraud remains and even quite high. This experience has built a new understanding on the accountability: it is more than just a governance principle," he said.

Accountability for All

His journey as the BPK Board Member III had led him to supervise the performance audit of the Indonesian Migrant Worker Placement Policy in the G to G program. This experience has further strengthened the understanding on the accountability meaning that goes beyond its formal attributes. The locus of the testing process is carried out in Japan and South Korea providing a unique experience regarding the behavior of their communities and government officials.

"An experience bringing a new understanding that accountability is not just a governance principle but a value and culture embraced in the life of society and nation. This understanding later constructs BPK's tagline 'accountability for all'," he said.

When becoming Board Member V, he says, he still remembers how exciting the forum of the follow up of BPK' audit results was, which involved all regional entities audited by the Directorate General of Audit V, Government Internal Supervisory Apparatus (APIP) and law enforcement officers. It was carried out when Indonesia was mainstreaming a very massive anti-corruption program from 2009 to 2014.

It was in fact a form of policy breakthrough in an effort to prevent corruption in local governments, of which the recommendations' follow up is expected to increase awareness and strengthen integrity and commitment to a stronger implementation of good governance.

"Even though at that time it tended to be underestimated as a meaningless activity, in reality, there is not any single local government in Java and Sumatera caught

red-handed by the Corruption Eradication Commission (KPK) amidst such an intense corruption eradication program," he said.

It is obvious, he continues, that the forum did not stand on its own. It was, however, designed in a policy package containing audit policy direction tightening audit standards, especially related to grant expenditures, capital expenditures and asset management. This policy direction had led to a decline in the opinion of the presentation of local governments' financial statements by around 30 percent of all local governments audited by the Directorate General of Audit V.

According to him, all these experiences have underlain the leadership character in the last two and a half years as the Chairman of BPK. First, placing accountability as a priority. Formally, BPK conducts external audits. Substantially, however, BPK needs to prioritize accountability as part of building the organizational culture.

"This cultural development movement is labeled with "accountability for all", " he said.

Second, he continues, BPK's governance is the one that must be continuously developed and strengthened. This way, the audits can thus assure the quality and useful management of the state finance to realize the national objectives. Third, it takes consistency and discipline in carrying out all the plans that have been prepared, including applying audit standards.

During his tenure as the Chairman, there are several things he deems necessary to mention. Internal governance is the first part that needs to be put forward. Therefore, the strategic policy taken when starting his term of service is the implementation of the Supreme Audit Institution Performance Measurement Framework (SAI PMF). It is a performance measurement model developed to assess external audit institutions.



■ Agung Firman Sampurna

"This performance measurement framework only started to be implemented in BPK at the end of 2019. It's actually a bit late, but at the beginning of my service as the Chairman, we tried to catch up," he said.

Interestingly, Agung explains, the 6th element of the SAI PMF is communication and stakeholder management. This element then prompts the initial transformation movement at BPK, with a leadership model that became more open and communicative.

The integration of the SAI PMF into BPK's strategic plan 2020-2024 is also an important achievement. The transformation of performance indicators based on a balance score card (BSC) for the public sector into a logical framework analysis (LFA) in performance management is the next step. It is followed by the use of the PRISMA (Strategic Planning and Performance Management) application to monitor the progress of achieving the strategic plan.

"In order to strengthen and measure the achievement of the strategic plan, BPK has also issued a strategic plan implementation plan (RIR), through which BPK has initiated a number of transformational steps in its governance," he said.

Regarding accountability, Agung explains that many state institutions had presented annual reports containing activity implementations and financial reports. On the contrary, BPK did not have it at all.

Thus, BPK took the initiative to publish the first report entitled "Accountability for All". Although it has not been completed with the financial report, it has comprehensively presented all programs/activities and achievements during 2020.

This year, BPK has also issued the 2021 annual report to be published in 2022. Entitled "Surviving and Developing in the Face of a Pandemic", the report presents the implementation of programs/activities and achievements and is equipped with unaudited financial statements.

The completion of audit regulations:

- a. Regulations on financial audits (Guidelines for State Financial Audit Methods in an Emergency, Technical Guidance on Financial Audit in an Emergency Period, Guidelines for Presentation of Opinions and Audit Results of Foreign Grants).
- b. Regulations on performance audits (Guideline Series for Conclusion Formulation in Performance Audit, Guidelines for Performance Audits in an Emergency Period, Guidelines for VNR Review).
- c. Regulations on software of special-purposed audits (Guidelines for Compliance Audits related to Covid-19 Handling in an Emergency Period, Guidelines for Compliance Audits of Construction Works, Guidelines for Remote Audits, Supplement Guidelines for Physical Testing of Road Construction, Supplements Guidelines for Physical Testing of Building Construction Works, Supplements Guidelines for Natural Resources Construction Works, Technical Guidance for Compiling Compliance Audit Report).
- d. Institutional regulations (Revised BPK Regulation concerning Organizational Structure and Management, Revised Audit Management Guidelines 2015, Revised Functional Auditor Technical Guidance 2011, Functional Auditor Certification Mechanism, Service Standards for Organization and Management in BPK, Service Standards for Reviewing Software Concepts in BPK and Revised BPK Regulation Number 4 Year 2010 concerning Functional Auditor Management).

**Take the best and make it better.
Don't forget to always give
without remembering and
receive without forgetting**

BPK's Data Driven Organization, Agung says, is also trying to realize digital by default that it can produce internal and external digital data. It will support BPK's policy making in a decision support system (DSS), which then transforms BPK into a data driven organization.

In the context of this digital transformation, BPK has also implemented programs in the IT sector. First, the enterprise architecture (EA) development program. The Information Technology Master Plan 2020-2024, among other things, describes how important are the components of information systems and technology for BPK's success. Therefore, the development of EA becomes very crucial in increasing the effectiveness of the achievement of organizational goals.

Second, the IT support program during the Covid-19 pandemic. This program includes, among others, the development of an information system of Comprehensive Audit Information and Data (Covid portal). It is a means of synergy, collaboration and sharing of data and information of all working units involved in the audit of the handling of Covid-19 at central and local governments, state and regional-owned enterprises and other agencies.

Third, the development of audit and institutional information system. It includes, among others, significant improvements to the Audit Application System (SiAP) done in the second semester of 2021. The improvements are related to the reporting module, the implementation of SiAP for central government financial statements (LKPP) and the integration of SiAP LKPP and SiAP LKKL (SiAP for ministerial/institutional financial statements). "With this integration, the LKKL audit teams only need one application and one input for the consolidation process. These signi-

ficant updates make the SiAP application complete, starting from planning, implementation and reporting modules," he said.

Fourth, the program to increase the capacity and operational quality of information technology. BPK has improved and maintained the capacity of IT infrastructure and networks.

In the future, he says, IT infrastructure and services will continue to be improved. IT operational management in BPK is expected to reach the level of Best Government's IT Operations and ISO 27001 related to information system security. For this reason, it is necessary to increase the capacity and optimize the disaster recovery center (DRC).





Fifth, support programs for the development and utilization of big data analytics. In this regard, BPK has succeeded in developing a dashboard, the BIDICS dashboard, which presents the results of big data analysis. It can be used to support audit and institutional business processes.

According to him, BPK's digital transformation has built a reliable, secure and agile knowledge management. "Ten years ago, we introduced the term of knowledge management to this institution. Today, with the green fingers of the Vice Chairman, and of course with the support of all BPK leaders, through digital transformation, BPK has succeeded in building knowledge management to become one of the best in this country," he said.

He reveals that another important and strategic part in the context of governance is the establishment of the Investigative Audit Task Force (IATF).

The semi-permanent working unit is formed to address the availability of auditors competent in investigative audit in each BPK Regional Office. It is responding to the increasing demand from law enforcers to carrying out investigative audit, especially those related to the calculation and settlement of state losses and providing expert testimonies.

"In the early stages, there has been IATF established in seven Regional Offices as a piloting. Surely, the next is the evaluation of these 7 piloting units. The results will become inputs for improvements in future implementations," Agung said.

