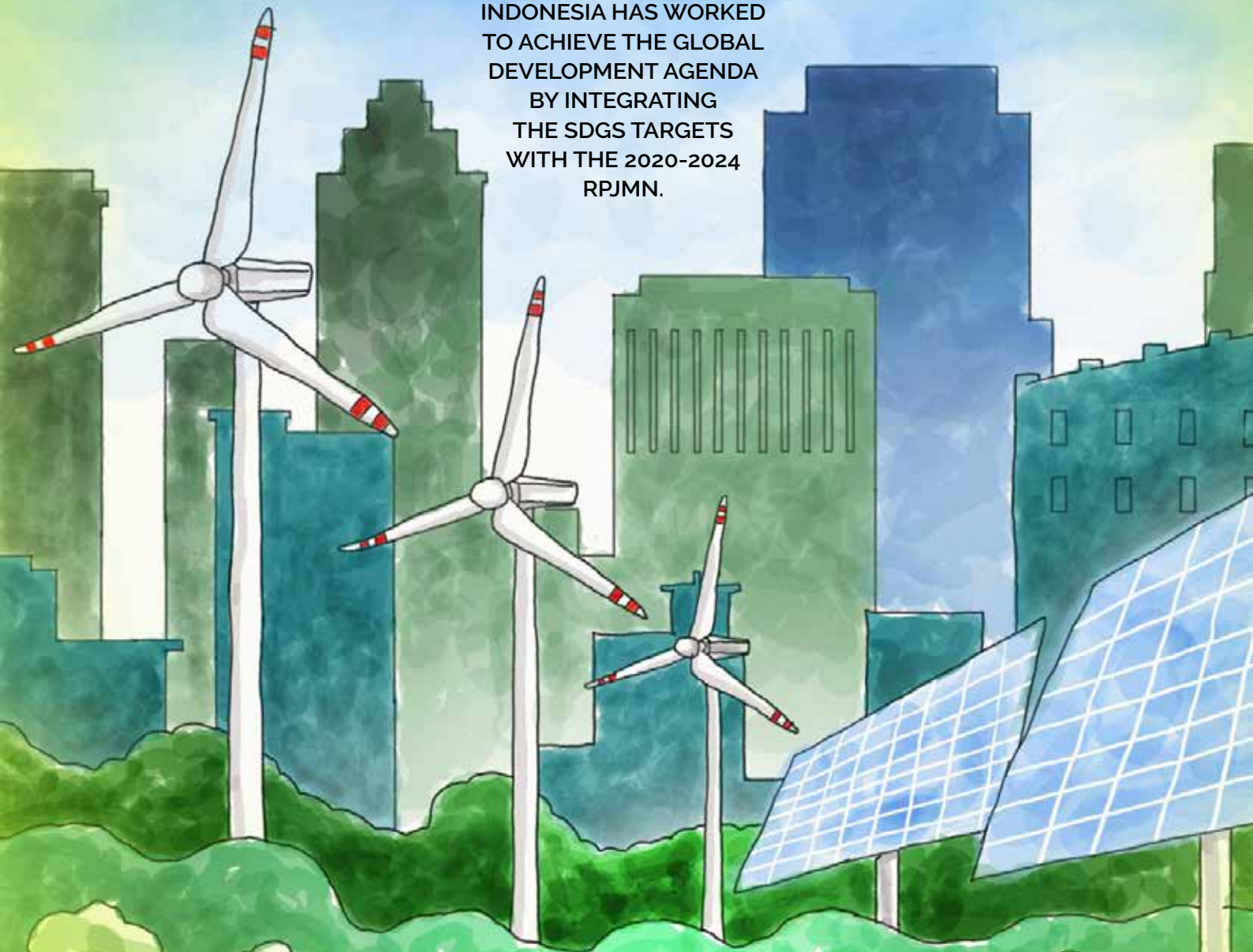




Leveraging the Impact of Performance Audits for a Green Economy

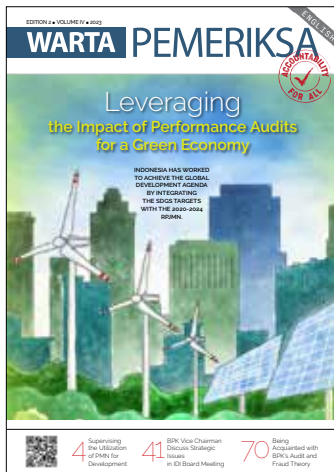
INDONESIA HAS WORKED
TO ACHIEVE THE GLOBAL
DEVELOPMENT AGENDA
BY INTEGRATING
THE SDGS TARGETS
WITH THE 2020-2024
RPJMN.



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(Source: BPK Regulation 4/2018 concerning BPK Code of Ethics)

In this edition of *Warta Pemeriksa*, the editors have selected various reports that will be in the spotlight throughout April-June 2023. Starting with the commitment of Audit Board of the Republic of Indonesia (BPK) to continue to increase supervision on code of ethics enforcement for all its employees and auditors.

This enforcement is carried out through the Honorary Board of Code of Ethics (MKKE), which also includes members from external parties outside BPK. This commitment is also in line with bureaucratic reform (RB) at BPK which is an essential part of the implementation of the 2020-2024 BPK Strategic Plan. RB is needed to encourage change and development of the BPK organization as an external audit institution.

BPK is also trying to help increase the impact of performance audits on the green economy development (green economy). This was done, among other things, by holding an international seminar entitled "Leveraging the Impact of Performance Audit towards a Green Economy: Multi-Perspectives Regional, National, and International."

Various SAIs and various national and international institutions related to the green economy and development took part in the seminar. This starts from line ministries officials, representatives of INTOSAI, INTOSAI Development Initiative (IDI), United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), ASEAN Energy Center, ASEAN GPS Leaders, Padjajaran University SDG Center, and the Office Ernst and Young Accountants.

One interesting discussion in the seminar was how to produce impactful performance audits. In the discussion, it was emerged that audit cannot only be seen from reporting and follow-up. However, impactful performance audit must start from the planning stage.

Another report prepared by editorial team is regarding the 2022 Central Government Financial Report (LKPP), which again received Unqualified Opinion (WTP). This opinion was given after BPK completed its audit of 82 Line Ministries Financial Reports (LKKL) and the State General Treasurer's Financial Report (LKBUN).

With this Unqualified opinion, LKPP has received Unqualified opinions consecutively since 2016. Don't forget to check out the important notes on how BPK gave the unqualified opinion for those financial reports. For example, BPK audit revealed weaknesses in the internal control system (SPI) and non-compliance with statutory provisions.

Apart from submitting the 2022 LKPP audit report, BPK also submitted the 2022 Summary of Semester II Audit Reports (IHPS) to parliament. The summary is an overview of 388 audit reports (LHP).

Another issue raised by editorial team is the risks in using information technology. One of these risks is computer crime in the form of illegal access to the system, theft of electronic data, and falsification of important data or documents via the internet.

Check out how BPK pays attention to developments in information technology and the risks faced in audits. Moreover, there are many ways to hide fraud, including using information technology. There is still a lot of other information that the editor has prepared in this edition. Enjoy. ~



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Supervising the Utilization of PMN for Development

STATE BUDGET ALLOCATION FOR FIVE NATIONAL PRIORITY PROGRAMS FUNDED BY CASH PMN FOR 2015-2018 WORTH RP88.58 TRILLION.

The Audit Board of the Republic of Indonesia (BPK) has carried out an audit of the management of programs financed from cash state capital participation funds (PMN) from 2015 to 2018 at the Ministry of State-Owned Enterprises (BUMN), BUMN receiving cash PMN, and other related agencies. In the audit report (LHP) which was completed in April 2021, BPK revealed a number of findings.

In its report, BPK stated that the state budget allocation for five national priority programs funded by cash PMN funds from 2015 to 2018 was valued at Rp88.58 trillion. The funds were channeled to 41 BUMN including five subsidiaries. The realization of the disbursement of funds that have been used is Rp79.64 trillion and there are remaining funds of Rp8.93 trillion as of September 30 2019.

In the infrastructure development program, BPK found problems including the late completion of several infrastructure



TOM FISK-PEXELS

development works at six BUMNs with the Public Private Partnership scheme which is funded from PMN cash in 2015-2018. This happened to PT Wijaya Karya (Persero) Tbk, PT Waskita Karya (Persero) Tbk, PT Hutama Karya (Persero), and PT Pembangunan Perumahan (PP) (Persero) Tbk for the construction of nine toll roads.

Then, PT Wijaya Karya (Persero) Tbk, PT Urban Housing Development (subsidiary), and PT Kereta Api Indonesia (Persero) found several works for the construction of Special Economic Zones (KEK), construction of apartments or flats for Low Income Communities (MBR), and Jabodetabek LRT transportation infrastructure that is late, but cannot be fined because an amendment has been made to extend the time for completion of work. This has an impact on BUMN as investors not being able to take advantage of the results of development procurement in a timely manner.

BPK also found that PT PP (Persero) used PMN funds for reimbursement of several projects outside the mechanism for the Joint Review regulations amounting to Rp389.96 billion. In addition, since the 2015-2019 infrastructure projects, there have been changes to the Joint Study which have been approved by the Minister of BUMN and which will be proposed for changes but have not yet been coordinated with Commission VI of the DPR. This happened to PT PP (Persero), Tbk, PT Jasa Marga (Persero) Tbk, and PT Wijaya Karya (Persero) Tbk. This has an impact on discrepancies with the 2015-2019 BUMN Roadmap targets and the objectives of the PMN given.

Regarding food sovereignty, BPK also disclosed PMN funds in 2015 and 2016 received by Perum Bulog amounting to Rp5 trillion with an allocated use for working capital of Rp3 trillion and investment activities of Rp2 trillion. The use of PMN funds for working capital cannot achieve revolving three times a year and the quantity target according to the Joint Study. In addition, Perum Bulog lost potential income from placement of PMN funds in 2015 and 2016 in the form of demand deposits when compared to deposits of Rp255.71 billion.

For the maritime development program, BPK found problems including the procurement of six units of non-new ships at PT Pelayaran Nasional Indonesia (Persero) or Pelni that had not fully complied with the provisions and had not been used optimally. Then, the construction of a tanker owned by PT Djakarta Lloyd (Persero) which was carried out by PT Dok Perkapalan Surabaya (PT DPS) (Persero) is not in accordance with the planned work progress so that it has the potential to be handed over to long-term tenants late, there is work that does not comply with contract specifications and lack of volume in the PT DKB (Persero) Cirebon Shipyard Project, and the procurement of a Floating Dock (former) with a capacity of 8,500 tons of lifting capacity at PT DPS (Persero) did not comply with the provisions, experienced force majeure during delivery, and indicated a loss to the company worth \$4.50 million US or equivalent to Rp60.35 billion.

In the defense and security industry program, BPK found a problem, namely the completion of the development of the CN-235 Flying Test Bed at PT Dirgantara Indonesia (PTDI) (Persero) was not according to plan and there were planning errors. This resulted in the 70 tons Over Head Crane equipment valued at IDR 5.76 billion and \$2.12 million being unable to be installed and potentially incurring repair costs of Rp2.56 billion.



PMN are given in order to support Government programs especially in the areas of food sovereignty, infrastructure development and connectivity, energy independence, maritime development of national economic independence, national defense and security industry, and development of strategic industries.

In the program control and evaluation activities by the Ministry of BUMN, BPK found a problem, namely the Ministry of BUMN had not fully exercised control over the management of several programs funded by PMN in cash in 2015-2018. This condition is reflected in the existence of KUR insurance and guarantee governance that has not reached the target, the development of Priority Industrial Areas/Special Economic Zones (KEK) is still hampered, the State Asset Management Institute (LMAN) has not replaced the bailout funds for land for the construction of toll roads to five BUJTs, and PT Waskita Karya (Persero) Tbk has not returned the PUPR Ministry's BLU loan prior to 2015 for land acquisition for toll road construction of Rp2.25 trillion. Then, the construction of simple flats belonging to low-income people and Jabodebek LRT infrastructure also experienced delays.

The Ministry of BUMN has also not conducted an adequate program evaluation of the management of several programs funded by PMN tuna in 2015-2018. The program evaluation activities carried out have also not produced appropriate alternative solutions, so that projects such as the construction of electricity for generators, transmissions and substations in the Connectivity Development Program are still experiencing delays. The construction of shipbuilding industrial facilities in the maritime development program as well as the trade system for rice, salt and sugar factory production capabilities in the Food Sovereignty Program have not been sufficient according to the 2015-2019 BUMN Roadmap targets.

This results in the potential for delays in the completion of work and the purpose of providing PMN funds is not achieved in the Roadmap and Corporate Budget Work Plan (RKAP) of each BUMN.

Regarding this problem, the Ministry of BUMN stated that the purpose of providing PMN to each BUMN was expressly stated in the State Budget Law and stipulated government regulations, while the detailed use of PMN funds was outlined in a joint study. Periodic



RIFKI KURNIAWAN-JUNSPLOASH

monitoring and evaluation of the use of PMN funds is carried out by the Ministry of BUMN and the Ministry of Finance both individually and jointly. The form of monitoring is carried out in the form of direct visits to the field, joint discussions, or requiring the submission of periodic reports to SOEs that have received PMN both in terms of progress and impact.

In addition, the implementation of control and evaluation of the management of PMN Cash funds received by BUMN refers to the Minister of BUMN Regulation Number PER-08/MBU/06/2015 concerning Guidelines for Reporting on the Realization of the Use of Additional State Equity Participation Funds for State-Owned Enterprises and Companies Limited. This regulation was stipulated with the consideration of realizing orderly administration and improving corporate governance and good governance in terms of monitoring the realization of the use of additional PMN funds for BUMN and Limited Liability Companies.

The 2015-2019 BUMN Roadmap is a guideline for BUMN in carrying out its functions as a business entity and at the same time as a development agent so that it can make a positive contribution to national development in accordance with the Government's priority program at that time which was packaged in the Nawacita. PMN to BUMN during the 2015-2019 Fiscal Year has been given in accordance with the national priority program (Nawacita) which also underlies the 2015-2019 BUMN Roadmap. PMN is given in order to support Government programs especially in the areas of food sovereignty, infrastructure development and connectivity, energy independence, maritime development of national economic independence, national defense and security industry, and development of strategic industries.