BPK's international cooperation activities in the framework of capacity building:

- a. Continuation of IAEA audits and trust as external examiner for IMO (including IMLI and WMU audits).
- b. Active as a speaker and participant in international activities both in webinars and knowledge sharing organized by international organizations and donor agencies.
- c. Actively participates in secondment, training, and international certification activities to increase audit and institutional capacity.
- d. Become a subject matter expert and resource person in various activities of INTOSAI, ASOSAI, ASEANSAI, donor agencies, and in various bilateral activities.
- e. Actively mapping vacancies opportunities as external examiners for organizations under the United Nations and other international organizations.
- f. Active coordination with the Ministry of Foreign Affairs to map support for Indonesia's candidacy as the UN board of auditors for 2026, replacing China. ●



Auditing

In the meantime, he also explains about several strategic audits. First, the investigative audit of state loss calculation for the cases of Jiwasraya and Asabri. The audit revealed the largest state financial scandal in history containing the loss of approximately IDR 39 trillion.

Second, the risk-based comprehensive audit of the programs of Covid-19 pandemic response and national economic recovery (PC-PEN). The audit has identified a number of issues hindering a massive risk of frauds during the pandemic, which at the same time streamline the government's efforts to restore the national economy. "This audit is still ongoing and the supporting applications are also constantly being updated," he said.

Since 2020, BPK has also developed two types of reviews to supplement the audit report of the central government financial statements, the review of fiscal sustainability and the review of fiscal decentralization. The results of the two reviews are not only very insightful, but also serve as an early warning system regarding the government's debt burden and performance indicators of the regional fiscal independence.

Third, BPK's opinion materials related to the management of Papua Special Autonomy Fund and National Health Insurance (JKN). It is an embodiment of the maturation of BPK's insight role. Fourth, the first BPK's strategic foresight entitled "Indonesia Remade by Covid-19: Scenarios, Opportunities and Challenges for Resilience Government", which succeeded in elevating BPK's capacity to the peak of an SAI's maturity role.

The ongoing programs

Agung also explains about the programs currently being implemented. For example, the establishment of the Global Partnership Center as Public Service Agency (BLU). Being in the same chain as the BPK Corporate University, its tasks are to increase BPK's audit capacity and implement a more flexible financial governance, while increasing BPK's international reputation and answering the problem of budget independence, which has always been a recurring finding in peer reviews.

All statutory provisions related to the BLU are now in the fulfillment process, having received approval from the Ministry of Administrative and Bureaucratic Reform. After internal legislation is completed, it will meet the requirements for legislation at the Ministry of Finance.

"All statutory provisions related to the BLU are now in the fulfillment process, having received approval from the Ministry of Administrative and Bureaucratic Reform. After internal legislation is completed, it will meet the requirements for legislation at the Ministry of Finance," he said.

Related to the functional allowance for auditors, the harmonization of the Presidential Regulation has been finalized by the Ministry of Law and Human Rights, involving Ministry of Administrative and Bureaucratic Reform, Ministry of Finance, Ministry of State Secretariat, State Civil Servant Agency and BPK as the proposing institution.

"We hope that in June the Presidential Regulation will be signed. It is a formal acknowledgment of the existence of this functional position, which after 11 years of its existence and contribution, the compensation has not been received," he said.

Regarding the international cooperation, BPK is now preparing to bid as the external auditor for two United Nations international agencies, namely ILO and WIPO. Agung suggests that BPK should concentrate more on WIPO considering limited number of auditors having the required competencies.

In addition, by focusing more on WIPO, Agung views that BPK can obtain a more relatively profitable benefits. "We will surely leave further analysis on this matter to the new leaders, both the Chairperson and the Vice Chairperson," he said. ●

BPK DRIVES DIGITAL TRANSFORMATION

Digital by Default is a strategic goal in developing BPK's business process automation.

The Audit Board of the Republic of Indonesia has established a Master Plan of Information Technology (RITI) 2020 to 2024 to carry out digital transformation and the development of big data analytics. This Master Plan is also an integral part of the BPK's 2020-2024 Strategic Plan.

The Director of Information Technology, Pranoto, explained, RITI is principally a digital transformation strategy consisting of implementing digital business processes, implementing governance that supports digital transformation, and implementing Big Data Analytics. The BPK digital transformation roadmap is implemented in several stages, starting with mapping the existing conditions carried out in 2020. "Mapping the existing conditions for digital transformation that has been carried out by BPK from the 2000s to 2020. In that period, BPK has implemented information technology development on an ongoing basis," he said during a conversation with *Warta Pemeriksa* in mid-March.

In the mapping process, the Information Technology Bureau maps the existing infrastructure, information systems related to the audit process and, human resource capacity. "At the same time, in 2020, BPK designed RITI. Mapping is part of the work process to design information technology plans," he said. Meanwhile, by 2021, the process entered the preparation stage. IT bureau and related working units have developed the BPK Enterprise Architecture as an initial step for transformation. BPK's Enterprise Architecture development referred The Open Group Architecture Framework (TOGAF) and Supreme Audit Institution Performance Measurement Framework (SAI-PMF). The use of SAI-PMF is what makes it different between BPK's Enterprise Architecture and those in several industries.

Although it is still in the preparation stage, to spur digital transformation, several implementations have also been carried out simultaneously. He explained, in terms of the audit information system, for example, the Audit Application System (SiAP) underwent significant updates, namely the release of the Reporting module for automation of report preparation, and the integration of SiAP LKKL with SiAP LKPP to facilitate consolidation in the audit of LKPP and 87 LKKL/LKBUN. In addition, an information system for the Communication



■ Pranoto



We are standardizing related to business processes, information systems and data management. We are making efforts to standardize the whole in stages.

of the BPK's Audit Team and the Public Accounting Firms' Auditor has been built as an implementation of Audit Standard 600. An important thing that will also be implemented in 2021 is the development of BPK's Big Data Analytics (BIDICS).

While improving information technology governance, digital transformation will also enter the next stage in 2022, namely standardization.

According to RITI, standardization will be implemented starting this year. "We are standardizing related to business processes, information systems and data management. We are making efforts to standardize the whole in stages," he said.

With standardization, he said, system integration could be formed which is expected to encourage the simplification and automation of BPK's business processes. This system integration is targeted to run in 2023. Business process automation will also be achieved by integrating all business processes.



He said that the automation of BPK's business processes was developed within the framework of creating digital by default as a strategic goal of 2024. This means that users feel comfortable and the information system becomes the daily life of BPK's employees.

"As an example, to facilitate understanding of digital by default, before the Covid-19 pandemic, people might not be comfortable holding virtual meetings using video conferencing applications. But driven by environmental changes, finally online meetings have become the employee's daily default, we hope that this condition will also be formed for other BPK's business processes," he said.

Therefore, he said, if digital by default has been built, BPK's business processes will produce digital data from both internal and external sources. Supported by the implementation of the Big Data Analytics Strategic Initiative, by the end of 2024, BPK is expected to become a data driven organization. "Once BPK's environment becomes digital by default, from all the activities of people who are comfortable using information technology, it will produce digital data on state finances that is increasing, accurate, and complete. In the end, decision making is supported by a system or decision support system," he explained.

Through a data driven organization, decisions will be made based on data and information. This means that data and information will be the driving force for BPK in realizing quality and useful state financial governance. In other words, the elaboration of BPK's vision is supported by data-based decision making.

The big step taken by BPK by carrying out digital transformation is indeed a necessity. The Industrial Revolution 4.0 has an influence on the governance of government organizations, one of which is the implementation of electronic government (e-government) which aims to improve the performance of governmental organizations in accordance with their duties and responsibilities. He gave an example, the government has established an e-Government in various fields, especially the management of state finances, both in

managing taxes, spending, assets, and others. This is reinforced by the issuance of Presidential Regulation Number 95 of 2018 concerning Electronic-Based Government Systems.

The Article 1 of the regulation states that the Electronic-Based Government System, hereinafter abbreviated as SPBE, is a government administration that utilizes information and communication technology to provide services to SPBE users. Thus, BPK also had to make a transformation. This is because if BPK does not carry out the transformation, it will be difficult for BPK to play a role, even if it is not impossible to carry out its mandate as an auditor of the state finances management and responsibility.

Meanwhile, from the internal side, BPK's condition is developing. The number of employees is increasing, the spread of working units throughout Indonesia, the wider scope of BPK's audits, the organizational IT capacity and not to mention Information Technology planning and budgeting which must also be aligned with the development of SPBE, the National Data Center and the One Data Indonesia Program. This condition creates complexities that take into account the need for digital transformation and may at the same time become a challenge to realize standardization, simplification, and automation of BPK's business processes.

With the digital transformation, he believed that BPK's audit work will be more efficient, effective, and produce higher quality output. In the end, he said, BPK was further strengthening its role in promoting accountability and transparency in the country.

"So by carrying out this digital transformation, it can be a solution in dealing with the challenges of this complexity. With the large number of employees, more entities, and more transactions, if we respond by accelerating digital transformation as a driver of organizational transformation, it will improve the quality of our work to increase accountability and transparency," he said.

He said that digital transformation at BPK was determined by at least three aspects. The three aspects are People, Process, and Technology. In the digital transformation process, he said, the transformation from the aspect of HR and business processes became important aspects, not just the technological aspect. Digital transformation is not a process of building many applications but a process of building a digital culture. This means that digital transformation actors are all employees and work units of BPK.

One of the important pillars in carrying out digital transformation at BPK is the formation of the BPK's Enterprise Architecture called Digital eNterprise Architecture BPK or abbreviated as DNA BPK.

ARSITEKTUR DASAR APLIKASI BPK 2024



Through the formation of DNA BPK, BPK already has a conceptual map of the relationship between strategic planning, business processes, data, applications, technology, to the implementation of the architecture. DNA BPK is built by considering risk, compliance, and performance in every existing business process so as to form good governance. "This is a significant achievement, a significant process, which will later become our stepping stone to move forward, including the implementation of the architecture," he said.

Significant achievements

Pranoto said, with this mapping, the establishment of the Digital Enterprise Architecture BPK or DNA BPK was achieved. Another achievement is the development of the Audit Application System (SiAP). Currently, SiAP is integrated from planning to reporting. So that the auditor who conducts the reassessment can be facilitated. This integration is important to support the process of mapping the audit risk in the entity and the problems in it, because the data owned is already integrated.

Pranoto said that the auditor had carried out all of their activities using SiAP until the reporting process. In fact, SiAP has been integrated with the one in the Central Government Financial Report (LKPP).

This year, BPK's IT Bureau is designing SiAP for external parties. This means that auditees can input data into SiAP. Likewise, the public accounting firms that participate in the audit process.

Another important achievement is the development of Big Data Analytics or BIDICS. BIDICS makes decision making easier because there is a lot of data in it.

Through BIDICS, he said, auditors were able to identify certain irregularities. "For example, there are indications that the winner is not the one with the lowest bid, the contracting party is not the winner, they can also find out about procurements that are not in the information system in general. Unplanned procurement, or case like the winning vendor data was not

entered into official data," he said. BIDICS is also able to monitor local government data, for example identifying residents who receive social assistance twice. He added that BPK's IT Bureau is also preparing ISO 27001 to ensure the security of BIDICS and SiAP data. ISO 27001 is an international standard in implementing information security management systems or better known as Information Security Management Systems (ISMS).

The application of the ISO 27001 standard will assist organizations or companies in building and maintaining an information security management system (ISMS).

"We are currently preparing documents, preparing the infrastructure, and so on, until later in 2023 our achievement for ISO 27001 can be achieved," he said.

The challenge of digital transformation, Pranoto emphasized, is similar to organizational transformation. Thus, it is not only about the transformation of information technology, but includes all, which is the organization as a whole.

According to him, the biggest challenge in the digital transformation process is organizational change, which involves not only the IT Bureau, but also all elements in BPK. Therefore, digital transformation in the process must involve many parties.

The next challenge is related to the budget, which in the process also involves other parties and even other ministries/institutions, namely the Ministry of Administrative and Bureaucratic Reform of the Republic of Indonesia and the Ministry of Finance. Even though at the same time, there are many things that the IT Bureau wants to pursue, starting from digital transformation to ISO 27001. In the process of carrying out digital transformation, the IT Bureau is required to prepare infrastructure and data center. Another challenge related to external, which is synchronizing data for each ministry and institutions. According to him, the government is currently developing the SPBE (Electronic-Based Government System), so that all data is integrated into the SPBE. While at the same time. BPK or perhaps other institutions have their own agenda regarding digital transformation.

"Starting this year, IT spending must also get clearance, before we prepare the budget, we must first report to the Ministry of Administrative and Bureaucratic Reform of the Republic of Indonesia and Ministry of Communication and Informatics. On the one hand, we have targets that we need to go fast, such as to achieve ISO 27001. Thus, the challenge is how do we combine our targets with SPBE development targets," he said. ●



THE NEW ASSESSMENT CENTER BPK

BPK has transformed and rebranded its Assessment Center as New Assessment Center on April 6th, 2021. New Assessment Center is ready to take the leap and lead the assessment business in the public sector with its non-tax revenue service. We hope that New Assessment Center can make a significant contribution to civil servant management practice.



■ BY **PRAMUDHITA PUTERI,**
ASSESSOR BPK

The technology disruption and Covid-19 pandemic have enforced every organization to be more innovative in doing its business. BPK's Assessment Center also making some efforts to overcome the challenges. We have managed this issue by restructuring our assessment facilities, developing assessors and simulations, and incorporating technology into the assessment center method. We also expand our business by accepting assessment requests from other government institutions through non-tax revenue service (Government Regulation Number 81 on 2021 concerning Types and Rates of Non-Tax State Revenue Applicable to BPK).

We offer five types of service within the non-tax revenue service. Our best seller service so far is assessment center and cognitive and personality assessment. We also offer a general interview, feedback, and work counseling services. Some of our clients are the Ministry of Cooperatives and Small and Medium

Enterprises, National Research and Innovation Agency, and Ministry of Marine Affairs and Fisheries. In fact, the Ministry of Cooperatives and Small and Medium Enterprises has been using our service twice. They also request further assistance from us in developing their assessors' competency. As for the Ministry of Marine Affairs and Fisheries, we are in progress in doing an assessment center and supporting them in setting up their assessment center. Most of the positions that we assess are the top level management, middle, and lower-level management positions, and employees in a functional or technical job.

As part of our motto "Supporting Your Career Development", we strive to deliver excellent service by practicing a continuous learning environment. We have twenty-nine assessors that are qualified with assessor certification. We also engage our assessors in several competency development activities so that they have the knowledge, skill, and behavior to do an assessment, such as training and appren-





ticeship. We also develop our simulations regularly following changes and growing issues in the public sector. Technology advancement is our next mission. Nowadays, we use digital technology platforms which are generally available, such as google drive, google form, and zoom to support our activities. We aspire to create and develop our digital platform within our internal information and technology infrastructure. We hope that this effort will create a more advanced, personal, and secure digital environment in the assessment center.

The New Assessment Center BPK just received recognition in providing assessment service by winning the best award in the Competency Assessment category at the 2021 BKN Award event and obtained a Certificate of Eligibility for the Implementation of Competency Assessment from the Indonesian National Civil Service Agency with an "A" category. We are honored with this appreciation and motivated to keep innovating our assessment center. Furthermore, the New Assessment Center BPK is also involved in sharing knowledge and experience within the southeast Asia regional scope. We were invited by The State Audit Organization of Lao P.D.R and the State Audit Office of Vietnam to share our experience in doing an assessment center as part of the bilateral cooperation with BPK. Hence, we are confident that the New Assessment Center BPK can play an important role at the national and international levels. ●



“ We aspire to create and develop our digital platform within our internal information and technology infrastructure.

FOREIGN DIRECT INVESTMENT AND ITS CONTROVERSY: A BRIEF REVIEW



■ BY **ARIS SETIYANTO**

From a philosophical and ideological perspective, it seems that the presence of FDI will be more likely to be opposed. They stressed the need for national control over domestic economic activity. Many observers argue that multinational corporations can use their economic power to influence government policies at all levels.

Foreign direct investment (FDI) has become an integral part of the international economic system and is widely believed to be one of the main catalysts for the development of developing countries. Generally considered that FDI not only creates capital accumulation for the domestic economy, but also brings positive externalities through the adoption of new technologies, managerial skills, ideas, and knowledge of developed countries. Recently, many developing countries are increasingly liberalizing their economic policies to attract foreign investment through various incentives, as well as discussing how to best maximize the benefits of a foreign presence for the domestic economy. Yet is attracting FDI as broadly as possible into the domestic economy is the right policy?

In the scholar of investment as a determinant of economic growth, the discussion of the impact of FDI on the domestic economy generally leads to two perspectives. First, in the perspective of financial flows, and second, the flow of knowledge (technology transfer) that accompanies capital. In general, experts agree on this point since the flow of foreign capital (especially investment in the form of greenfield investment) will directly affect output by increasing the capital stock in the form of establishing factories and

equipment in the country. In the latter, FDI can increase the productivity of human resources by providing human development training and skill acquisition for domestic partners.

However, discussions about the impact of FDI on the domestic economy are still being debated. Skepticism about the impact of FDI leads us to two important questions. First, does FDI have a positive impact on domestic capital accumulation, and therefore economic growth? Second, does FDI bring positive externalities to the domestic economy through technology transfer from developed countries to developing countries?