Regarding these problems, BPK recommended that the Minister of BUMN carry out control and evaluation through business restructuring and reconstruction in the food sovereignty, energy independence, and maritime development programs. ~

TRACING



Fraud

through
Digital
Forensics

BPK IS EXTREMELY CONCERNED ABOUT DEVELOPMENTS IN INFORMATION TECHNOLOGY AND THE RISKS FACED IN AUDITS.

The use of information technology has penetrated into various sectors, including the public or government sectors. State financial data management by the government shifted from conventional data in the form of paper documents to digital documents. Although it makes data processing easier, the use of information technology raises many risks.

Director General of Investigative Audit, Hery Subowo, explained, one of these risks is computer crime in the form of illegal access to the system, electronic data theft, to falsification of important data or documents via the internet. "Moreover, corruption and money laundering are easier to do, using a computer as a tool to plan, implement and store the proceeds of crime (computer related crime)," said Hery to *Warta Pemeriksa*.

Hery emphasized that BPK is extremely concerned about the development of information technology and the risks faced in the audit. "We know that fraud is hidden. There are many ways to hide fraud, including through information technology," he said.

Therefore, auditors need to explore not only conventional evidence, but also non-conventional evidence such as electronic evidence and/or digital evidence. The problem is, digital data or electronic data is vulnerable to change/destruction.

Therefore, the handling of this evidence must be carried out accurately and carefully to maintain the integrity of digital evidence, in accordance with international best practices. For this reason, BPK needs to apply audit techniques using digital forensic expertise.

Hery explained, digital forensics is a branch of forensic science that focuses on investigating and disclosing digital evidence to assist in auditing an event or incident. The scope of digital forensics starts from identification, collection, acquisition, preservation, analysis, interpretation, to reporting the provision of expert information.

In digital forensics, the auditor firstly determines



what digital evidence will be targeted, and what procedures are relevant to dealing with that evidence. After that, the device containing the digital evidence is removed from its original location for acquisition and analysis.

Furthermore, digital evidence is secured to protect the integrity of the evidence and ensure its usefulness in investigations. The acquisition resulted in copies of digital evidence and documentation of the methods used and activities carried out.

Thereafter, the auditor seeks, uncovers, extracts, and interprets digital evidence that is relevant to the case being investigated.

The information obtained from the analysis and audit is then presented in the form of a structured, objective, and detailed report to be submitted to the requesting party. Auditors can also provide information regarding the results of digital forensics in the process of investigation and/or trial based on requests from the competent authority.

Hery emphasized that BPK and its auditors have strong authority in carrying out digital forensics. This authority is confirmed in Law Number 15 of 2004 on Audit of State Financial Management and Responsibility. Article 10 of the law explains that auditors can access all data stored in various media,



■ Hery Subowo

So, BPK can apply digital forensics to obtain, analyze, and evaluate digital/ electronic evidence. This application will produce audit evidence that can support valid legal evidence in procedural law in Indonesia. Of course, this can be implemented if it is used in the framework of law enforcement at the request of the police, prosecutors, and/or other law enforcement institutions.

assets, locations, and all types of goods or documents in the possession or control of the entity that is the object of audit or other entities deemed necessary in carrying out their audit duties.

Moreover, the 2017 State Financial Audit Standards (SPKN), especially the Conceptual Framework in Paragraph 37, emphasizes that the forms of audit evidence can take various forms, including electronic transactions and electronic communications with parties outside the entity being audited. "The methods used in obtaining evidence also vary according to the needs and authority of the auditor," said Hery.

This arrangement provides options for the acquisition of digital/ electronic evidence through the application of digital forensics.

Among the types of audits by BPK that require digital forensics, is investigative audit (PI) which include the calculation of state losses (PKN). The application of digital forensics is carried out in the context of law enforcement and evidence in court.

Evidence in PI and PKN needs to be prepared as or aligned with legal evidence. In this case, digital/ electronic legal evidence has been regulated in the Law Number 11/2008 concerning Electronic Information and Transactions (ITE).

"So, BPK can apply digital forensics to obtain, analyze, and evaluate digital/electronic evidence. This application will produce audit evidence that can support valid legal evidence in procedural law in Indonesia. Of course this can be implemented if it is used in the context of law enforcement at the request of the police, prosecutors, and/or other law enforcement institutions," said Hery.

DIGITAL FORENSICS CONTRIBUTION

Hery explained, the implementation of digital forensics at BPK had actually been carried out since 2015. At that time, digital forensics had begun to be applied by auditors who mastered the methodology with very limited equipment. Then at the beginning of the formation of the Directorate General of Investigative Audit (AUI) in 2017-2018, a digital forensic laboratory began to be built. Digital forensics has begun to be applied to support investigative audits and calculations of state losses at AUI.

Thereon, in 2019 to 2020, various software related to digital forensics were prepared and it was at that time that digital forensics started to increase in frequency at AUI. The contribution of digital forensics is very significant in supporting the success of investigative audits and calculating state losses.

He explained that the PI/PKN in the PT Asuransi Jiwasraya and PT Asabri cases had also used digital forensics. It is because of this significant contribution, AUI is intensively trying to continue to improve its digital forensic capacity. For AUI's auditors, this is done through training, focus group discussions (FGD) or knowledge transfer forums (KTF).

Furthermore, infrastructure and equipment are also continuously being improved. Guidelines for implementing digital forensics have also been developed and refined. Currently, BPK already has a task force for the management of digital forensic laboratories under AUJ.

Labdigifor accreditation
 Hery added, this year, BPK plans to apply for BPK Digital Forensic Laboratory (Labdigifor) accreditation to the National Accreditation Committee (KAN).

Digital Forensic Laboratory Accreditation is an implementation of the 2020-2024 BPK's Strategic Plan. In order to improve the quality of audits in a strategic, anticipatory, and responsive manner, BPK has developed Strategic Initiatives (IS), such as, Increasing the Role of BPK in Eradicating Corruption through the Development of a Prevention System Based on State Financial Audit Results.

One of the programs within the IS, is the Investigative Audit Capacity Building through Improvement of the Digital Forensic Laboratory at BPK. These improvements are carried out through institutional accreditation, renewal of

device licenses, addition of auditor certification, improvement of infrastructure and improvement of digital forensic methodologies.

Hery said digital forensic activities at BPK needed to be carried out to ensure the application of best practices and Digital Forensic standards. Standards that must be complied with such as ISO/IEC 17025:2017 concerning General Requirements for Competence of Testing Laboratories and Calibration Laboratories, ISO/IEC 27037:2012 Guidelines for the Identification, Collection, Acquisition, and Preservation of Digital Evidence, and ISO/IEC 27043/2015 concerning Information Technology- Security Engineering- Principles and Incident Investigation.

"Accreditation will later ensure that BPK RI digital forensic laboratory complies with governance standards so as to guarantee the quality, reliability, and competence of BPK's labdigifor services," said Hery.

Hery added, accredited digital forensic output would provide added value in disclosing a case which would improve the quality of BPK audit results. In the end, the trust of service users will also increase on the results of BPK's Labdigifor testing.

With regard to the preparation for Labdigifor accreditation, BPK currently has a fairly representative laboratory room. This room facilitates the process flow of evidence handling from reception, disassembly, acquisition (processing), to analysis. Here also differentiated the handling of evidence types in the form of computers (PCs) and gadgets.



In addition, this room also enhances layered security from the reception room to a special room for evidence storage and tool storage. To facilitate coordination, Labdigifor's handling is also equipped with a meeting and presentation area.

"We are also developing a Management Information System Laboratory to assist in the administration of evidence, management of equipment, and administration of output results that are more accountable and easier to trace," he said.

At the end of February 2023, he said, BPK RI Labdigifor had also taken a proficiency test held by the Indonesian Digital Forensic Association (AFDI). "Alhamdulillah, the results of BPK RI digital forensic laboratory performance in the field of computers and cell phones have received very good marks. We have also completed an internal audit to evaluate the conformity of SOPs with ISO standards and compliance with these SOPs in the management of Labdigifor," he said.

In the future, with the acquisition of labdigifor accreditation, we also plan to serve parties outside BPK. For this reason, we are working on increasing the number of new personnel for labdigifor who have passion and skills in the digital forensic field.

In developing a digital forensic lab, BPK collaborated with digital forensic practitioners and academics from the UII Digital Forensic Study Center (PUSFID), and the Indonesian National Police Criminal Investigation Division (Bareskrim POLRI) Laboratory Center, and Indonesian National Police Directorate of Cyber Crime Bareskrim. In addition, BPK worked with the Digital Forensic Laboratory at the Head Office of the Directorate General of Taxes, the National Standardization Agency, and the National Accreditation Committee.

"Our auditor is also an active member of the Indonesian Digital Forensic Association (AFDI). This collaboration is in the form of FGD, KTF, and In House Training with various experts and practitioners as well as Comparative Studies and Benchmarking to Digital Forensic Laboratories at other institutions," said Hery.

Currently, BPK RI's Labdigifor is still focused on fulfilling requests for test services from internal BPK RI, both for the purposes of supporting investigative audits and other tasks. The number of labdigifor personnel is currently still limited, so they will not be able to serve all the audits carried out by BPK. Thus, the fulfillment of services is done in accordance with the priority scale, urgency, and needs.

"In the future, with the acquisition of labdigifor accreditation, we also plan to serve parties outside BPK. For this reason, we are



working on increasing the number of new personnel for labdigifor who have passion and skills in the digital forensic field," he said.

To capture talent through the introduction of digital forensics, AUI auditors routinely provide sharing sessions in KTFs or become resource persons in technical training related to the use of digital forensics in BPK audits.

Hery said, even though BPK's Labdigifor would later have the personnel, equipment, and software needed to carry out digital forensics, BPK should not be complacent. BPK must always carry out continuous improvement following technological developments. This due to the management of an accredited Labdigifor requires the support of resources, both infrastructure and personnel, as well as organizational governance.

He added, digital forensic software and hardware need to be updated regularly so that they can still handle the latest versions of products/technology. In addition, personnel must continue to carry out research, education, and training related to digital forensics which continues to grow.

Labdigifor organizations must also be agile and not rigid in keeping with the needs and developments of the times. His hope is that the main tasks and functions of implementing digital forensics can be accommodated in a definite BPK organizational structure.

"For this reason, we must also continue to improve communication, coordinate synergy, and collaborate with stakeholders both internally and externally, so that the accreditation process runs smoothly and successful." ~

Improving Services for Indonesian Hajj Pilgrims

THERE IS A GAP IN THE WAITING PERIOD FOR THE DEPARTURE OF HAJJ PILGRIMS
BETWEEN PROVINCES/DISTRICTS/CITIES.



YOUSEF - PEXELS

The Audit Board of the Republic of Indonesia (BPK) has carried out a performance audit on Hajj pilgrimage in 1443 Hijri or 2022 A.D. Audits were carried out at the Ministry of Religion in DKI Jakarta, West Java, South Sulawesi, and Saudi Arabia. The audit was carried out as part of BPK's efforts to encourage the government to achieve the Sustainable Development Goals (SDGs), specifically goal 16, target 16.6 - developing effective, accountable and transparent institutions at all levels.

Quoted from the Summary of Semester Audit Reports (IHPS) 2nd Semester of 2022, the Ministry of Religion through the Directorate General of Hajj Umrah Management (Directorate General PHU) has made efforts to provide decent service to regular Hajj pilgrims in 1443H/ 2022. This is shown by the survey results that the pilgrims are satisfied with the Hajj dormitory accommodation services in Saudi Arabia, consumption services in Saudi Arabia, and prayer (shalawat) bus transportation services in Saudi Arabia.

Nevertheless, the audit concluded that there were still problems which, if not resolved immediately, could affect the effectiveness of the performance of the pilgrimage. BPK found that the calculation and distribution of hajj quotas to provinces and districts/cities had not complied with the regulation. Among them is the determination of quotas for each province in 2022 that are not in accordance with Minister of Religion Regulation (PMA) Number 13 of 2021, namely the distribution of provincial haj quotas is based on considerations of the proportion of the Muslim population and/or the proportion of the number of waiting lists for hajj pilgrims between provinces. This is shown by the fact that there are several provinces which, if calculated based on the number of Muslim populations, should receive more quotas than the current quota. For example, West Java Province, Central Java Province, East Java Province, and Banten Province. Vice versa, there are several provinces that should receive smaller quota than the current quota, such as West Papua Province, Papua Province, West Sulawesi Province and Maluku Province.



Regulations regarding hajj quotas do not regulate the quota for elderly pilgrims, guides for the Hajj and Umrah Guidance Group (KBIHU) and Regional Hajj Officers (PHD).

In addition, East Java Province, which is the province with the largest number of hajj registrants, has a smaller hajj quota than West Java Province, which has fewer registrants. As a result, there is a gap in the waiting period for the departure of Hajj pilgrims between provinces/ regencies/ cities.

BPK also found that regulations regarding hajj quotas have not yet regulated the quota for elderly pilgrims, guides for Hajj and Umrah Guidance Group (KBIHU) and Regional Hajj Officers (PHD). Based on the mandate of Law Number 8 of 2019 concerning the Implementation of Hajj and Umrah Pilgrimage, the Minister of Religion stipulated Minister of Religion Regulation (PMA) Number 13 of 2021 concerning the Implementation of Regular Hajj Pilgrimage which regulates further provisions regarding the implementation of the pilgrimage for regular Hajj pilgrims, but the PMA has not yet regulated the quota for elderly pilgrims, the quota for KBIHU guides, and the quota for officers (PHD). As a result, there is no standardization of the quota for elderly pilgrims, the quota for KBIHU guides, and the quota for PHD.

Furthermore, placement planning of Hajj pilgrims has not fully paid attention to the zoning system according to the origin of the departure/embarkation. There is a plan for the pilgrims' placement at the Al Kiswah Tower Hotel in Jarwal for pilgrims from Batam Embarkation (BTH) originating from West Kalimantan province, namely BTH 2, BTH 3 and BTH 4 which are not in accordance with the Decree of the Director General of Hajj Umrah Management (Dirjen PHU) Number 140 of 2022 concerning Pilgrims Placement with a Zoning System Based on Origin of Embarkation where pilgrims from Batam Embarkation (BTH) are placed in the Syisyah Region of Sector II.

In order to conform with the zoning placement, pilgrims from BTH 2, BTH 3, and BTH 4 clusters are then placed in hotels located in the Syisyah area. Pilgrims in BTH 2, BTH 3 and BTH 4 groups will no longer occupy the beds provided at the Al Kiswah Tower Hotel in Jarwal. As a result, the accommodation of 1,317 beds that had been provided at the Al Kiswah Tower Hotel was unused.

BPK recommends the Minister of Religion to instruct the Director General of PHU to calculate the hajj quota per province/regency/city according to regulations or based on the proportion of Muslim population and/or the number of waiting lists for the most recent Hajj pilgrims. BPK also recommends the Minister of Religion to determine PMA that regulates the quota for elderly pilgrims, KBIHU guides, and PHD, compile Standard Operating Procedures (SOPs)/ implementation guides/technical guides related to the formula for calculating the determination and distribution of quotas for pilgrims, PHD and KBIHU Guides taking into account the proportion of the Muslim population and/or hajj waiting list in each province/regency/city.

In addition, the Minister of Religion also needs to compile and stipulate a Director General of PHU Decree regarding the placement of pilgrims in Saudi Arabia taking into account the origin of the prospective pilgrims, and instruct the Head of the Accommodation Division, Head of the Accommodation Services Section, and executors of accommodation services in the Mecca Work Area to plan Placement of pilgrims takes into account the area of origin of the prospective pilgrims.

Overall, the results of the performance audit on the effectiveness of the Hajj pilgrimage revealed 16 findings containing 22 problems of ineffectiveness.

RESULTS OF COMPLIANCE AUDIT OF HAJJ PILGRIMAGE IMPLEMENTATION

In semester II 2022, BPK has issued a compliance audit report on the implementation of the Hajj pilgrimage specifically on two audit objects at two ministries, namely financial accountability for the implementation of the 1443H/2022 Hajj at the Ministry of Religion and the procurement of goods and services in the context of pilgrimage health care in 2021 to semester I 2022 at the Ministry of Health (Kemenkes).

The scope of the audit of financial accountability for the implementation of the pilgrimage at the Ministry of Religion includes the process of receiving, disbursing, efficiency funds, accounting and reporting on the operational budget for organizing the pilgrimage. Meanwhile, the scope of examining the procurement of goods and services in the context of organizing Hajj health at the Ministry of Health includes an assessment of the internal control system and compliance in the implementation of goods and services procurement activities, as well as the management of procurement assets.



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BPK audit concluded that the financial accountability for the 1443H/2022M Hajj pilgrimage implementation at the Ministry of Religion had been carried out in accordance with the criteria. Procurement of goods and services in the context of Hajj pilgrims' health care in 2021-semester I 2022 at the Ministry of Health has also been carried out according to the criteria despite a number of problems found.

"Overall, the audit of the implementation of the Hajj pilgrimage revealed 19 findings containing 32 problems. These included 10 problems of internal control system weaknesses, 15 non-compliance problems worth of Rp120.50 million, and 7 problems on 3E (economy, efficiency, and effectiveness) worth of Rp194.61 billion," revealed by BPK in IHPS II 2022.

The problems found include the clauses in the 2022 Technical Guidelines for Financial Management Operational for the Implementation of the Hajj Pilgrimage (Juknis PKOPIH) which do not support transparency and accountability in the management of Hajj finances. This includes arrangements for

financial management officials that are not in accordance with applicable regulations and there are standard fee arrangements that do not refer to the 2022 TA Input Cost Standard.

In addition, the Hajj finance covers subsidies for Hajj pilgrims who do not meet the requirements for Hajj departure, namely pilgrims who depart more than once within 10 years. As a result, the Hajj finances being burdened with Rp1.49 billion and SAR21.05 thousand as the impact of implementing the PKOPIH Technical Guidelines. Further, it also being burdened with subsidies for pilgrims who did not meet the departure requirements worth of Rp19.20 billion.

For this reason, BPK recommends that the Minister of Religion order the Directorate General of Hajj and Umrah Organizing (Dir Gen PHU): (1) revoke the 2022 PKOPIH Technical Guidelines and establish PKOPIH Technical Guidelines by referring to higher level regulations and taking into account the principles of Hajj financial management that is accountable, transparent, rational, effective and efficient and for the greatest benefit of the pilgrims; and (2) to be

more careful in verifying the data of pilgrims who are entitled to depart.

BPK also found that the accommodation placements for flight groups (kloters) were not optimal so that there were remaining placements at the Al Kiswah Hotel in Mecca and hotels in Medina, respectively, with 1,317 beds worth of SAR6.12 million and 34,164 beds worth of SAR40.39 million which were not used. As a result, there is a dissipation of Hajj finances in providing accommodation at Mecca and Medina worth of SAR46.51 million.

BPK recommended the Minister of Religion instruct the Director General of PHU to stipulate guidelines of accommodation provision which regulates in detail the technical calculation of accommodation capacity in Saudi Arabia which takes into account efficiency and optimization. In addition, instructing the Accommodation Provision Team to be more optimal in arranging the placement of Hajj pilgrims in Saudi Arabia hotels based on applicable regulations.

Procurement of pilgrims' health wear in the form of a smart watch equipped with a health screening function is not in accordance with the regulation. This includes the procurement of health wear through e-catalogs which is more expensive than the Owner Estimate (HPS) for the procurement of fast auctions of Rp90.00 million. Moreover, the health wear do not



ANAS JAWED - PEXELS

have distribution permits as medical devices and its utilization is not optimal because it have not been distributed all to pilgrims.

Consequently, Hajj Health Center (Puskeshaji) losing the potential to obtain more competitive prices for health wear procurement, there is also a potential for misdiagnosing the health of pilgrims, and the procurement objective which is health monitoring of high-risk hajj pilgrims is not achieved.

Regarding this problem, BPK recommended the Minister of Health to instruct the Head of Puskeshaji to order Commitment Making Official (PPK) to be more careful in planning and negotiating prices for the procurement of goods and services, and to instruct the Head of the Information and Publication System Team Puskeshaji to be more careful in planning the needs for procurement of goods and services along with their outreach.

Procurement of travel packages for Indonesian pilgrims 2022 is not supported by careful planning, and implemented unorderedly. Among them, planning for the technical specifications of the pilgrims' bag was inadequate and the execution of the work was not in accordance with the contract. In addition, planning for needs was not careful, namely not taking into account the remaining stock from the previous procurement and the needs plan was not updated after the establishment of the 2022 Hajj quota by the Ministry of Religion.

As a result, there are regular Hajj pilgrims who receive incomplete pilgrim packages and inadequate bag conditions. There is potential for dissipation over the calculation of the need for the 2022 pilgrim packages worth Rp1.19 billion and for the remaining stock of 2019 and 2021 pilgrim packages which were not taken into account in planning the procurement of 2022 pilgrim packages worth Rp1.26 billion. Further, there is remaining stock of goods in the pilgrim package that cannot be used for the 2023 Hajj pilgrimage due to its expiration date.

BPK recommends the Minister of Health instruct the Head of Puskeshaji to instruct the Hajj Health Service Working Team to be more careful in calculating the planning for pilgrims' package needs. The Minister of Health also needs to instruct the Director of Pharmaceutical Management and Services to utilize the remaining stock of the 2019, 2021, and 2022 pilgrim package supplies for the next activities. Furthermore, BPK recommended the Minister of Health instruct the budget user authority (KPA) to be more optimal in overseeing and controlling budget use planning activities. ~



CHRISTOPHER BURNS - UNSPLASH

STRENGTHEN PROTECTION for Indonesian Migrant Workers

BPK RECOMMENDS THE MINISTER OF FOREIGN AFFAIRS AND RELATED PARTIES TO REVIEW AND EVALUATE, AND ESTABLISH A MEMORANDUM OF UNDERSTANDING AND NEW COOPERATION AGREEMENTS REGARDING THE SERVICES AND PROTECTION FOR INDONESIAN MIGRANT WORKERS (PMI) ABROAD, IN PARTICULAR THE EXCHANGE AND UTILIZATION OF DATA THROUGH AN INTEGRATED INFORMATION SYSTEM.

The government has made various efforts to protect Indonesian migrant workers (PMI). Nevertheless, there are a number of things that the government needs to improve in order to strengthen efforts to protect migrant workers. In a performance audit related to PMI protection conducted by the Audit Board of the Republic of Indonesia (BPK) in semester II 2022, BPK found a number of problems. If not corrected, the problems found could interfere with the effectiveness of the migrant worker protection program.

Audits were carried out at the Ministry of Foreign Affairs (Kemenlu), Ministry of Manpower (Kemnaker), and the Indonesian Migrant Worker Protection Agency (BP2MI). During the Ministry of Foreign Affairs' audit, BPK found that the Ministry of Foreign Affairs had

not fully implemented the memorandum of understanding and cooperation agreements with BP2MI and the Directorate General of Immigration at the Ministry of Law and Human Rights regarding the exchange and use of data. The Ministry of Foreign Affairs has also not been optimal in developing the Indonesian Citizen Care Portal to support the data integration process between the Ministry of Foreign Affairs, the Ministry of Manpower, BP2MI, and the Directorate General of Immigration, the Ministry of Law and Human Rights.

"As a result, there is no valid PMI data available thus Ministry of Foreign Affairs, in this case the Indonesian representative abroad, has not been able to carry out risk mapping and mitigation, as well as providing optimal service and protection for PMI abroad," wrote BPK in the Summary of Semester Audit Reports (IHPS) II 2022.

Another issue is Indonesian Representatives abroad when carrying out the verification process for business partners and PMI requests, determining and announcing lists of employers, and determining problematic business partners, have not been supported by guidelines and standardized information systems. As a result, there is a potential loss of opportunities for PMI requests from placement destination countries, and delays in the acceleration of PMI placement implementation, also P3MI has the potential to partner with problematic business partners or employers in the placement destination countries.

Indonesian representatives in destination countries have also not been able to carry out PMI data collection and registration during their working period in destination countries, as not all Indonesian representatives have received PMI departure data for the Government-to-Government scheme from BP2MI and the Private-to-Private scheme from P3MI. Moreover, the Indonesian Representatives do not yet have Standard Operating Procedures and technical guidelines on monitoring and evaluation of PMI employers, jobs, and working conditions. PMI coaching is also considered not optimal.



As a result, valid PMI overseas data is not yet available so that the Ministry of Foreign Affairs, in this case the Republic of Indonesia's representative abroad, has not been able to carry out mapping and risk mitigation, as well as provide optimal service and protection for PMI overseas.

As a result of these problems, the Indonesian Representatives have not been able to carry out early detection which include risk mapping and risk mitigation in preparing contingency plans for the protection for PMI in their working areas. Another consequence is the occurrence of non-uniformity in the implementation of monitoring and evaluation of PMI employers, jobs, and working conditions, as well as coaching for PMI by Indonesian Representatives abroad.

As for the audit of the Ministry of Manpower and BP2MI, BPK also found a number of problems. As it is known that the Ministry of Manpower has not regulated the BP2MI mechanism for reporting to the President and has not regulated the cutoff for "Other duties according to its authority" stated in Article 45 of Law Number 18 of 2017. In addition, the Ministry of Manpower does not yet have technical regulations governing PMI placement and protection services by BP2MI.

The Ministry of Manpower has not regulated the functional relationship with BP2MI in order to carry out its duties and functions as mandated in Article 25 of Law Number 39 of 2008. "As a result, reporting regarding the placement and protection for PMI by the Ministry of Manpower to the President is not yet accountable and there is services overlap, or PMI placement and protection services that are not fulfilled optimally," wrote BPK.

Another problem found by BPK, the Ministry of Manpower has not issued or updated technical regulations on protection for PMI, including provisions related to the qualifications/requirements of business partners and employers, verification of PMI requests (Job Orders/Demand Letters), permit extensions/data updates P3MI, social security protection for PMI, as well as guidance and supervision of institutions related to the placement and protection for PMI.

As a result, PMI has the potential to not get protection while working in the country of placement. Then, P3MI as the placement executor has the potential to not be optimal in carrying out PMI placement, protection for Prospective Indonesian Migrant Workers (CPMI)/PMI related to employment social security has not been optimal, and the services received by CPMI/PMI from institutions related to PMI placement and protection are not standardized.

BPK also found a problem that BP2MI did not coordinate the formation of the PMI Illegal Shipping Syndicate Eradication Task Force with the Ministry of Manpower, as the regulator as well as the executor. In addition, BP2MI has not yet coordinated the formation of the Indonesian Migrant Worker Volunteer Community (PMI Comrades) and the PMI Entrepreneurs Association (PMI Officers) related to empowerment activities with the Ministry of Manpower.

As a result, the implementation of the BP2MI task force has the potential to overlap in the context of PMI placement and protection and the establishment of PMI Comrades and PMI Officer regulations by BP2MI to increase empowerment activities for PMI has the potential to be off target and lead to abuse of authority.



JOHN SALVINO - UNSPLASH

GOVERNMENT EFFORTS

During the audit conducted, BPK found that the government had made various efforts to implement a protection program for Indonesian migrant workers.

Ministry of Foreign Affairs is known to have provided assistance, mediation, advocacy, and provided legal assistance in the form of facilitating advocate services by the central government and/or representatives of the Republic of Indonesia as well as trusteeships in accordance with local country laws. In addition, the Indonesian Representative has repatriated Indonesian citizens/Indonesian Migrant Workers (PMI) who are experiencing problems and do not have the ability to process or pay for their return independently. Meanwhile, the Ministry of Manpower already has an organizational structure and job descriptions that support protection for PMI, through the Directorate for the Placement and Protection for Indonesian Migrant Workers (Bina P2PMI), the Ministry of Manpower has carried out coaching for Indonesian Migrant Worker Placement Companies (P3MI) in the form of technical guidance, awarding monitoring and evaluation performance and giving sanctions to P3MI who are undisciplined.

BP2MI also has an organizational structure and job descriptions that support PMI protection. BP2MI has issued technical regulations regarding the process required before starting work, namely Regulation of the Head of BP2MI Number 7 of 2022 concerning Pre-Work Processes for Prospective Indonesian Migrant Workers, and has verified PMI placement documents. ~

BPK

Recommendations

RECOMMENDATIONS FOR THE MINISTER OF FOREIGN AFFAIRS

1. Instruct the Director General of Protocol and Consular Affairs, in this case the Director for Protection for Indonesian Citizens, to:
 - Together with BP2MI, the Directorate General of Immigration, the Ministry of Law and Human Rights, and the Ministry of Manpower to review and evaluate, and establish a new memorandum of understandings and cooperation agreements regarding PMI services and protection abroad, particularly the exchange and utilization of data through an integrated information system.
 - Coordinate with the Ministry of Manpower to propose additional clauses to the Minister of Manpower regarding verification of PMI requests related to procedures governing the obligation of business partners from P3MI to report PMI arrival data to Indonesian representatives in destination countries.
2. Issuing SOPs related to procedures for monitoring and evaluating employers, employment and working conditions of PMI by representatives of the Republic of Indonesia; and procedures for carrying out PMI coaching activities, especially understanding of the laws and cultural customs of the destination country.