So far, the empirical evidence regarding the impact of FDI on the domestic economy has varied. The results of cross-country studies in developing countries revealed that the benefits of FDI on economic growth are restricted by local conditions, including stock of human capital and financial deepening in the host country. Borensztein et al., (1998) stated that FDI contributes a relatively larger contribution to growth than domestic investment if there is adequate absorption capacity in the host economy. While Alfaro et al., (2010) stated that FDI will lead to higher additional growth in financially developed economies compared to those that are less financially developed. On the other hand, Herzer, (2012) states that cross-country differen-



The common practice of transfer pricing by MNCs that is cannot be controlled by the host government. This practice often becomes a source of hostility between MNCs and host governments, not least because it may be used for tax evasion.

ces in per capita income, human capital, openness, and financial market development cannot explain cross-country differences in the growth effect of FDI. Instead, the growth effect of FDI is positively related to freedom from government intervention and freedom from business regulation. Various further studies provided different conclusions regarding the impact of FDI on economic growth in developing countries.

In the perspective of FDI as a channel of technology transfer, while many cross-country studies failed to provide evidence of technology transfer (Alfaro et al., 2010), a study by Blalock & Gertler (2008) on managerial and statistical cases in Indonesia report evidence that MNCs strategically transfer technology to local suppliers. Likewise, research by Djulius (2017) on manufacturing companies in Indonesia. Djulius found that export orientation by domestic companies could be a catalyst for various types of knowledge spillover from foreign companies to domestic companies.

Apart from many studies on the positive impact of FDI on the domestic economy, the presence of FDI is also opposed by several circles. While the proponents of FDI are based on neoclassical and endogenous growth theories that focus on investment and technology as determinants of economic growth, the opponents of FDI generally base on the fundamental meaning of the presence of foreign investment in the process of economic and social development in developing countries.

Furthermore, other economists are skeptical about the impact of FDI on the domestic economy. Instead of generating more investment from domestic sources by encouraging new investment from upstream to downstream

(crowding-in effect), FDI can lead to the “crowding-out” effect when the presence of multinational corporations (MNCs) displaced domestic producers because of their dominance in the local market. The entry of MNCs can increase competitive pressure for local companies or pre-empting their investment opportunities. According to Jude (2019), with lower marginal costs due to their specific advantages, MNCs capture a part of domestic demand, forcing local firms to reduce output and thereby increase their average cost. Therefore, local companies that are not competitive and are unable to renew their capital structure will be eliminated.

Mitigation of the impact of FDI on domestic investors needs to be a concern for policy-makers. Agosin & Machado (2005) argue that if foreign investment enters a sector where there are competitive domestic firms (or firms that are already producing for export markets), it can eliminate investment opportunities for domestic entrepreneurs. Moreover, they state that FDI and domestic investment will complement each other when FDI enters underdeveloped economic sectors (due to technological factors or lack of knowledge about foreign markets).

From a philosophical and ideological perspective, it seems that the presence of FDI will be more likely to be opposed. They stressed the need for national control over domestic economic activity. Many observers argue that multinational corporations can use their economic power to influence government policies at all levels. As described by Todaro & Smith (2015), with the power of capital and the support of developed country governments, they have obtained some economic and political concessions from developing country governments. Although those FDI proponent tend to come from free-market flows, the actual operations of MNCs tend to be monopolistic. Pricing tends to result from international bargaining and in some cases, it results from collusion than free-market mechanisms. As a consequence, the MNC's benefits may well outweigh its social benefits. In extreme cases, they will gain control of local assets and

employment and exert considerable influence over political decisions. As happened in Chile in the 1970s, where MNCs were involved in bribery to public officials or indirectly through donations to political parties. We certainly keep in mind that the first very liberalistic policy since the start of the New Order climate to attract foreign investment was Law Number 1 of 1967 concerning Foreign Investment. In Lindblad (2015), the establishment of the law was part of the agreement with the IMF, and worth noting that the first major contract under the law was Freeport.

Even more, the common practice of transfer pricing by MNCs that is cannot be controlled by the host government. This practice often becomes a source of hostility between MNCs and host governments, not least because it may be used for tax evasion. They can avoid local taxes in high-tax countries and shift profits to subsidiaries in low-tax countries by artificially increasing the price paid for intermediate products purchased from subsidiaries in other countries thereby lowering locally generated profits. Thus, their contribution to government revenues is much smaller than it should be.

On the environmental aspect, with significant financial, political, and negotiating power, MNCs can get away with it and cause a lot of environmental damage. This mainly occurs in developing countries where environmental standards are low. Indeed, one of the reasons why they are locating production facilities in developing countries is to pursue less stringent environmental requirements (Moosa, 2002). It is noteworthy that MNC is not in the development business. Their goal is to maximize return on capital. They seek the highest profit opportunities and ignore issues such as poverty, economic inequality, employment conditions, and environmental issues.

Although the discussion of pros and cons reflects contradictions from different points of view, generally can be accepted that FDI can be an important stimulus for development as long as the interests of the MNC and the host government are aligned. Although in actuality, maybe there will never be a convergence between the interests of maximizing MNC profits and the development agendas and priorities of developing countries.

On the political aspect, many analysts suggest the need for a stronger bargaining position of the host country, more actively seeking other parties that provide better deals, as well as increasing domestic ownership and control or reducing the scale of growth of foreign investors. To reduce the

negative impact on local investors, the government can direct the entry of FDI to underdeveloped sectors (Agosin & Machado, 2005), or sectors that are national development priorities. In addition, Herzer (2012) suggests that the government needs to eliminate dependence on natural resources by diversifying the economy to be able to protect developing countries from the negative consequences of FDI and encourage growth triggered by FDI in the long term. ●

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IMPACT OF EMERGENCIES IN STATE BUDGET MANAGEMENT



■ BY **PUTERI ANGGUN AMIRILLIS**

The Covid-19 condition which is a global emergency (Richard Danzig: 2021) directs the President with his prerogative to include matters regarding the management of the state budget during the emergency period and also other economic arrangements in Perppu Number 1 of 2020 which has been stipulated as Law Number 2 of 2020.

Management of the State Revenue and Expenditure Budget (APBN) has the impact of an emergency, namely that there must be management of the state budget in an emergency. The management of the state budget during an emergency is not only about issuing special rules, but these rules must be able to meet the principles that already exist in the management of the state budget in general but are applied to emergencies. The principle that the APBN is used for the benefit of the people is therefore very important to carry out discussions with the DPR to produce checks and balances (Arifin P. Soeria Atmadja : 2017). In other words, the management of state finances during an emergency period must still be guided by the main things regulated in the law that regulates state finances, state treasury and state financial audits and responsibilities but remains in accordance with the concept of emergency law (Beni Kurnia Illahi, et al. .al : 2021). This is important because it is an arrangement that will provide confidence for the State Civil Apparatus to issue a budget that is beneficial to the people. It means, by combining with three packages of State Finance Laws, namely Law Number 17 of 2003 concerning State Finances, Law Number 1 of 2004 concerning State Treasury, Law Number

15 of 2004 concerning Audit of Financial Management and Accountability Country.

The Covid-19 condition which is a global emergency (Richard Danzig: 2021) directs the President with his prerogative to include matters regarding the management of the state budget during the emergency period and also other economic arrangements in Perppu Number 1 of 2020 which has been stipulated as Law Number 2 of 2020. This is a true act but however, this rule has not accommodated the planning and discussion stages of the management of the APBN, where in the Perppu there are only changes to the budget and rules that can make expenditures for which the budget is not yet available. This is certainly a separate thought because the concept of checks and balances at every stage of the management of the State Budget in an emergency is important and this is reinforced by the existence of Article 23 paragraph (1) of the 1945 Constitution of the Republic of Indonesia (UUD NRI 1945) which states that the State Budget implemented openly and responsibly for the greatest prosperity of the people. The article provides a stipulation that the APBN is the embodiment of the management of state finances so that it must be determined every time with the rules that are jointly determined by the Legislature and the Executive and implemented transparently for the life of the people.”