RECOMMENDATIONS FOR THE MINISTER OF MANPOWER

1. Set up a technical mechanism for reporting BP2MI's accountability to the President.
2. Coordinate with the Head of BP2MI to further regulate the functional relationship between the Ministry of Manpower and BP2MI.
3. Prepare and stipulate technical regulations related to the qualifications/requirements of business partners and employers, verification of PMI requests (Job Orders/Demand Letters), regulations related to P3MI, social security protection for PMI based on the conditions that occur, as well as regulations related to the development and supervision of institutions related to the placement and protection for PMI.

RECOMMENDATIONS FOR THE HEAD OF THE AGENCY FOR THE PROTECTION FOR INDONESIAN MIGRANT WORKERS

1. Coordinate with the Ministry of Manpower in an adequate and integrated manner regarding the activities of the PMI task force and empowerment.
2. Revoke all regulations related to PMI empowerment and coordinate with the Ministry of Manpower regarding PMI empowerment implementation policies.



Data Security

01

Regularly back-up data to a different device.

05

Only install original applications.

02

Activate Bitlocker feature.

06

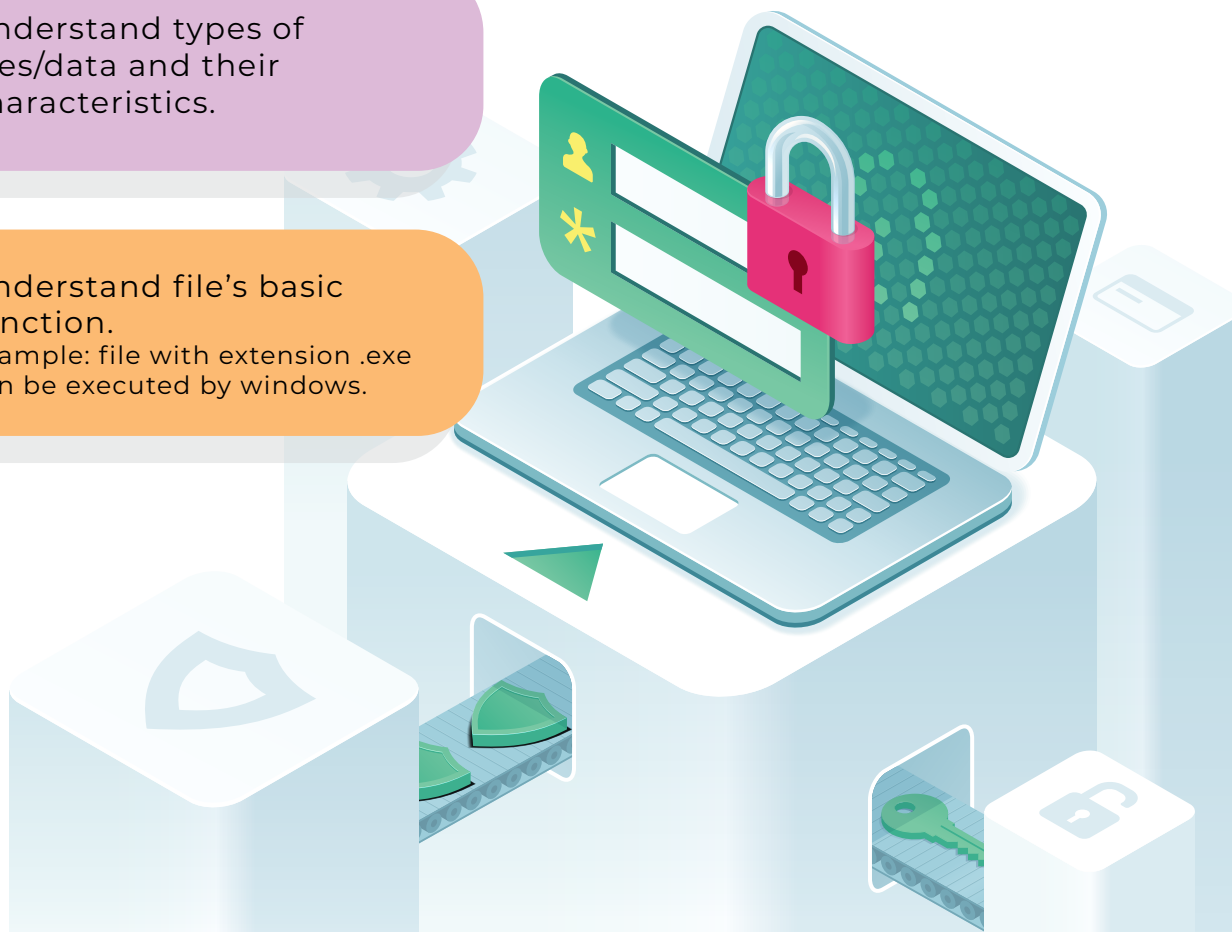
Extra caution when using portable media (USB flash disc, external HDD)

03

Understand types of files/data and their characteristics.

04

Understand file's basic function.
Example: file with extension .exe can be executed by windows.



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ANDINA OKTA FAWAN

Bureaucratic Reform to Support Audit of State Financial Management

ON THE IMPLEMENTATION SIDE, THE IMPACT OF RB MANAGEMENT AT THE NATIONAL AND AGENCY LEVELS HAS NOT BEEN OPTIMALLY FELT BY THE COMMUNITY.

Bureaucratic Reform (RB) at BPK is an essential part of the implementation of the 2020-2024 BPK Strategic Plan. Felicia Yudhaningtyas, Director of Strategic Planning and Performance Management, Directorate of Planning, Evaluation, and Development of BPK, explained that the RB is needed to encourage change and development of BPK organization as the government's external audit institution. To support this agenda, BPK has established a 2020-2024 BPK RB Roadmap through BPK Secretary General Regulation Number 12 of 2021. This document was prepared with reference to the provisions of PANRB Regulation Number 25 of 2020 concerning the 2020-2024 Bureaucratic Reform Roadmap.

Yudha, as she is affectionately known, said that the 2020-2024 BPK RB Roadmap was prepared in an integrated manner by referring to BPK's Vision, Mission, and Strategic Objectives as outlined in the 2020-2024 BPK Strategic Plan (Renstra) and 2020-2024 BPK Strategic Plan Implementation (RIR). In addition, it is aligned with the 2020-2024 National Bureaucratic Reform Roadmap.

"In essence, the activities contained in the 2020-2024 BPK RB Roadmap are the elaboration of the activities designed in the 2020-2024 BPK Strategic Plan and RIR," she said. However, with the issuance of PANRB Regulation Number 3 of

2023 concerning Amendments to PANRB Regulation Number 25 of 2020 concerning the 2020-2024 Bureaucratic Reform Roadmap, each Ministry/Institution/Regional Government, including BPK, is mandated to sharpen the 2020-2024 RB Roadmap in their respective agency. Refinement of the 2020-2024 RB Roadmap is necessary because the evaluation results on the implementation of the national RB to date, still show a gap between the current state and the condition expected at the end of 2025.

This gap occurs in planning and implementation aspects. On the planning side, the 2020-2024 RB Roadmap is not yet optimal in accelerating governance that accelerates the achievement of national development and global competitiveness. On the implementation side, the impact of RB management at the national and agency levels has not been optimally felt by the community. For example, we still find many public services that are not yet optimal, bureaucracy that is not yet collaborative, there are still high practices of Corruption Collusion Nepotism (KKN), and so on.

"We need to be grateful that even though in a relatively short period of time, BPK has succeeded in sharpening the 2020-2024 RB Roadmap, and it was submitted to PAN RB Ministry on May 5th, 2023 yesterday," she said.

According to Yudha, sharpening the 2020-2024 RB Roadmap can accelerate the achievement of RB's strategic goals and objectives so that it can be felt significantly by the public. Further, the RB Roadmap is more comprehensive and in accordance with the needs of the bureaucracy in dealing with environmental conditions that are disruptive, unpredictable, uncertain, and have an impact on the people's lives. In addition, the RB Roadmap is expected to be able to create synergistic integration and orchestration of RB implementation in government.

In the previous 2020-2024 BPK RB Roadmap, BPK has established a quickwins program related to BPK's core business so that it is expected that the impact of RB can be directly felt by the

community in the short term. Quickwins in the audit field is "Conducting Strategic, Anticipatory and Responsive Audits". The quickwins program is implemented through National Thematic Audits, Local Thematic Audits, and Other Significant Audits.

In the updated 2020-2024 BPK RB Roadmap document, the RB is also directed to encourage the implementation of BPK's core business through two RB focuses, namely the double track between General RB and Thematic RB. General RB focuses on improving BPK's internal management which includes two things, namely hard elements for institutional strengthening and soft elements for cultural development and the development of employee professionalism attitudes and behavior. Meanwhile, Thematic RB focuses on accelerating the implementation of the national development agenda.



In essence, the activities contained in the 2020-2024 BPK RB Road Map are the elaboration of the activities designed in the 2020-2024 BPK RIR and Strategic Plan.

"Thus, the sharpening of the RB really supports the implementation of BPK's core business in auditing the management and accountability of state finances through strengthening internal governance and through selecting the focus of the audit," said Yudha.

Thematic RB is mainly carried out through the implementation of Target Strategy 3 namely "Improving Governance through Audit Authority on Thematic RB Topics". BPK continues the quickwins program in the previous RB, which of course has been sharpened and aligned with the Thematic RB policy through the duties and functions of audit on objects which are the focus theme of the Thematic RB policy.

For 2023-2024, BPK will prepare an audit plan on four Thematic RB topics to encourage national economic recovery after the Covid-19 pandemic, namely Audit of the Poverty Alleviation Program, Audit of the Investment Enhancement Program, Audit of the Government Administration Digitalization Program, and Audit of the President's Actual Priorities Acceleration: Use of Domestic Products and Controlling Inflation. She conveyed that one of the strategic goals emphasized in the current 2020-2024 RB Roadmap is related to a Moral Bureaucratic Culture with Professional Civil Servants (ASN). One of the goals is to increase the excellent service and moral bureaucracy culture.

"Through Sharpening the 2020-2024 BPK RB Roadmap this time, we hope that the implementation of BPK's Organizational Culture, Work Units' Culture, ASN's Core Values, and ASN's Employer Branding can run synergistically and complement each other as well as having a positive and significant impact to encourage the implementation of primary values of BPK so that BPK produces quality and useful audits for stakeholders in the context of improving state financial management," said Yudha.

Yudha revealed that BPK has paid attention to several things related to sharpening the roadmap for bureaucratic reform in accordance with the PAN RB Ministerial Decree No. 3 of 2023. This includes changes to the implementation framework for the 2020-2024 BPK RB, which previously included three strategic targets with eight areas of change, namely Change Management, Policy Deregulation, Organizational Management and Strengthening, Governance Arrangement, Apparatus HR Management, Strengthening Accountability, Strengthening Oversight, and Improving the Quality of Public Services as well as implementing the quickwins program whose impact is expected to be directly felt by the community in the short term.

Sharpening was also carried out on indicators of success for each RB target. Changes in indicators are attempted by sharpening, simplifying, synergizing and integrating indicators by selecting the indicators that are most relevant and have the reliability to measure the progress of RB. The indicators used are the measurements that are considered the most reliable and relevant for measuring the level of implementation and results, not just measuring compliance and administrative aspects. Indicator sharpening is carried out by encouraging synergy, integration, and simplification of various success measures to avoid duplication of measurements.

"BPK combines several indicators in the PAN RB Regulation Number 3 of 2023 with existing indicators within BPK that are relevant in measuring the success of the RB," she said.

RB management in Sharpening the 2020-2024 BPK RB Roadmap is also carried out by forming a new BPK Internal RB Management Team or Unit or known as the Strategic Transformation Unit (STU) with members that include cross-units.

The preparation of BPK RB Roadmap has a focus on Bureaucratic Reform programs that are integrated with BPK Strategic Plan in each period. According to Yudha, going forward, the successful implementation of BPK Bureaucratic Reform program can be in line

with the success of BPK Strategic Plan, namely being able to encourage the creation of a clean and accountable BPK bureaucracy, an effective and efficient BPK bureaucracy, and a BPK bureaucracy that has quality public services that support digital transformation.

The achievements of BPK bureaucratic level also need to be balanced with increased competence and changes in employee mindset so as to improve the quality of BPK audit results and build a more mature BPK institutional quality by demonstrating the characteristics of an organization with integrity, independence, and professionalism.

"Hopefully the success of the current bureaucratic reform program will have a real impact on state financial management in general and BPK specifically," she said.

Yudha also emphasized that there are three things that are expected by all parties for the implementation of bureaucratic reform at BPK. This means that BPK, as the government's external auditor, is able to have a positive impact on the achievement of national goals and is able to make an optimal contribution in making Indonesia a country to be reckoned with at the global level. Then, BPK becomes an organization that can set an example for other agencies or institutions in managing high-performance organizations.

"All BPK personnel are able to become ambassadors for BPK, who are able to set an example for society and are able to become agents of change to realize transparency and accountability with integrity in all aspects of social and state life," said Yudha.

Strengthening BPK's basic values, BPK's Inspector of Integrity Enforcement, Teguh Widodo said, the preparation of BPK's RB roadmap was based on BPK's primary values in carrying out BPK's duties and responsibilities. All objectives and activities in the RB roadmap are closely related to strengthening BPK's primary values, namely Independence, Integrity, and Professionalism.

The application of BPK's primary values is expected to go hand in hand with the application of ASN's primary values, namely having morale (AKHLAK) and ASN's employer branding "Proud to Serve the Nation". "Complement each other and have a positive impact, namely increasing the quality of excellent service at BPK," said Teguh.

Teguh explained that BPK's bureaucratic reform would be carried out through three strategic objectives.



“**All BPK personnel are capable of being ambassadors for BPK, capable of being role models for society, and capable of becoming agents of change to realize transparency and accountability with integrity in all aspects of social and state life.**”

The first strategic goal relates to governance that is able to account for the use of resources through the creation of results and real impacts on society and national development. The main strategy for creating good governance is to make information and communication technology the main instrument in the internal procession of good governance and the provision of quality public services.

The second strategic objective relates to a bureaucratic culture that prioritizes the values of service orientation, accountability, harmony, competence, loyalty, adaptive, and collaborative in carrying out the task of providing quality public services and accelerating the attainment of national development goals and objectives, and filled with ASN who are committed, ability, motivation, behavior, performance, and high competitiveness.

Finally, the third strategic goal relates to improving governance through auditing authority to respond to demands for accelerating the concrete impact of bureaucratic reform on downstream issues, namely national development achievements.

In sharpening bureaucratic reform, the thing that is quite challenging in implementing it is the need for involvement or collaboration between parties and sufficient time to carry out bureaucratic reform activities. In addition, various initiatives to improve governance often overlap.

Several initiatives have similar characteristics, but must be implemented separately so that all stakeholders need to pay attention. So far, he said, BPK has carried out bureaucratic reform activities,

building an Integrity Zone, assessing with SAI-PMF, developing DNA, GRC, and others.

"The synchronization and harmonization between these initiatives and activities needs to be considered by BPK stakeholders so that in the future BPK employees can focus more on work and carry out their duties more effectively and efficiently."

To overcome the obstacles faced, BPK is currently forming a Team or Management Unit for BPK Bureaucratic Reform or known as the Strategic Transformation Unit (STU). BPK Internal RB Management Team will carry out, among other things, carry out roadmaps, priority programs and main activities along with their implementation in units and work units in accordance with their respective duties and functions. Then, carry out periodic monitoring and evaluation as well as make necessary adjustments so that the achievements of bureaucratic reform can meet the targets set and can always meet the needs and expectations of all stakeholders.

"I think a combination of project management, change management, and performance management is necessary in ensuring the implementation of bureaucratic reform activities can run effectively."

At present, BPK employees have also paid increasing attention to the need to always see and compare the series of activities that will be carried out with other activities or programs that are similar or have similarities. "I see this trend is quite good so that it can reduce the silo phenomenon between divisions or work units at BPK," he said.

The role of employees Teguh said that the role of employees was very important in the implementation of bureaucratic reform at BPK. Various roles that can be carried out by employees, such as, employees can be actively involved in their respective work units as subjects to carry out the main activities of bureaucratic reform. Second, employees can contribute by providing input on the implementation of bureaucratic reform activities carried out by other work units at BPK.

Third, employees as users or objects of bureaucratic reform activities can help to continue to ensure that bureaucratic reform at BPK can run continuously with ever-increasing quality. Employees are expected not only to be demanding, but also to be able to make the slightest positive contribution.

"Finally, employees can reflect on the success of BPK's bureaucratic reform to stakeholders by implementing BPK's Primary Values and implementing ASN's primary values, namely having AKHLAK and ASN's employer branding "Proud to Serve the Nation".

He added, the challenge or risk for developing RB in the future is the attitude of employees who have a relatively low level of concern or sense of belonging, so that the efforts that have been made to maintain the goals of bureaucratic reform to accelerate national development and global competitiveness are difficult to achieve.

What is also very concerning is the occurrence of violations of primary values. Moreover, this occurred when BPK employee remuneration was quite high when compared to other government agencies. The perpetrators are also quite varied, both among new or young employees and senior employees.

"Quantitatively, the number of violations is quite low, but qualitatively it is very detrimental to the image, dignity and honor of BPK," he said.

In order to overcome this problem, a joint commitment from all BPK stakeholders, from leaders to employees, is needed to seriously implement all components of bureaucratic reform, no longer pursuing status and fulfilling requirements on paper.

Teguh explained, the supervisory work unit, in this case Inspectorate, has a very important role in developing RB. As the owner of the role as the third line of the three-line model, Inspectorate's role is to carry out assurance and consultation which in the context of bureaucratic reform activities is Inspectorate's role to evaluate and provide assistance to bureaucratic reform activities.

In addition, Inspectorate plays a major role in maintaining and ensuring that various reform targets can be achieved. For example, Inspectorate plays a role through reviewing the internal control system, enforcing the code of ethics and discipline, controlling gratuities, managing complaints, and building integrity zones.

Teguh emphasized that the development of bureaucratic reform must start from oneself, from the respective ministries/institutions. "I believe bureaucratic reform at BPK will continue to improve quality. The level of public trust in BPK will continue to increase and BPK's active contribution will be seen in realizing quality and useful state financial governance to achieve state goals."

Digital transformation through BPK DNA

Director of BPK Information Technology, Pranoto, stated that BPK continues to carry out digital transformation to support the Electronic-Based Government System (SPBE). This was done by building BPK's Digital Enterprise Architecture (DNA).

Pranoto explained, BPK had determined the need to implement digital-based business processes as a driving force for digital transformation to realize governance at BPK that was agile, collaborative, and accountable. This initiative was formulated as one of the strategies in the 2020-2024 BPK Strategic Plan, namely Strategy 6 concerning Optimizing Resource Management and Collaboration with Stakeholders.

He detailed, BPK SPBE development plan as part of the implementation of the 2020-2024 BPK Strategic Plan has been contained in BPK Secretary General Regulation Number 19 of 2021 concerning the 2020-2024 BPK Information and Communication Technology Master Plan (RINTIK). Meanwhile, the implementation of Presidential Regulation Number 95 of 2018 concerning SPBE has been regulated in BPK Secretary General Regulation Number 19 of 2022 concerning Application of SPBE in BPK Environment.

"RINTIK has become a reference for BPK to develop ICT in order to carry out digital transformation as a whole at BPK," said Pranoto.

Within RINTIK there are three pillars of ICT development at BPK within the framework of digital transformation. The three are Development of Digital-Based Business Processes, Development of Information Technology Governance, and Development of Big Data Analytics. Overall, the three pillars are arranged referring to the National SPBE architecture policy.



■ Pranoto

One of the initiatives in developing digital-based business processes is the preparation of BPK institutional architecture which refers to the National SPBE architectural policy. "This initiative has resulted in a BPK SPBE architecture called BPK Digital Enterprise Architecture (DNA). BPK's DNA is substantially a derivative of the National SPBE, which is also known as the Indonesia Enterprise Architecture (IDEA)," said Pranoto.

He explained, BPK's DNA was compiled to ensure digital transformation takes place through a structured and controlled mechanism for the sustainable development of BPK institutions. Just like the National SPBE Architecture, BPK DNA is composed of seven architectural groups, namely Business Process Architecture, Applications, Data, Technology, Services, and Security. These regulations are important factors to ensure the overall applicability of BPK's DNA.

Pranoto added, the development of the SPBE at BPK, which integrates audit business processes and institutional business processes, has been carried out in stages and supports the improvement of the quality of BPK's task implementation and service to the public. BPK's SPBE implementation is expected to create effective, real-time, transparent IT-based business processes, and with guaranteed security. Then, it is expected to realize the formation of an integrated BPK Information System platform.

"It is also hoped that it can create business processes that provide services digitally by default and form a Decision Support System.

He hopes that consistent implementation of the SPBE BPK Architecture policy can support the achievement of 3 strategic objectives of PK Bureaucratic Reform for 2020–2024. Audit and institutional business processes Information technology-based BPK is also expected to generate various digital data and information automatically.

With various digital transformation programs being carried out, he said, BPK can implement an integrated system of planning, budgeting and performance information based on information technology which encourages increased performance accountability. Another benefit is the development of digital public services, the increased quality of digital archive management and sectoral statistical data, and the realization of an accelerated digital transformation of ASN management.

"The increasingly complete digital data and information can be used as a basis for making decisions on auditing policies and institutions at BPK which are of higher quality," said Pranoto. ~

Leveraging the Impact of Performance Audits for a Green Economy

INDONESIA HAS WORKED TO ACHIEVE THE GLOBAL DEVELOPMENT AGENDA BY INTEGRATING THE SDGS TARGETS WITH THE 2020-2024 RPJMN.



■ BPK Chairperson, Isma Yatun

The performance audit conducted by the Supreme Audit Institutions (SAI) is considered to be able to support green economic development. SAI can ensure the government's direction of movement to achieve this goal, the Audit Bauditoard of the Republic of Indonesia (BPK) seeks to encourage an increase in the impact of performance audits on green economy development by holding an international seminar entitled "Leveraging the Impact of Performance Audit towards a Green Economy: Multi-Perspectives Regional, National, and International."

BPK Chairperson Isma Yatun said that this seminar is expected to accommodate various perspectives and understanding regarding how performance audits have a positive impact on society, especially related to the development of a green economy.

"As part of the global community, Supreme Audit Institutions (SAI) can play a significant role in ensuring progress and achievement of the SDGs are in line with their respective mandates through relevant audit programs," said Isma in her remarks when opening the seminar in Jakarta, Monday (5/6/2023).

The international seminar was held for three days in Jakarta by presenting various speakers. There were 14 SAIs participating in the event which was supported by the World Bank and other development partners.

Isma conveyed that in addressing the issues discussed in the seminar, various views from all parties were needed. She emphasized that SAI cannot work alone. Therefore, the seminar is expected to deliver a comprehensive understanding and deliver productive results.

"By working together, we can begin a journey in leveraging the impact of performance auditing towards a more sustainable future," she said.

The international seminar was held from 5-7 June 2023 in Jakarta. The theme of the seminar was also linked to the theme of the 2023 ASEAN Indonesia Presidency, namely ASEAN as the epicenter of growth.

Various SAIs and various national and international institutions related to green economy and development

attended the seminar. This starts from ministry/agency officials, representatives of INTOSAI, INTOSAI Development Initiative (IDI), United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), ASEAN Energy Center, ASEAN GPS Leader, Padjadjaran University SDG Center, and Ernst and Young Accounting Firm.

BPK Vice Chairman, Agus Joko Pramono, said that Indonesia had made efforts to achieve the global development agenda by integrating the SDGs targets in the 2020-2024 National Medium-Term Development Plan (RPJMN). The government has also issued Presidential Regulation Number 59 of 2017 regarding the implementation of SDGs at the regional and national levels.



“**By working together, we can begin the journey of leveraging performance audit impact towards a more sustainable future.**”

Chairperson of BPK, Isma Yatun



■ Vice Chairman of BPK, Agus Joko Pramono



The SAI strategic plan needs to formulate a clear design in order to achieve an impactful audit.

Vice Chairman of BPK, Agus Joko Pramono

BPK has also carried out audits related to the SDGs using the four INTOSAI approaches as well as using a guide known as IDI's SDGs Audit Model (ISAM).

BPK has audited the preparedness of the government in achieving the SDGs targets, implementation of SDGs through performance audits for specific goals. Agus emphasized that the biggest challenge in auditing the implementation of SDGs is to deliver something that has an impact, especially at the outcome level.

To deliver an impactful performance audit, Agus said, it can't only be seen from the reporting and follow-up. According to him, it should start from the planning stage.

"The SAI's strategic plan needs to formulate a clear design in achieving an impactful audit," he said.

Meanwhile, Board Member III of the Audit Board of the Republic of Indonesia (BPK), Achsanul Qosasi, said further discussion and research needed to be carried out to strengthen the impact of performance audits, especially for the development of a green economy. "I strongly agree that this seminar needs to be continued with further discussion and research and then bring up the discussion in a more strategic seminar for a real and effective impact," said Achsanul.

In his presentation at the seminar, Achsanul revealed BPK's contribution in carrying out performance audits through auditing the Covid-19 Handling and National Economic Recovery (PC-PEN) program. Achsanul said, since the outbreak of Covid-19, all governments in the world have made extraordinary efforts to deal with this new virus. At the same time, SAIs also faced tough challenges in maintaining the quality of their audits.

In the midst of this difficult period, BPK immediately took strategic steps to ensure that transparency and accountability could be maintained in handling the pandemic. BPK establishes a number of audit strategies to be able to audit state financial management, financial system stability, and disaster management.

"We are doing this not only as an immediate reaction but also as a form of response in dealing with a long-term health crisis, economic downturn, and social crisis," he said.

Achsanul said, in carrying out performance audits, SAI often faced limitations related to resources and time. Thus, according to Achsanul, the audit strategy is an important factor in determining the audit area, clear audit objectives, criteria and measurable indicators.

Then, Board Member IV of BPK, Haerul Saleh, conveyed that the audit related to the green economy was in line with the constitutional mandate to create prosperity for the Indonesian people. Haerul said that BPK has a constitutional mandate to carry out audits, one of which is to support improved governance and accountability for government performance. In line with the government's efforts to build a green economy, BPK supports also done through performance audits and recommendations. This is to increase the economy, efficiency, and effectiveness of government programs.

"We have designed our audit to be in line with the national development agenda and the Sustainable Development Goals which also recognize social, economic, and environmental aspects," said Haerul in the International Seminar entitled "Leveraging Performance Audit Impact Towards Green Economy" in Jakarta, Monday (5/6/2023).



■ Board Member III of BPK, Achsanul Qosasi

“**Since the outbreak of Covid-19, all governments in the world have made extraordinary efforts to deal with this new virus. At the same time, SAIs also face tough challenges in maintaining the quality of their audits.**

**Board Member III of BPK,
Achsanul Qosasi**





■ Board Member IV of BPK, Haerul Saleh



We focus on relevant and current issues currently faced by the public while also identifying areas that have significant potential for improvement.

Board Member IV of BPK, Haerul Saleh

Haerul said, in the last few years, BPK has carried out a number of performance audits and compliance audits in the green economy sector. More specifically in the energy and forestry sectors. According to Haerul, this audit is crucial because these two sectors have huge contributions on greenhouse gas emissions and environmental degradation.

He said, in the energy sector, BPK has audited the development of the use of new and renewable energy (EBT), the development of urban gas networks and SPBGs, and the procurement of battery-based electric vehicle infrastructure to support urban transportation.

"Through this audit, we focus on achieving a balance related to the energy trilemma, namely energy security, energy equity, and environmental sustainability," he said.

The Tangible Impact of Audit for a Green Economy

The Audit Board of the Republic of Indonesia (BPK) seeks to leverage the impact of performance audits on green economy development. This became the theme of an international seminar held by BPK on 5-7 June 2023.

Director of Public Relations and International Cooperation of BPK, Yudi Ramdan Budiman, said that BPK needed to raise this topic so that the audits carried out could have an even greater impact on society.

"We carry out an audit not only to complete the report but also to make recommendations that can deliver a tangible impact," said Yudi to *Warta Pemeriksa*.