This rule is confirmed by the provisions in Article 23C of the 1945 Constitution of the Republic of Indonesia which stipulates that other matters concerning state finances are regulated by law. This regulation means that if there are other matters outside the existing arrangements, a law can be stipulated for further regulation. Arrangements regarding the management of the State Budget in an emergency, of course, include other matters concerning state finances which must be regulated by law, where the Act requires the approval of the DPR. It can also be said that the concept of checks and balances is as important as the emergency regulation itself as regulated in Article 12 of the 1945 Constitution of the Republic of Indonesia. In addition to Article 22 of the 1945 Constitution of the Republic of Indonesia, where the President can issue a Perppu in a state of urgency, it turns out that the President's prerogative rights hit a dead end when it collides with Article 23 paragraph (1) and Article 23 C.

The concept of emergency according to Georg Jellinek is a condition where the validity of legal norms is based on the nature of special conditions (*abnormal recht voor abnormale tijd*), so that it can negate a norm that is already in effect (*onrecht word recht*) or form new legal norms in accordance with special conditions. (Jimly Ashiddiqie: 2007) Subjective constitutional law or "*staatsnoodrecht*" in the subjective sense is the right given to the state to exercise its authority in an emergency context where what is done is allowed to deviate from normal conditions (Jimly Ashiddiqie: 2007). This understanding can be understood because "*staatsnoodrecht*" was originally an unwritten law in the form of human rights in human law as objective law. This is because of the influence of the positivist legal school and the teachings of the formal law state. With these developments the term "*staatsnoodrecht*" emerged in an objective sense. Different from subjective understanding, in an objective sense it is a law that is enforced when the country is in an emergency (Jimly Ashiddiqie: 2007).

Clear arrangements regarding the management of the State Budget in an emergency, apart from having checks and balances by making rules in a law, are also a concept of detailed rules in the management of the State Budget from planning to accountability. Proper financial budget management will greatly determine how quickly the government takes action and how confident

the State Civil Apparatus (ASN) takes action to solve the problem. This can be done if checks and balances have been implemented in every stage of the management of the State Budget, namely there has been a provision between the President and the DPR and there are detailed rules that ASN can follow. As it is understood that the flow of APBN management starts from planning, discussion, implementation, administration, inspection to accountability, so that the management of the emergency APBN must exist in each of these flows (Renius Albert Marvin, et.al: 2019).

The very important stage for defining governance in an emergency is during the planning and discussion of the DPR and the President who will determine macro assumptions for the management of the State Budget in an emergency, which will then be made into a special emergency document, then the special emergency document will have a long processing time, faster than other budgets, but still a part of the state budget as a whole (Puteri Anggun A: 2021). In this case, the concept of checks and balances in determining what budget constitutes an emergency budget contained in an emergency document will exist at the beginning of the determination of the emergency APBN, not at the final stage as regulated in Law Number 17 of 2003 and in Perppu Number 1 of 2020. Henceforth, emergency regulations will be accommodated in detail in each subsequent stage of APBN management, namely implementation, administration and accountability as regulated in the Amendment to the three packages of the State Finance Law that regulates the management of the State Budget, granting authority to officials and auditing the State Budget Management which pays close attention to the principle of check and balances as mandated by Article 23 of the 1945 Constitution of the Republic of Indonesia. This arrangement will strengthen the confidence of ASN to make expenditures in an emergency situation quickly so that it will be quickly utilized for the people. Addition of emergency regulations by combining with three packages of State Finance Laws, namely Law Number 17 of 2003 concerning State Finances, Law Number 1 of 2004 concerning State Treasury, Law Number 15 of 2004 concerning Audit of Financial Management and Accountability Country. Because by combining the meanings in a normal situation and an emergency situation, the principles and objectives of the three packages of laws still apply to these two conditions. ●

BPK'S STRATEGIES AND CONTRIBUTIONS TO THE ACHIEVEMENT OF SDGS

BPK, as Indonesia's one and only external government audit body, plays a key role in supporting the implementation of SDGs in Indonesia. This is carried out by: first, overseeing the Gol's (Government of Indonesia's) programs in achieving SDGs through audits, and second, by contributing to the follow-up and review of SDGs.



■ BY **ASRARUL RAHMAN**



■ AND **FITRIA PANDAN SARI,**
DIT PSMK –
DITAMA REVANG

SDGs are a continuation and a more comprehensive version of MDGs (Millennium Development Goals). In SDGs, various objectives are set together with activities on how to achieve them, which cover many aspects such as economy, social and environment, as well as justice and inclusiveness. By scrutinizing the vast aspects in SDGs, one can determine that SDGs are in line with INTOSAI Principle Number 12 or P-12 (formerly known as ISSAI 12). Each and every goal and target of SDGs are not contradictory to the 12 principles of the value and benefits in INTOSAI P-12, by which SAIs could have an important role in making a difference to the lives of citizens through the results of its audits.

At International Congress of Supreme Audit Institution (INCOSAI) XXII held in Abu Dhabi in 2016, INTOSAI members agreed to oversee the SDGs program in their respective countries. At the congress, four approaches were agreed to be pursued by SAIs around the globe, to contribute to the implementation, follow-up and review of the SDGs, at national and sub-national/regional levels. The four agreed approaches are incorporated into the INTOSAI strategic plan 2017-2022, namely: (1) Assessing the preparedness of the SDGs; (2) Undertaking performance audits that contribute to specific aspects of the SDGs; (3) Assessing and supporting implementation of SDG 16 and SDG 17; and (4) Being models of transparency and accountability.

As an addition to the above mentioned four conceptual approaches, INTOSAI through IDI (INTOSAI Development Initiative) developed IDI's SDGs Audit Model (ISAM), which is a practical 'how-to' guidance to support SAIs in conducting high quality audits of SDGs implementation based on ISSAIs. ISAM can be used by every SAI because it pays attention to SAIs' diversity and inclusiveness.

Another contribution that SAIs can make to the implementation of SDGs is conducting a review towards VNR (Voluntary National Review) of SDGs prior to its presentation at HLPF (High-Level Political Forum). The UN's HLPF, under the auspices of the General Assembly and the United Nations Economic and Social Council have a central role in overseeing the follow-up and review at the global level on the implementation of the SDGs. Every year the HLPF comprises series of events, and since 2016, one of the objectives of the events is to follow-up and review mechanism on the SDGs agenda. Each year the HLPF has different themes, and member countries are encouraged to conduct a progress review by making a VNR according to the HLPF theme. This VNR constitutes an exchangeable information regarding the implementation of the SDGs agenda in each presenting countries, and can be used as a means to exchange experiences and identify challenges in the implementation of SDGs.

BPK, as Indonesia's one and only external government audit body, plays a key role in supporting the implementation of SDGs in Indonesia. This is carried out by: first, overseeing the Gol's (Government of Indonesia's) programs in achieving SDGs through audits, and second, by contributing to the follow-up and review of SDGs.

In discharging its duty as an external government audit body, by ensuring the implementation of SDGs in Indonesia, BPK needs to align its audits with the Gol's development programs. In so doing, in its current strategic planning period, BPK has set up prioritized audit themes based on the government's development agendas as stipulated in National Mid Term Development Plan (NMTDP) 2020–2024, as well as the implementation of the SDGs in each agenda. The alignment is set up by also taking into account issues of common concern (focal points) of stakeholders.

In its strategic plan of 2020-2024, BPK classifies audits to three major classifications: i) mandatory audit; (ii) thematic audit; and (iii) investigative audit/ audit at stakeholder request. The thematic audit usually involves multiple units that needs more synergy and collaboration between them to produce more comprehensive recommendations, opinions, or considerations. This audit is then broken down into three subclasses, namely national thematic audit, local thematic audit and other thematic audit.

In terms of national thematic audit, BPK has planned to conduct audits on 7 (seven) prioritized development agendas (PN) as stipulated in NMTDP 2020-2024. In so doing, BPK makes projections on focuses within each development agenda, which will become the main focus of BPK audits throughout the five-year-period. The projection is carried out by conducting an analysis to prioritize certain focuses compared to others. The prioritization is completed by considering various factors, among others: 1) Status of the achievement of each targets on SDGs, prepared by the Gol; 2) Risk, Impact, Auditability, and Significance (RIAS) of each theme; 3) Previous Audit Reports; and 4) Strategic issues of public concern.

After the selection audit focuses, to audit the implementation of the SDGs within the selected focuses, BPK makes use of ISAM that brings about some concepts in auditing SDGs, namely "the whole of government", "multi-stakeholder engagement", and "no one left behind". The use of the concept of "no one left behind" audit, for example by taking samples of people who are left behind or vulnerable (eg people with income below 40%, outer island communities, gender, etc.). "The whole of government" concept can be applied to audit cross-unit government programs, in a way that audits shall not be conducted in silo following the Government's rigid

separations-of-duties model. Lastly, the "multi-stakeholder engagement" concept believes that SDGs programs are not only carried out by the government, but by various stakeholders, so it is necessary to make a stakeholder analysis and see the involvement of various stakeholders in achieving an outcome.