Yudi explained, at this time, issues regarding the environment became a strategic discussion at the

national, regional, and global levels. Economic, social, and environmental problems are also moving dynamically so that they do not only depend on one sector.

Since the Covid-19 pandemic, problems have also continued to emerge, such as the ability to deal with slowing economic growth and disruptions such as war. Yudi emphasized that it could not be solved by one party.

"It takes various actors, from various organizations or various countries to be involved. It is our joint task, to deal with this problem," said Yudi.

He admitted that during the pandemic, the achievement of the SDGs actually experienced a setback. So, there should be a breakthrough to immediately get up and pursue this target. This,

Meanwhile in the forestry sector, BPK has carried out audits including control and management Citarum Watershed pollution, implementing sustainable palm oil, and supervising permits for the use of forest areas. "By carrying out this audit, we are trying to provide input and recommendations to improve the government's efforts to build a sustainable green economy," he said.

Regarding the theme of the seminar, Haerul emphasized that the impact of an audit needs to be considered from the planning process to its follow-up. In the planning process, BPK seeks to be selective in selecting audit topics.

"We focus on relevant and current issues currently faced by the public while also identifying areas that have significant potential for improvement," he said.

BPK also seeks to carry out comprehensive audits in order to provide a comprehensive view of a matter. Apart from that, Haerul also said that BPK is trying to take a cross-sectoral approach by involving all relevant stakeholders. According to him, by cooperating with various stakeholders from the government, the private sector, and experts, they can enrich BPK audit recommendations.



Haerul also conveyed the importance of joint collaboration between SAIs in order to increase the impact of the audit results. He said, jointly designing audits that have an impact on green economy and being able to maintain consistency will increase public trust in SAI.

"So, let's work together to make positive changes to people's lives," said Haerul. ~

according to Yudi, demands Supreme Audit Institution (SAI) to not remain silent.

"We shall make a real contribution. By mandate, almost all SAIs are responsible for overseeing public sector financial management," he said.

Yudi said that the current challenge is to provide an explanation regarding the definition of a green economy. In three days of seminars, BPK together with other SAIs and development partners discussed perceptions and understandings regarding the green economy.

"We want to see how far the audit mandate can contribute to a green economy," he said.

In this international seminar, World Bank also provided support. In addition, there were 14 SAIs from various parts of the world participating either through virtual methods or in person attendance.

According to Yudi, from this initial step it is hoped that an initial framework for performance audit will emerge. "This is the initial stage of how we can leverage the audits that we are used to do. The audits

we have carried out are correct, but it is how can we leverage the impact of the performance audits," he said.

BPK can also share its experience in auditing the achievement of the SDGs with the public. BPK has also provided recommendations to improve efforts to achieve the SDGs.

Institutionally, BPK Strategic Plan has also included the RPJMN as a reference for designing audits within five years of administration.

"This is in accordance with national priorities. Thus, BPK already has basic steps or a good baseline on how to audit a long-term nature," he said.

In addition, BPK has also conducted several audits related to green economy or the environment. These include issues such as sustainable transportation, energy transition, and the development of electric vehicle battery ecosystems.

"We will continue to see how far this recommendation can have an impact in the future," he said. ~

BPK Continues to Monitor the Energy Transition

The Audit Board of the Republic of Indonesia (BPK) has a strong commitment to contribute to the development of a green economy. Director of Audit IV.B of BPK, Pemut Aryo Wibowo, said that his Directorate had recently completed a performance audit related to the energy transition.

Pemut explained, the Audit Directorate IV.B is in charge of the Ministry of Energy and Mineral Resources and the Ministry of Environment and Forestry. He said these two sectors are very important in sustainable economic growth considering the energy sector is the largest contributor to greenhouse gas emissions and environmental pollution. The forestry sector is an important sector in absorbing greenhouse gases in the atmosphere and supporting environmental preservation.

"We recently completed a performance audit related to energy transition. The audit aims to assess the government's efforts in managing coal, natural gas, and renewable energy in the electricity sector to ensure the availability, affordability, and sustainability of energy," said Pemut.

The focus of the audit is not only how to make the energy sector cleaner and lower in emissions, but also how to manage energy resources more efficiently for the people's greatest prosperity.

Pemut explained that this was certainly in line with the principles of a green economy, namely energy management to support economic growth



must be low-carbon, efficient, and socially inclusive. The audit also includes foresight aspects to take into account the future implications of policies that are being and will be implemented.

"In addition, several audits related to the environment and green economy have also been carried out by BPK in the last five years," Pemut said.

These audits include, performance audits on new and renewable energy, performance audits on household gas networks, performance audits on sustainable urban transportation, audits with specific objectives on forestry permits, and performance audits on Toxic and Hazardous Waste management.

In the second semester of this year, BPK will also carry out audits related to environmental development, namely auditing the performance of providing clean and affordable energy and auditing the performance of climate change mitigation and adaptation actions. These audits aim to improve the attainment of state objectives related to economic, social, and environmental development.

In carrying out these audits, several references were used as references, including international best practices, agreements and global goals, as well as benchmarking results in countries that have successfully implemented the principles of a green and sustainable economy. "The results of the audit are expected to improve efficient and sustainable resource management for the greatest possible welfare of the people," Pemut said. ~

Improving the Impact of Performance Audits

The Audit Board of the Republic of Indonesia (BPK) continues to improve the quality of performance audits so that they have an impact on improving the audited entity. According to the Deputy Director of Research and Development of BPK's Performance Audit, Fauzan Yudo Wibowo, there are several things that BPK always pays attention to every time it conducts a performance audit.

Fauzan explained that BPK has guidelines for performance audits in the form of Performance Audit Implementation Guidelines. These guidelines refer to the International Standards of Supreme Audit Institutions, especially the ISSAI 300 Performance Audit Principles, ISSAI 3000 Performance Audit Standards and their related guidance.

"The Performance Audit Implementation Guidelines issued in 2020 have supported performance audit efforts in increasing the impact of the audit," Fauzan told *Warta Pemeriksa*.

Fauzan explained that increasing the impact of the audit could be achieved through several things:

1. Selection of potential topics

At this stage the determination of potential topics for further audit is carried out by considering several criteria. The first criteria is the public interest.

He explained that entities/programs that involving the lives of many people, involving public services, and became the concern of representative bodies and the public, can be prioritized as topics of audit. "So that the audits carried out, provide added value or benefits to the community/public," he said.

The next thing is about the problem on the topic. Fauzan explained, the higher the number of problems on the topic, the higher the chance of problem will be selected as priority. This aims to

encourage the performance of the entity being audited, so that the impact of the audit will be more optimal.

With these two considerations, it is hoped that the potential topics chosen will have a major impact on the optimal improvement of public services.

2. Determination of Key Areas

At this stage, existing potential areas will be selected to become key areas which will later become the focus of performance audit. The determination of this key area uses the RIAS method, namely Risk Management (R), Impact (I), Auditability (A) and Significance (S).

From the significance consideration element, one of the criteria used is visibility, namely the assessment of an area of concern/highlight of representative bodies and/or the community. An area that has high visibility, means that the area has a significant impact on social, economic, and environmental aspects. The next criteria for determining key area is impact, which means the magnitude of the impact of improvements and benefits that can be provided through audit. Through these two criteria, it is hoped that the key areas selected, become the audit focus which will also have a major impact on improving public services.

3. Determination of audit recommendation

In formulating recommendations for the audit, it should be noted that a recommendation will be constructive and useful when it provides added value.

4. Monitoring of Audit Follow-up

Fauzan explained, one of the objectives of monitoring the audit follow-up is to determine the impact of the audit. When there is insufficiency or dissatisfaction with the implementation of the recommendations, or when there is need to monitor the progress/impact of the recommendations given, the auditor can carry out a follow-up audit.

Fauzan added, one of IDI's publication, namely the Facilitating Audit Impact (FAI) Strategy 2020–2023, aims to increase the audit impact through three efforts within the framework of strengthening the audit impact, namely:

- a. implementation of audit based on the impact of the audit (Impact Driven Audit).
- b. implementation of a follow-up monitoring system (robust follow-up system).
- c. strengthening coalition efforts with stakeholders (strong stakeholder coalition).

Moreover, the Performance Audit Implementation Guideline is in line with the audit impact improvement strategy in accordance with the FAI Strategy, namely:

- a. Implementation of impact-driven audits through the selection of potential topics, determination of key areas, and determination of audit recommendations
- b. Implementation of a reliable follow-up monitoring system (robust follow-up system) through follow-up monitoring that measures impact and implementation of follow-up audits as an effort to ensure the impact of audit is achieved.
- c. Strengthening collaborative efforts with stakeholders is also emphasized in the Performance Audit Guidelines through efficient and effective communication efforts throughout the audit process regarding the main aspects of the audit, both with the entity being audited and with relevant stakeholders.

In addition, the Performance Audit Guideline also emphasizes the involvement of stakeholders during all stages of the audit, namely at the following stages:

- 1) Initial understanding of the audit object/main subject matter through Focus Group Discussion with several parties including stakeholders.
- 2) Collection of data and information in order to determine potential topics through stakeholders survey on topics that are eligible to be proposed as topics for performance audit
- 3) Risk Mitigation for robustness in determining appropriate criteria, auditors can involve competent experts and stakeholders if there



The Performance Audit Implementation Guidelines issued in 2020 have supported performance audit efforts in increasing the impact of the audit.

is a conflict between the criteria, and/or the absence of suitable criteria.

- 4) Audit objectives formulation also considers stakeholders involvement through consideration of significant issues or risks faced within subject matter being audited, as well as the added value that can be provided from the audit
- 5) Interview with stakeholders at the Implementation stage aims to increase validity and obtain various points of view that enrich audit evidence
- 6) Submission of audit reports to stakeholders which accompanied by presentation of audit results and action plans for audit follow-up.

Through an adequate implementation of Performance Audit Guideline, it will be easy to achieve the audit impact that provides optimal improvements to public services while increasing the relevance of BPK in increasing value and benefits to the community.

"Thus, BPK guideline can be an adequate basis for providing useful input for seminar implementation material while at the same time providing the basis for carrying out BPK audit to achieve contributions and increase the optimal impact of improving public services in the future and can become a role model for other SAls."

In line with this, on June 5-7, 2023, BPK held an international seminar with the theme "Leveraging Performance Audit Impact towards Green Economy" with the support of Public Financial Management-World Bank.

The seminar aims to gain understanding and insight to increase the impact of performance audits, especially on the green economy through knowledge sharing and collaboration between stakeholders. ~

LKPP Achieved Unqualified Opinion Consecutively, BPK Continues to Oversee the Management of State Budget

IHPS II 2022 CONTAINS AUDIT FINDINGS WORTH OF RP25,85 TRILLION.



■ Submitting the Audit Report (LHP) of LKPP 2022 to the House of Representatives (DPR) in Jakarta.

The Audit Board of the Republic of Indonesia (BPK) has completed an audit of the 2022 Financial Report of Central Government (LKPP). The audit of 82 Financial Report of Line Ministries (LKKL) and Financial Report of the State General Treasurer (LKBUN) showed that 81 LKKL and LKBUN acquire Unqualified opinion (WTP). One LKKL, namely the Ministry of Communication and Informatics Financial Report (LK) 2022, received a Qualified Opinion (WDP).

"Based on the opinions of LKKL and LK BUN, including the qualified opinion of Ministry of Communication and Informatics' LKKL, which has no material impact on the fairness of 2022 LKPP, BPK provides an unqualified opinion for the 2022 LKPP," said BPK Chairperson, Isma Yatun, when submitting the Audit Report (LHP) of LKPP 2022 to the House of Representatives (DPR) in Jakarta, Tuesday (20/6/2023).

This achievement is a manifestation of the commitment and consistency of oversight by the House of Representatives (DPR) in increasing the transparency and accountability of state financial management.



■ BPK Chairperson, Isma Yatun

Through this achievement, LKPP has received unqualified opinion consecutively since 2016. However, BPK's audit report also revealed weaknesses in the Internal Control System (SPI) and non-compliance with statutory provisions.

These include management of revenues, including inadequate tax facilities and incentives, also the management of Non-Tax State Revenues (PNBP) that is not in accordance with regulations. For this reason, BPK recommends the government, to optimize the supervisory function of tax facilities and incentives utilization.

Then, in terms of expenditure management, it is found that, the management of non-cash Transfer Sharing Funds (DBH) expenditure is considered inadequate. Interest subsidy expenditure for People's Business Credit (KUR) has also not been fully supported by implementing policies and the budget.

BPK recommends the government, to evaluate and to improve the formulation for calculating DBH that will be distributed not in cash and establish a policy for settling the Government's obligations for the implementation of the KUR Additional Subsidy program.

BPK also found that the management and settlement of state receivables were not optimal, inadequate, and not in accordance with regulations. This is mainly for state receivables from the liquidation process of SOEs (BUMN), tax receivables, and non-tax receivables.

BPK recommends the government, to secure the right to collect state receivables, update data on tax receivables, and improve supervision and control of these non-tax receivables.

"Apart from that, in order to increase transparency and accountability for the implementation of the 2022 State Budget, BPK also submitted a Report on the Review of the Implementation of Fiscal Transparency which generally shows that the Government has fulfilled most of the criteria for fiscal transparency based on international best practice," said Isma.

In addition to submitting the 2022 LKPP LHP, BPK also submitted the 2022 Second Summary of Semester Audit Report (IHPS) that covers 388 audit reports (LHP). IHPS II 2022 consists of one Financial Audit report, 177 Performance Audit reports and 210 Special Purpose Audit reports. The IHPS contains audit findings worth of Rp25,85 trillion, including findings on uneconomical, inefficiency, and ineffectiveness (3E) worth of Rp11,20 trillion and findings related to non-compliance of Rp14,65 trillion. In addition, IHPS also discloses findings regarding weaknesses in the internal control system.

Upon the audit, when the audit was still ongoing, the entity has followed up by depositing money and/or handing over assets of Rp577,69 billion.

IHPS II 2022 also contains the audit reports of two national priorities, namely strengthening infrastructure and strengthening stability of political, legal, defense and security (Polhukhankam) and transforming public services. Audits were carried out at 29 central government agencies, 90 regional governments, and four state-owned enterprises.

The audit of infrastructure strengthening revealed problems such the inadequate management of toll road concession assets, including land area of 87,90 million m² on 33 toll road sections that had not been certified.