Since the declaration of the 2030 Agenda for SDGs, BPK has contributed to its follow-up and review, both in terms of audit and capacity building. Some contributions that BPK has made regarding the follow-up and review of SDGs include, but not limited to: (1) Audit on Readiness of SDGs Implementation in Indonesia (SDGs Preparedness); (2) Audit on Effectiveness of Government Programs that Contributing to the Achievement of SDGs; and (3) Review on SDGs Voluntary National Review (VNR).

By referring to the abovementioned concepts of ISAM, BPK formulates a strategy to audit the implementation of SDGs, in which SDGs-related audits are classified into two groups: dedicated SDGs audit and embedded SDGs audit (or SDGs perspective audit) in other audits conducted by BPK.

Dedicated SDGs audit is an audit of the performance of the implementation of policies that contribute to the achievement of national or local development targets that are related to one or more SDG targets. BPK's 2020-2024 strategic plan has embodied this type of audit comprehensively, including overarching aspects such as audit monitoring, quality assurance, and audit impact. Dedicated SDGs audit stipulated in BPK's 2020-2024 strategic plan are: Audit on SDG 3D, Audit on SDG Sustainable Transport, and Audit on SDG 3.8, to name a few.

Embedded SDGs audit is an audit of the SDGs that is embedded to other audits, and partially accommodates audits steps and/or audit methodologies of ISAM that are deemed necessary. By this, BPK plans to link SDGs targets to all audit engagements. Practically, each of audit engagement is tagged to one or more SDGs targets electronically through an application. With this, BPK is expected to have a database of audits that have been interlinked to SDGs targets. This database will be beneficial in helping BPK to holistically see problems with the achievement of SDGs targets, recommend the Gol for addressing the problems appropriately, and can be used for the implementation of the review of VNR.

In contributing to SDGs VNR, BPK is the first

SAI in the world conducting a review towards SDGs VNR report. Although the Gol had presented VNR for several times at the UN's HLPF, the first time BPK reviewed the VNR report was in 2021, at the Gol's third presentation. This was a response to the request of the Indonesian SDGs National Coordination Team for BPK to review the VNR report prior to its presentation. The coordination between the Indonesian SDGs National Coordination Team and BPK demonstrates the commitment of the Gol to ensure that its VNR report is rigorous, reliable and evidence-based.

In conducting the review on the 2021 SDGs VNR report, BPK has set three objectives. First, to assess whether the Gol has prepared the VNR SDGs of 2021 consistently with the VNR SDGs of 2017 and 2019. Second, to assess whether the preparation of the VNR has taken into account BPK's audits related to the achievement of Indonesia's SDGs, and their follow-ups by the

audited entities. Third, to assess whether the due process in preparing the VNR has been carried out in accordance with the Handbook for the Preparation of VNR 2021 Edition. In the next presentation of Indonesia's SDGs VNR in 2023, BPK will continue to overseeing it while making some improvements in the review. This commitment between the Gol and BPK is a form of Indonesia's active participation as a part of global initiatives to achieve the 2030 Agenda of Sustainable Development.

In addition to the audits and reviews as mentioned above, BPK has also made contributions in the follow-up and review of SDGs, in some other various activities, such as participating in HLPF side events, holding seminars related to SDGs, preparing BPK's sustainability report, etc. To provide a clearer visualization of BPK's strategies and contributions to the achievement of SDGs, they are shown in figure 1 below:

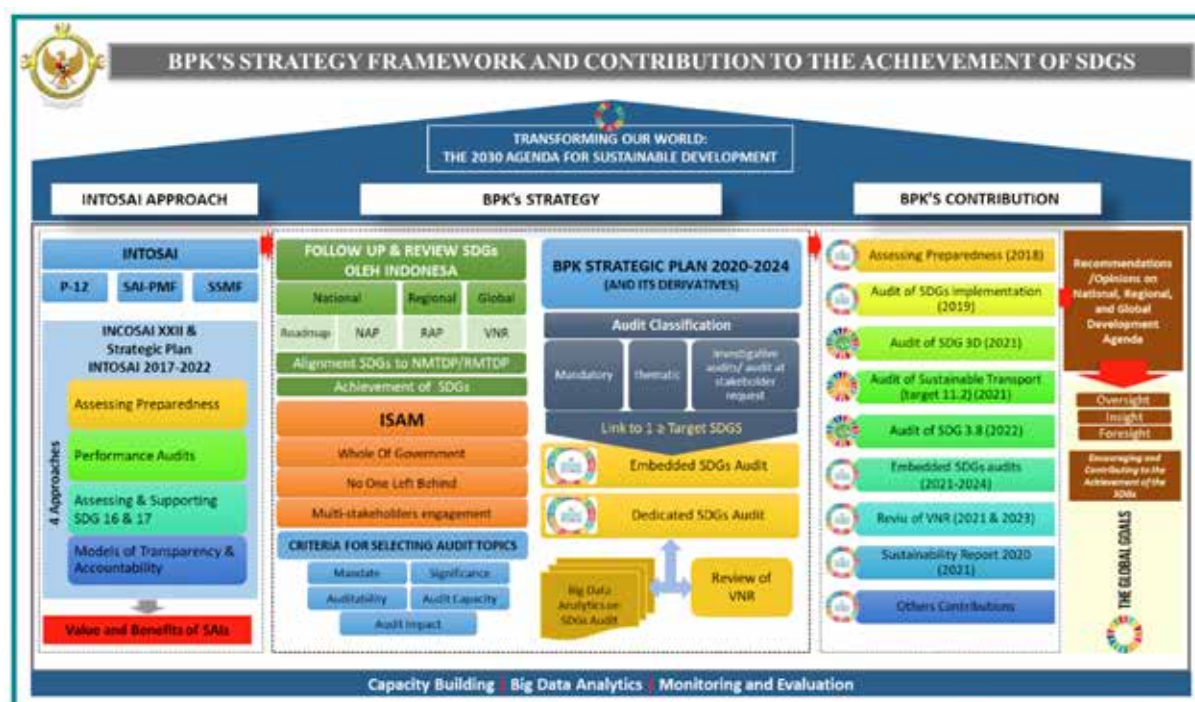


Figure 1. BPK's strategies and contributions to the achievement of SDGs

In a nutshell, BPK has been making contribution to the follow-up and review of the SDGs by adhering to the principles and guidance from INTOSAI and ASOSAI. In doing so, BPK has created a set of strategies by taking into account Indonesia's national context as well as great uncertainties in the VUCA era due to Covid-19 pandemic. In complying to INTOSAI's guidance, BPK has come up with several strategies, such as conducting dedicated and embedded SDGs audits by referring to INTOSAI's approaches. These strategies are expected to make valuable contributions for the achievement of SDGs, and eventually for making a difference to the lives of citizens. BPK has also made contributions by conducting SDGs audits and reviews based on ISAM and INTOSAI's four approaches. ●

THE CHALLENGES TO IMPROVE THE EFFICIENCY IN THE MANAGEMENT OF REGIONAL OWNED ENTERPRISES (BUMD)



■ BY
MOHAMAD ANAS FAUZI,
AUDIT SUPERVISOR
AT BPK EAST JAVA
REGIONAL OFFICE



■ AND
BUDI CAHYONO,
HEAD OF STRATEGIC
PLANNING SUBDIRECTORATE
AT DITAMA REVANG

Many subnational governments have established new BUMDs or empowered the existing ones. Nevertheless, their performance in contributing revenues to regional income has been unsatisfactory.

Law Number 22 of 1999 concerning Regional Governance, or better known as the Regional Autonomy Law, has given space and authority for subnational governments both provincial and local governments (i.e. kabupaten or districts and kota or cities) to maximize their resources as a means to improve the prosperity of their people. Subnational governments have authority to implement various policies as an effort to increase their regional income and develop economic potential in their respective regions. Those policies include maximizing the potential of natural resources available in their regions, collecting various taxes under their jurisdictions, and utilizing idle assets that they own.

One of the instruments for subnational governments to increase their regional income is through the establishment of regional-owned enterprises (BUMD). BUMD are business entities that are wholly or most of their capital is owned by subnational governments. The establishment of BUMD is carried out with the approval of the local parliament (DPRD) through the enactment of regional regulations. Law Number 23 of 2014 that replaces Law Number 22 of 1999, in article 331, specifically states three objectives of the establishment of BUMD. Firstly, to provide benefits for the development of regional economy in general. Secondly, to carry out activities for public benefits in the form of providing

quality goods and services to fulfill public needs according to the conditions, characteristics and potential of the area concerned based on good corporate governance. And lastly, to earn profits.