Regarding this problem, BPK recommends that the government conduct data collection, re-inventory, and complete the land certification process on the toll road section.

Furthermore, the audit results on strengthening the stability of Polhukhankam, and the Transformation of Public Services, revealed problems such as the Determination of Corruption Prevention Actions that have not been fully supported by data on corruption risk characteristics, and have not referred to academic results or studies.

Regarding this problem, BPK recommends the National Corruption Prevention Team to instruct the National Secretariat for Corruption Prevention to compile and to establish guidelines and standard operational procedures related to the preparation of Corruption Prevention actions which are supported by studies, risk analysis, and the relationship or importance of the proposed Corruption Prevention actions in overcoming corruption risks.

IHPS II of 2022 also presented the results of follow-up monitoring on recommendations from BPK audit reports on entities audited from 2005 to 2022, as much as 77 percent have accordant with the recommendation, 17 percent are not yet accordant with the recommendation, 5 percent have not been followed up, and as much as 1 percent cannot be followed up.

Cumulatively up to 31 December 2022, the entity has followed up BPK's recommendations by depositing money and/or transferring assets to the state/region/enterprise in the amount of Rp136,03 trillion.

"This achievement is a manifestation of the commitment and consistency of oversight by the House of Representatives (DPR) in increasing the transparency and accountability of state financial management," said Isma.

Beside the report submitted to DPR, BPK has also submitted the LKPP 2022 audit report and IHPS II 2022 to the Regional Representatives Council (DPD) on Thursday (22/6/2023). In her remarks, Isma highlighted the issue of providing access to drinking water and sanitation.

The audit of Infrastructure Strengthening in the program to provide access to adequate and safe drinking water and sanitation revealed some problems, including, policies and strategies (Jakstra) of proper and safe drinking water supply systems (SPAM) for the community had not been prepared completely, consistent, and up to date. Among them, as many as 32 local governments have not drafted Jakstra SPAM.

Regarding this problem, BPK has recommended to related Governors/ Regents/Mayors, to compile and stipulate policies and strategies in providing access to adequate and safe drinking water that are complete, up-to-date, and aligned with national and/or provincial policies and strategies.

Furthermore, IHPS II 2022 also include the audit report of Waropen Regency Government's Financial Report 2021. BPK's opinion on the audit is Disclaimer (TMP).



Cumulatively, until 31 December 2022, local government entities and BUMD have followed up on BPK's recommendations by depositing money and or transferring assets to the state, to region, or to enterprises worth of Rp31,82 trillion.

Moreover, IHPS also includes the performance audit reports on the management of household waste (SRT) and household-like waste (SSSRT) in one central government entity and 65 local government entities.

The audit concluded that there were still problems, if not addressed immediately, would affect the effectiveness of SRT and SSSRT management. For instance, local governments do not yet have complete SRT and SSSRT management policies and strategies, and are not yet optimal in implementing waste reduction.

Upon this problem, BPK recommends Governors/Regents/Mayors, to compile and to stipulate policies and strategies for waste management that are complete, aligned, and adhering to the planning of its above government. Subsequently, develop an action plan and implement a Communication, Information and Education (IEC) program to reduce waste in the community, as well as among business actors periodically.

IHPS II 2022 also presented the results of follow-up monitoring of recommendations from BPK audit to Local Government entities and Local Government Owned Enterprises (BUMDs) that were audited from 2005 to 2022. As many as 78 percent were accordant, 17.3 percent were not yet accordant, 3.9 percent had not been followed up, and as many as 0.8 percent cannot be followed-up.

"Cumulatively, as of December 31st, 2022, local government entities and BUMD have followed up BPK's recommendations by depositing money and or transferring assets to the state, to region, or to enterprise worth of Rp31,82 trillion," said Isma.



■ Submitting the Audit Report (LHP) of LKPP 2022 to the Regional Representatives Council (DPD).

JOKOWI: UNQUALIFIED OPINION IS AN OBLIGATION

President Joko Widodo (Jokowi) expressed his appreciation to the Audit Board of the Republic of Indonesia (BPK) who have worked together and supported the government in overseeing state financial management. This appreciation was conveyed by Jokowi in his remarks when receiving the Audit Report (LHP) for the 2022 LKPP and Summary of Semester Audit Report (IHPS) II 2022 at the State Palace, Jakarta, Monday (26/6/2023).

"I also want to thank BPK for carrying out its audit of the LKPP 2022 in a timely manner and thank God that the opinion provided was Unqualified," said Jokowi.

The President reminded that unqualified opinion (WTP) is not an achievement. The President referred to WTP as an obligation that must be carried out by all levels of government in managing and utilizing State Budget (APBN).

"It is the duty of the Ministers and Head of Government institutions to use people's money with full responsibility," said the President.

The President also emphasized that all public money must be fully benefited by the community. "Orderly administration is important, but what is far more important is what benefits it brings to the people, what benefits it brings to the community, what people felt, what community felt," said Jokowi.

In her remarks at the State Palace, BPK Chairperson, Isma Yaton, also encouraged the government to be able to



■ Submitting the Audit Report (LHP) of LKPP 2022 to President Joko Widodo.

improve the achievement of unqualified opinion. As it is known, as many as 81 LKKL received unqualified opinion, while one LKKL received a qualified opinion.

"We hope that the Government can continue to make effective efforts so that in the future all line ministries can obtain unqualified opinions," said Isma.

Isma also said that BPK continues to encourage the government to make effective efforts to follow-up the recommendations from BPK audit reports. This should be done in order to realize the welfare of Indonesian people.

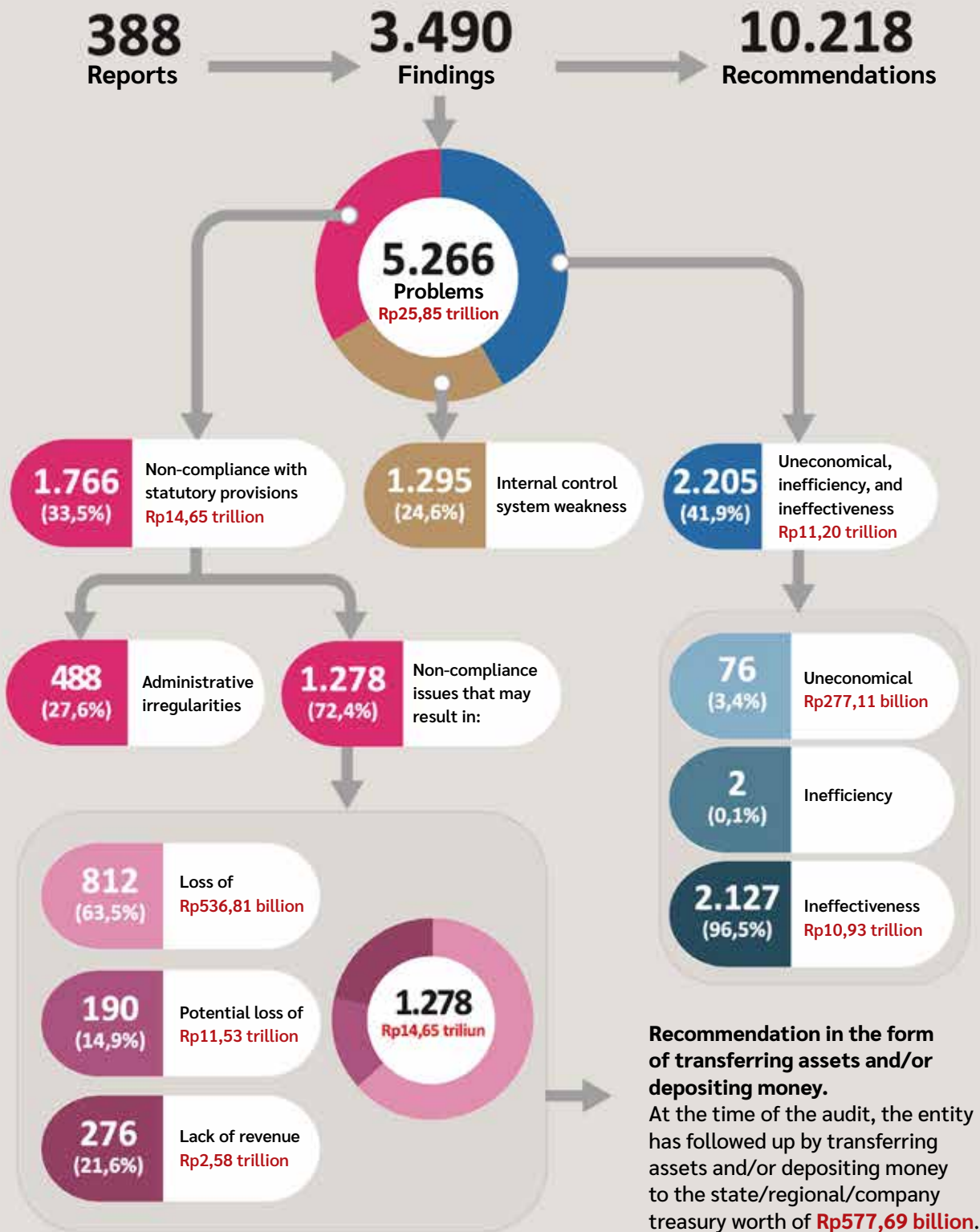
"For this reason, it is our great expectation that the President will continue to encourage all ministers, heads of agencies, and heads of regional governments to immediately follow up BPK's recommendations," said Isma. ~

LKKL and LKBUN Opinion For The Years of 2018-2022

OPINION	YEAR				
	2018	2019	2020	2021	2022
Unqualified Opinion (WTP)	82	85	85	84	82
Qualified Opinion (WDP)	4	2	2	4	1
Disclaimer (TMP)	1	1	-	-	-
Adverse (TW)	-	-	-	-	-
Number of Reporting Entities	87	88	87	88	83

Source: LHP LKPP 2022

BPK AUDIT REPORTS SEMESTER II 2022



* This amount does not include audits on political party financial assistance from the State/Local Government Budgets, also investigative audits.

BPK Vice Chairman Discuss Strategic Issues in IDI Board Meeting

AS A MEMBER OF IDI BOARD, BPK VICE CHAIRMAN EXPRESSED HIS APPRECIATION FOR IDI'S ACHIEVEMENTS IN SUPPORTING SAI CAPACITY BUILDING IN GLOBAL COMMUNITY.

Vice Chairman of the Audit Board of the Republic of Indonesia (BPK) Agus Joko Pramono discussed various strategic issues, including INTOSAI Development Initiative (IDI) Performance and Accountability Report, as well as 2022 financial report and future strategic plans.

This was conducted during IDI Board Meeting in Pretoria, South Africa (29/3/2023). Agus attended in his capacity as a member of IDI Board.

Auditor General of South Africa, who is one of the ten members of IDI Board, hosted the 2-day meeting held in person on Wednesday-Thursday, 29-30 March 2023.

On this occasion, the Board also discussed and approved the Mid-Term Evaluation of the IDI Strategic Plan 2019-2023. In this regard, IDI agreed to implement most of the recommendations given.



Lastly, the Board discussed and provided strategic direction for the upcoming draft IDI Strategic Plan 2024-2029 and its related portfolio. As an IDI Board Member, BPK Vice Chairman expressed his appreciation for IDI's achievements in supporting SAI capacity building in global community.

On this occasion, he also provided input on the draft Strategic Plan. He suggested to add information about changes in IDI's mission and vision as well as the rationales, in order to present IDI's evolution in each period. ~

In Australia, BPK Vice Chairman Discusses Auditors' Challenges in the Digital Ages

THE THEME "THE AUDITOR OF THE FUTURE" WAS CHOSEN TO EXPLORE THE EXPONENTIAL RATE AT WHICH TECHNOLOGY IS DEVELOPING AND ITS EFFECT ON THE FUTURE OF AUDIT. AUDITORS OF TOMORROW WILL NEED TO ADAPT TO CHANGES IN BUSINESS MODELS EVENTUALLY AFFECTING THE FUTURE OF AUDITING.



Vice Chairman of the Audit Board of the Republic of Indonesia (BPK) Agus Joko Pramono presented the various issues and challenges potentially faced by future auditors in the digital era. He also mentioned the wide range of skills to produce high quality audits.

Application of digital technology in BPK audit process, from Big Data Analytics (BIDICS), Digital Enterprise Architecture (DNA), and Standardized and Integrated Audit Process (SIAP), was introduced.

The above information was shared during the International Meeting of Performance Audit Critical Thinkers (IMPACT) 2023, in which Agus became a guest speaker. The event was held in Canberra, Australia, on Wednesday-Thursday (19-20 April 2023).

BPK Vice Chairman spoke during second session of the first day. His presentation titled "Attraction and Developing the Auditor of Future and the Skills Our Professions Need for a Digital World".

IMPACT is a biannual event that brings together performance auditors across Australia and the Pacific. The event was sponsored by the Australasian Council of Auditors-General (ACAG), and this year was organized by the Australian National Audit Office (ANAO) in collaboration with the Australian Capital Territory (ACT) Audit Office.

Theme for 2023 IMPACT was "The Auditor of the Future". It was chosen to explore the exponential rate at which technology is developing and its effect on the future of audit. Tomorrow's auditors will need to be technologically savvy and adapt to changes in business models.

Sharing the stage with BPK Vice Chairman as guest speaker were Auditor-General for Australia, and Auditor-General of the Australian Capital Territory Michael Harris



“**IMPACT is a biannual event that brings together performance auditors across Australia and the Pacific.**”

as co-host. Around 160 practitioners and officials of public institutions in Australia and across the globe attended, i.e., New Zealand, Canada, India, and Samoa.

Also present were Auditors-General from across the audit offices of the states and territories of Australia, representatives from audit offices, courts of audit, performance auditors from Australia and other countries. ~



BPK Chair Appreciates NAA Cambodia

THE MEETING IS PART OF THE IMPLEMENTATION OF BILATERAL COOPERATION BETWEEN THE TWO SUPREME AUDIT INSTITUTIONS (SAI).



The Chair of the Audit Board of the Republic of Indonesia (BPK), Isma Yatun, expresses her appreciation for the bilateral relationship established with the National Audit Authority of the Kingdom of Cambodia (NAA). The collaboration between BPK and NAA has been initiated since 2010.

Various activities have been conducted as the implementation of the cooperation including bilateral trainings and seminars on various topics such as investigative audits, performance audits, training management, environmental audits and other important topics.