Many subnational governments have established new BUMDs or empowered the existing ones. Nevertheless, their performance in contributing revenues to regional income has been unsatisfactory. In 2019, Ministry of Home Affairs reported there were 1,097 BUMDs throughout Indonesia with total assets of IDR340.11 trillion and total profits of IDR10.37 trillion¹. Statistically, these figures are quite disappointed as the ratio of total profits to total assets was just around 3.05 percent. The poor profit to total asset ratio in BUMDs in general identifies the issues of inefficiency in the operations of BUMDs. This article further will discuss the challenges to improve the efficiency in the management of BUMDs.

Dual Roles of BUMD

As already mentioned above, the purposes of establishing BUMDs are not only to seek profits but also to assist subnational governments in the development of regional economy potential and to carry out services to the wider community. Because of these purposes, BUMDs are also often asked to become economic pioneers or catalysts in areas that are economically less

¹ <https://ekonomi.bisnis.com/read/20190828/9/1142168/1.097-bumd-hanya-berhasil-kumpulkan-laba-rp1037-triliun>.

profitable. For example, Regional Water Companies (PDAM) must build clean water pipe networks in remote areas where mostly have low-income residents. Regional Development Banks (BPD) must open branches in sub-districts that have difficult access with a small number of customers and minimum transaction. This circumstances increase operating costs and potentially erode profits, and even reduce the capital of the BUMDs.

This kind of public service function of BUMD, along with the absence of the authority to determine the selling price of its products, have hindered the ability of BUMD to increase its profits. High cost investment for building clean water pipe infrastructure in the remote areas could not be compensated in economical manner from the revenue collected from providing service to the customers as PDAM does have authority to set its tariffs of services. In determining its tariffs of services, PDAM must consult with local governments, both executive (i.e the regent or mayor) and legislative (i.e. DPRD), who has incentive and motivation to keep the tariffs as low as possible so as not to burden the community. Despite the requirement to deliver a certain public service function, BUMDs are still required to share and pay dividend to local governments as their contributions to local income. Though it is rare, there was instance in which local government might still request BUMD to share and pay dividend albeit they suffered losses. In another case, the amount of dividend shared and paid was not calculated based on profit earned but based on sales made by BUMD. These practices prevent BUMDs from being able to utilize their profits adequately for the improvement of their activities and operations.

Complexity in Decision Making

Peter F Drucker (in Joedo and Riant, 2006) states that management is a technology that allows organizations to contribute by converting resources into products that have values. Management is an institution, not a crowd of people, that is organized and contributes. According to Hersey and Blanchard (1988), management is a process of working with and through individuals and groups and other resources to accomplish organizational goals. The process of working together between individuals and groups and other resources in achieving organizational goals is a management activity. All elements in any organization must unite and work together to be able to achieve the agreed or set goals. They are required to have the same commitments to make the organization's operational system effective, systematic and efficient.

The above-mentioned characteristics of a good organization also apply for BUMD as a business entity. Any inefficiencies in the management and operations

of BUMD should be addressed adequately to improve their performance. This action, nevertheless, requires a strong leadership in the managerial structures of BUMD. BUMD should be led by people who are professional, have adequate competence and are independent from various interests that hinder effective decision-making. Managerial structures that match to these attributes may assist BUMD to prepare, develop and implement proper strategies to improve performance and compete with other business entities (Ratwianingsih, 2019). They may assist BUMD to capitalize its strengths and opportunities, while at the same time address its weaknesses and threats. Such managerial structures are important for BUMD so that they can be quick in making strategic decisions and agile in making innovations according to organizational development needs and the needs of the business field.

However, in reality this is not the case. Directors of BUMD are often shackled by complicated and "rigid" bureaucratic procedures. Before making any decision, Directors of BUMD often have to ask and consult with the Board of Commissioners even for matters that are operational and technical. In BUMD, all or most of the members of the Board of Commissioners are officials of the local governments who are seconded to represent local governments as the majority shareholders. In many cases, considerations from Board of Commissioners were not obtained before the Board of Commissioner asked for "guidance" to the Regional Head. With the bureaucratic complexity that surrounds the process of acquiring guidance from the Regional Head, decision-making for any strategic issues in BUMD could not be exercised immediately and in a timely manner.

Inflexible Rules

Generally, BUMD is a company in the form of a limited company (PT). As a result, its operations should refer to the existing rules concerning limited companies that is Law Number 40 of 2007. However, because its status is a separated regional wealth, BUMD operations must also comply with other regulations related to regional financial management. Sukmana and Firmansyah (2014) argue that too much intervention from the legislative and executive parties followed by too many technical regulations from the government is one of the reasons why BUMD is difficult to develop.

At this moment, regulations regarding regional financial management that should be followed by the BUMD for their financial administration issues includes Government Regulation (PP) Number 12 of 2019 concerning Regional Financial Management and Minister of Home Affairs Regulation (Permendagri) Number 77

of 2020 concerning Technical Guidelines for Regional Financial Management. For assets administration both procurement and abolition of assets, BUMD must follow Presidential Regulation (Perpres) Number 21 of 2021 concerning Procurement of Government Goods/Services and PP Number 27 of 2014 concerning Management of Regional and State Property. In regard to investments, BUMD should comply with PP Number 63 of 2019 concerning Government Investment. There are many other regulations that should be followed by BUMD for their management and operations matters.

All of those regulations impede BUMD Directors from making important innovations that are required to improve their performance. Hence, adding more complexity for decision-making as BUMD Directors tend to be “afraid” to make any strategic decisions. This situation is further exacerbated by the fact that those regulations are not always aligned and overlap each other causing difficulty for the BUMD to fully comply with those regulations.

BUMD and Populist Policy

In 2017, according to Pradana (2019), the Audit Board of the Republic of Indonesia (BPK) has stated that unclear vision and mission of the local government regarding the objectives of establishing BUMD have made them difficult to meet the stated objectives. BUMD could not fulfill the purpose of providing goods and services to the community, while at the same time is also expected to maximize profits from their businesses. This unclear vision and mission has often steered the Directors of BUMD to run the company operations into the activities that are not related to their core businesses. This situation is worsened by the pressure to fulfill the regional leadership policies that have been promised during the election campaign which BUMD should carry out and implement. BUMD are exploited and demanded to take part in implementing policies although those policies are not in line with their core businesses.

Unqualified Human Resources

Citing in Pradana (2019), BPK also states that one of the reasons why BUMD are not optimally developed is the recruitment process of the Board of Commissioners, Directors and employees of BUMD that do not go through an open and transparent process. The absence of transparent human resources recruitment processes invites so many doubts about their competence. Lack of quality human resources is one of the classic obstacles that causes the difficulty to develop and improve the performance of BUMD. In many cases, the fulfillment of BUMD’s human resources

comes from employees who are “entrusted” by local government official’s families. In another cases, BUMD is utilized as a shelter for local government officials or even politicians who are not used or have retired. They are hired through an improper recruitment process that pays less attention to their quality, capability, and competence. As a result, BUMD do not have adequate qualified human resources that can assist the achievement of company’s goals.

Conclusions

BUMD has a strategic role in supporting the development and improving the economy of a region. However, this strategic role were not adequately exercised due to several inhibiting factors that prevent BUMD from operating in an efficient manner. The laws have forced BUMD to operate and achieve objectives that are contradicting. On one side, they are expected to be profitable, but on the other side they also have to provide services to the community and even support policies from local governments which are often not profitable. This condition is exacerbated by the bureaucratic burdens through the involvement of local government’s officials and the requirement to comply with various regulations that are not only not aligned but also overlapping in BUMD’s decision-making process causing BUMD to often lose momentum and opportunity in making immediate and timely strategic decision required for improving their performance. Inadequate recruitment process for both leadership position as well as operational staff has resulted poor quality of human resources that further weaken the BUMD to perform its roles efficiently. Any policies and practices to improve the performance of BUMD should comprehensively address and overcome those issues. ●

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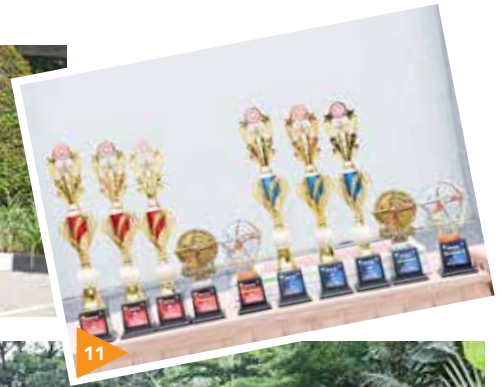
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1-4
The 2021 Christmas Celebration attended by BPK Board Members and Director Generals held at BPK RI Building, 8 January 2022.



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11

5-9
The final round of singing and vocal group competition in celebrating the 75th Anniversary of BPK RI attended by BPK's Chairman, Agung Firman Sampurna, as an honorary jury at BPK RI Building, 13 January 2022.



12

10-12
Archery Competition attended by BPK's Vice Chairman, Agus Joko Pramono, 14 January 2022.



13

13-15
The juries for the 75th Anniversary of BPK RI competitions. Various competitions were held to celebrate the 75th Anniversary of BPK RI. Also participated as one of the juries, Vice Chairman of BPK, Agus Joko Pramono.



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16-17
The participants of Tiktok gymnastics competition. This competition is part of a series of events for the 75th Anniversary of BPK RI and attended by the Secretary General of BPK, Bahtiar Arif, 6 January 2022.



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18-20

BPK Leaders took part in the 2022 Family Gathering to celebrate BPK's 75th Anniversary, held at the Auditorium of BPK Head Office on January 22, 2022.

21-24

The main event of BPK's 75th Anniversary held at BPK Head Office on January 25, 2022 was attended by BPK Leaders.



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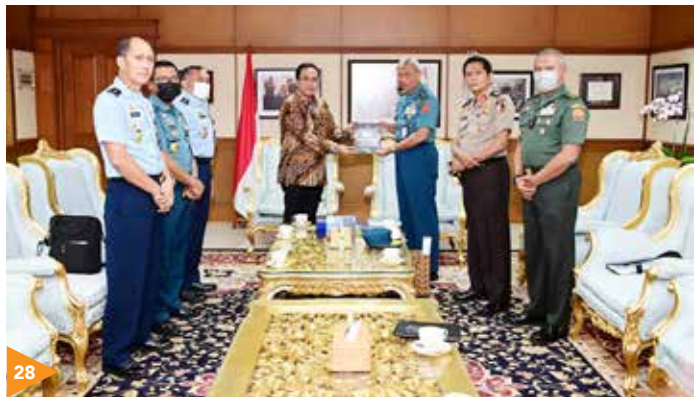
25-26

On January 28, 2022, the submission of 2021 Annual Financial Report (Unaudited) of Bank Indonesia and the entry meeting for Audit on LKTBI for year 2021 as well as Special Purpose Audit on the Printing, Issuance, and Destruction of Rupiah for year 2021 were held at the Auditorium of BPK Head Office on January 28, 2022.

27
 Courtesy meeting between Chairman of BPK Agung Firman Sampurna with Indonesian Governance Risk Compliance (IGRC), February 10, 2022.



28
 Courtesy call between Chairman of BPK Agung Firman Sampurna with Wantanas at BPK Head Office, January 24, 2022.



29
 Audit entry meeting of Audit I was attended by Board Member I of BPK Hendra Susanto on February 4, 2022.

30
 Board Member I of BPK Hendra Susanto was present at the entry meeting of the Financial Audit on the Ministry of Law and Human Rights, February 8, 2022. On this opportunity, BPK also submitted the Performance and Special-Purpose Audit Reports conducted in the second semester of 2021, namely Special-Purpose Audit Reports on the Implementation of Goods Expenditure and Capital Expenditures at three regional offices of the Ministry, as well as Performance Audit Reports on Vocational Higher Education of the Penitentiary Polytechnic (Poltekip) and the Immigration Polytechnic of the Ministry of Law and Human Rights (Poltekim).



31
 Present at the entry meeting held at the Ministry of Foreign Affairs on February 4, 2022 were Board Member I of BPK Hendra Susanto and Minister of Foreign Affairs Retno L.P. Marsudi.

32
 Board Member I of BPK Hendra Susanto attended the entry meeting at the Attorney General's Office, February 11, 2022.



33
 Entry meeting at the Ministry of Transportation was attended virtually by Board Member I of BPK Hendra Susanto, February 10, 2022.

34
 Board Member I of BPK Hendra Susanto and Minister of Defence Prabowo Subianto were present at the entry meeting in the Ministry of Defence on February 17, 2022.



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35-38

Board Member III of BPK Achsanul Qosasi received an Honorary Professorship from Airlangga University on February 22, 2022 at the Garuda Mukti Hall of the Airlangga University in Surabaya. Also present at this event were the Chairman of BPK Agung Firman Sampurna, Vice Chairman of BPK Agus Joko Pramono, and all Board Members of BPK.

39

Submission of BPK's Audit Report to the Supreme Court by Board Member III of BPK Achsanul Qosasi in Bandung, February 7, 2022.



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40-41

The final round of table tennis competition on January 21, 2022 was attended by Board Member I of BPK Hendra Susanto and Board Member IV of BPK Isma Yatun.



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42-44

Implementation of booster vaccines for BPK employees on February 7, 2022 was witnessed by Secretary General of BPK Bahtiar Arif.



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45-47

Chairman of BPK Agung Firman Sampurna and Vice Chairman Agus Joko Pramono conveyed a speech in the Public Relations Coordination Meeting at BPK, 28-29 March 2022.

48-49

Vice Chairman of BPK Agus Joko Pramono attended the Best Audit Report Award, 24 March 2022.



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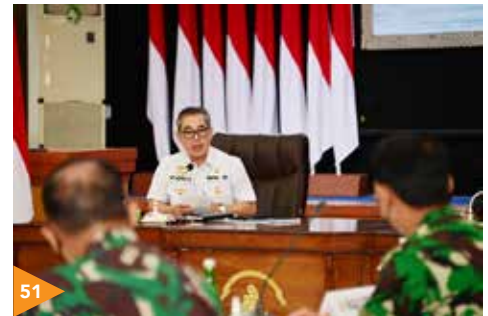
49

50-51

Board Member I of BPK Hendra Susanto attended the entry meeting of the financial audit of the Ministry of Defense and the Indonesian Navy at Kodiklat Jatim, 23 February 2022.



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52-53

Board Member II of BPK Pius Lustrilanang was giving directives in front of the Ministry of Finance at North Sulawesi Province, 15 March 2022.



52



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54-55

Board Member III of BPK Achsanul Qosasi submitted the Performance Audit Report on the Effectiveness of Radioactive Waste Management of the National Nuclear Energy Agency (BATAN) at the National Research and Innovation Agency (BRIN) and other related entities for FY 2021 at the BRIN Office in Jakarta, 11 March 2022.



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56-57

Board Member IV of BPK Isma Yatun submitted the Special Purpose Audit Report and Performance Audit Report of the Ministry of Energy and Mineral Resources to Minister Arifin Tasrif, 22 March 2022.



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58

Board Member VI of BPK Nyoman Adhi Suryadnyana submitted the Performance Audit Report of the Ministry of Religious Affairs to Minister Yaqut Cholil Qoumas, 10 March 2022.

59

Board Member VI of BPK Nyoman Adhi Suryadnyana submitted the Special Purpose Audit Report of the National Agency of Drug and Food Control (BPOM) to the Head of BPOM Penny Kusumastuti Lukito, 11 March 2022.

60

Board Member VI of BPK Nyoman Adhi Suryadnyana conveyed the Performance Audit Report and Compliance Audit Report of the Ministry of Health to Minister Budi Gunadi Sadikin, 22 March 2022.

61

Board Member VI of BPK Nyoman Adhi Suryadnyana received the 2021 Unaudited Financial Report of the Batam Indonesia Free Zone Authority (BP Batam) from the Vice Chairman of BP Batam Purwiyanto, 1 March 2022.

62

Board Member VI of BPK Nyoman Adhi Suryadnyana conveyed a speech during a Stakeholder Communication on the Role of BPK in Papua, 2 March 2022.



62

Monthly magazine Warta Pemeriksa received an award at

The 7th Public Relations Indonesia Awards (PRIA) 2022

Held in Central Java,
the award ceremony was held on
March 25, 2022.



Keeping up with recent developments, *Warta Pemeriksa* is now fully in digital mode. Readers can enjoy the information we present through Digital *Warta Pemeriksa*. We also continue to offer the experience of reading magazines in e-magazine format, which can be accessed from the official websites of BPK and *Warta Pemeriksa*.



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