The Chair's appreciation is conveyed at a bilateral meeting with the Auditor General of the NAA, Som Kim Suor, in Phnom Penh, Cambodia, on Monday, May 8, 2023. It is part of the implementation of bilateral cooperation between the two SAIs.

In addition, the BPK Chair also appreciates Cambodia's success in hosting the 32nd Southeast Asian Games (SEA Games). "On this occasion, I would like to express my appreciation for the bilateral cooperation that exists between the National Audit Authority of the Kingdom of Cambodia and BPK RI," the BPK Chair said.

The Auditor General of NAA says that Cambodia is honored to be the organizer of the 2023 SEA Games. She adds that currently Cambodia is



■ The Chair of BPK, Isma Yatun

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experiencing quite good economic development. Previously, the condition in the country had declined due to the Covid-19 pandemic as experienced by other countries.

She also appreciates BPK's assistance to NAA in terms of audit capacity development through various training and knowledge sharing. She hopes that in the future, BPK can share knowledge and experiences related to follow up of audits, education and training management and information technology-based audits.

After the meeting, the activity continues with knowledge and experience sharing regarding the follow up of audit recommendations and preparation of the follow up guidelines. The resource person is the BPK Director of Audit Evaluation and Reporting, Yuan Candra Djaisin.

The meeting is expected to be an important milestone for the continuation of bilateral cooperation and closer relationship between the two institutions, especially in responding to various issues and challenges in the field of public sector audits. ~





Chairperson of BPK Emphasized the Importance of Blue Economy at SAI20 Summit in India

CHAIRPERSON OF BPK HOPES THAT THE COMMITMENT TO SAI20 MEMBERSHIP IN PROMOTING G20 TRANSPARENCY AND ACCOUNTABILITY CAN BE IN LINE WITH THE RESULTS OF THE G20 AGENDA, SAI20 COMMUNIQUÉ, AND INTOSAI GLOBAL VOICE.

Chairperson of the Audit Board of the Republic of Indonesia (BPK) Isma Yatun emphasized the importance of blue economy in India. This was conveyed during SAI20 Summit on June 12th -14th, 2023 in Panjim city, Goa, India.

This activity was organized by the Comptroller and Auditor General (CAG) – Supreme Audit Institution (SAI) of India as Chair of SAI20 under the India G20 Presidency in 2023. This peak event from SAI20 2023

series of activities also continued the success of the leadership of the Audit Board of the Republic of Indonesia (BPK) at SAI20 2022. Prior to the Summit, technical meeting and senior officers meeting had also been held.

Within its Presidency, SAI India raised the theme of "Blue Economy and Responsible Artificial Intelligence (AI)". The first day of SAI20 Summit was opened by the Comptroller and Auditor General (CAG) of India, Shri Girish Chandra Murmu.

On this occasion, the Chairperson of BPK appreciated SAI of India for raising the theme of "Blue Economy and Responsible AI." According to her, the blue economy is an important issue for Indonesia as an archipelago country where ocean area is 63% of the total country's area, and the length of coastline reaches to 83,000 km.

In addition, AI is expected to play a role in increasing the role of SAI by mitigating potential risk challenges for AI. In more detail, there is a special session on blue economy insights and responsible AI. Experts were invited to share their knowledge and expertise of the topic in this session.

On the second day of SAI20 Summit, SAI20 members agreed on a communiqué as the output of SAI20. They also agreed to work together and collaborate on knowledge-sharing efforts that involve exchanging innovative ideas and best practices. In this way, SAIs can complement each other to face the challenges of auditing blue economy and responsible AI.



The blue economy is an important issue for Indonesia as an archipelago country where ocean area is 63% of the total country's area, and the length of coastline reaches to 83,000 km.

SAI20 Summit not only produced a communiqué, but also produced a compendium of responsible AI review case studies of all attending SAI20 members and SAI invitees (SAIs who are not members of SAI20). Chairperson of BPK hopes that the commitment to SAI20 membership in promoting G20 transparency and accountability can be in line with the results of the G20 agenda, SAI20 communiqué, and INTOSAI global voice.

There were nine SAI members of SAI20 attending the Summit. The nine SAIs were SAI Australia, Brazil, Republic of Korea, Russia, Saudi Arabia, and Türkiye. Also attending the Summit, the SAI invitees such as SAI Bangladesh, Morocco, Mauritius, Egypt, Nigeria, Oman, Poland, Spain, and the United Arab Emirates. ~



BPK Affirms Commitment to Produce Quality Audits of WMU

BPK VICE CHAIR ALSO EXPRESSED HIS APPRECIATION FOR THE COOPERATION AND COMMITMENT OF WMU MANAGEMENT DURING THE AUDIT. INCLUDING THE SERIOUS ATTENTION GIVEN BY WMU BOARD OF GOVERNORS TO BPK AUDIT RESULTS.



Audit Board of the Republic of Indonesia (BPK) continues to strive in producing high quality audits. This was conveyed by BPK Vice Chair Agus Joko Pramono in a meeting of the Board of Governors of the World Maritime University (WMU).

Through international audit activities, he said, BPK is committed to continue providing value and benefits at the global level, particularly for the entity's stakeholders, in this case WMU and International Maritime Organization (IMO).

The meeting was chaired by Chancellor of WMU who is also the Secretary General of IMO, Kitack Lim. On this occasion, BPK Vice Chair submitted a long-form audit report of WMU.

Unlike in 2021 and 2022, the submission of audit report this time is carried out physically onsite at WMU in Malmo, Sweden on Monday (19/6/2023). This is considering the restrictions on travel between countries due to Covid-19 are no longer enforced.



BPK is committed to continue providing value and benefits at the global level, particularly for the entity's stakeholders, in this case WMU and International Maritime Organization (IMO).



BPK Vice Chair explained that the audit of WMU's 2022 financial statements had been carried out in February 2023. He also conveyed matters that needed attention to strengthen WMU's internal control and effectiveness in carrying out its operational activities, especially in the academic and research fields.

He also expressed his appreciation for the cooperation and commitment of WMU management during the audit. Including the serious attention given by WMU Board of Governors to BPK audit results. According to him, this has accelerated WMU in completing recommendations on BPK audit results which currently reach 92%.

During the visit, BPK Vice Chair also attended to an invitation to commemorate the 40th anniversary of WMU. On this occasion, he met with the 2015-2023 WMU President Cleopatra Doumbia-Henry and WMU President-designate who would take office at end of June, Maximo Q Mejia.

Also attending the reception was the Ambassador Extraordinary and Plenipotentiary of Indonesia to the Kingdom of Sweden accredited to the Republic of Latvia, Kamapradipta Isnomo. The Ambassador congratulated the WMU President-elect for leading the entity in the next four years. He took this opportunity to promote Indonesia, and encourage WMU to increase cooperation with Indonesia in the field of maritime academics and research.

WMU is a university that concentrates on maritime affairs. It was founded in 1983 under the initiative of IMO, a United Nations organization with duties and responsibilities in ensuring shipping security and safety as well as preventing sea and air pollution caused by ships.

The establishment of WMU is intended to produce maritime experts around the world. That way, maritime activities can guarantee security and safety, and pay attention to environmental aspects and natural balance. ~

BPK-ANAO Hold Discussion during SMD

THE DISCUSSION RAISED VARIOUS TOPICS THAT COULD PROVIDE NEW UNDERSTANDING AND PERSPECTIVES FOR THE TWO INSTITUTIONS.

Audit Board of the Republic of Indonesia (BPK) held a discussion and shared its experiences with the Australian National Audit Office (ANAO), as part of a series of Senior Management Dialogue in 2023.

The 2-day SMD raised various topics that could provide new understanding and perspectives for the two institutions. One of the topics BPK discussed was on the relations and cooperation with law

enforcement institutions in Indonesia, particularly in following up BPK audit results with indications of criminal conduct.

In the last session of SMD, the Director General of BPK Institute Suwarni Dyah Setyaningsih introduced BPK Corporate University to ANAO delegation. Presentations and discussions, continued with an office tour to see the various facilities and infrastructure owned by BPK Institute were conducted.





With this introduction, ANAO learned more about BPK Corporate University, from framework, information system, learning methods, as well as various supporting infrastructure needed to establish a training center at ANAO.

The SMD took place at BPK Head Office and BPK Institute in Jakarta, 8-9 June 2023, as part of the implementation of bilateral cooperation between BPK and ANAO.

During a courtesy call, BPK Chair Isma Yatun expressed her appreciation for the close collaboration between the two institutions for the last 16 years. She hoped the cooperation could be enhanced further to continually increase the capacity of BPK and ANAO.

BPK Chair also congratulated ANAO for organizing IMPACT 2023 Conference in Canberra last April 2023, in which she was invited to share experiences and insights in preparing auditors in the digital era.

She also conveyed her gratitude to ANAO for contributing and supporting BPK's role as Project Leader of the 13th ASOSAI Research Project on Remote Auditing for SAls for 2022-2024 period. ~



BPK Invites SAIs to Continue Monitoring the SDGs

BPK CHAIR CONVEYED THREE IMPORTANT POINTS ON THE ROLE OF SAI IN ACCELERATING THE ACHIEVEMENT OF SDGS.



BPK Chair Isma Yatun invited Supreme Audit Institutions (SAIs) to continue overseeing the programs of Sustainable Development Goals (SDGs). She emphasized that SAI has an important role in accelerating the achievement of SDGs.

This was conveyed by BPK Chair as a speaker at the high-level launch event of SDG Report 2023 Sepcial Edition at the UN Headquarters in New York, Monday (10/7/2023).

"I would like to reiterate the important role of SAI in supporting the accelerated achievement of SDGs. This can be seen through its function of ensuring reliable reporting on the implementation of SDG, providing objective assessments, and identifying areas for improvement," said BPK Chair.

She elaborated, through independent audit, SAI acts as a catalyst for accountability and transparency, which also encourage the effective and efficient use of resources to realize the success of SDGs.

In her presentation, she explained how BPK made a real contribution by taking an audit on government approach in implementing SDGs, including encouraging capacities needed strengthening for SDGs implementation in Indonesia.

She added that BPK is always committed to support the accelerated achievement of the 2030 Agenda targets for SDGs. In this regard, she conveyed three important points.

Firstly, strengthening oversight mechanism. Namely, by assessing the readiness and implementation of SDGs to provide insurance on SDG achievement reports and recommendations for their achievement based on the mandate of SAI in each country.



I would like to reiterate the important role of SAI in supporting the accelerated achievement of SDGs. This can be seen through its function of ensuring reliable reporting on the implementation of SDG, providing objective assessments, and identifying areas for improvement.

Secondly, it is very crucial to have an appropriate accountability framework and data for SDGs. There is a need for a standardized, integrated and efficient SDG reporting system that maximizes the potential of digital transformation.

“Third point is to create an impact ecosystem to maintain value and benefits for the community,” she mentioned.

BPK Chair also appreciated the efforts of Government of Indonesia in preparing and implementing SDGs. In following up BPK audit, government has also improved the SDGs policy design and institutional mechanisms.

“Therefore, SDG implementation is aligned with the national development plan, by issuing regulations at the national and regional levels.” ~



BPK Encourages ASEAN Audit Committee to Strengthen Collaboration and Transparency

AAC IS EXPECTED TO BE ABLE TO PROVIDE VIEWS AND CONSIDERATIONS FOR ASSURANCE OF FINANCIAL REPORTING, INTERNAL CONTROL AND GOVERNANCE OF THE ASEAN SECRETARIAT.



The Chair of the Audit Board of the Republic of Indonesia (BPK), Isma Yaton, leads the 48th ASEAN Audit Committee (AAC) meeting in Jakarta on Thursday, 6 July 2023. On the occasion, the BPK Chair conveys the importance of collaboration with other organizations, such as ASEANSAI, for capacity building in public sector audits.

The Chair says that maintaining and strengthening the trust and confidence of ASEAN stakeholders is very important. "Hopefully, ASEAN will be more strategic and becomes the center of growth," she said.

The meeting was attended by AAC members from 10 ASEAN member countries and Timor Leste as the observer. The meeting aims to review and approve significant issues of financial reporting of the ASEAN Secretariat.



In her remark, the BPK Chair says that the world has faced challenges impacting organizational life. The Covid-19 pandemic and its multi-dimensional crisis have been responded to by improving the governance in international organizations. "We must pay attention to and overcome these challenges, especially in carrying out our roles and responsibilities at the AAC," Isma said.

It is expected that the AAC will not only carry out its roles and responsibilities, but it can also provide views and considerations for the assurance of financial reporting, internal control and governance of the ASEAN Secretariat.

As the Chair of ASEAN in 2023, Indonesia, in this case BPK, will also serve as the Chair of the AAC. Thus, BPK is obliged to prepare the AAC meeting. The AAC is expected to ensure transparency, accountability and good governance of the ASEAN Secretariat.

The BPK Chair emphasizes the importance of conducting audits and financial arrangements for the ASEAN Secretariat that refer to the international standards, while strengthening roles and functions of the Audit and Evaluation Division of the ASEAN Secretariat.

The agenda is initiated with the Consideration of Observations delivered by the Committee of Permanent Representatives (CPR) on the Report of the 47th AAC Meeting. The meeting is continued with the discussion on the follow up of audit recommendations of the external auditor on the previous 47th AAC meeting.

“**We must pay attention to and overcome these challenges, especially in carrying out our roles and responsibilities at the AAC.**”

The meeting also discusses consideration of the TOR for the External Auditor, consideration of the Report of Risk Management of the ASEAN Secretariat and consideration of the Reports and Outcome of 2022/2023 Annual Audit Plan, 2023/2024 Annual Audit Plan and Training of the Internal Audit and Evaluation Division (IAED), as well as proposed Internal Audit Charter as recommended by the external auditor.

As part of the Indonesian delegates, BPK submits a proposal to increase transparency and accountability of the ASEANSI Secretariat. The proposal is mainly related to the determination of the external auditor. BPK proposes an amendment to the ASEAN Secretariat Financial & Administrative Rules and Procedures (AFARP) to clarify the procedure for determining the external auditor for the ASEAN Secretariat. During the meeting, BPK delegates are accompanied by representatives from the Permanent Mission of the Republic of Indonesia. ~



The Audit Board of the Republic of Indonesia (BPK) has organized an International Seminar entitled "Leveraging Performance Audit Impact Towards Green Economy". The activity that took place in Jakarta on June 5-7, 2023 also succeeded in bringing in a number of supreme audit institution (SAI) representatives from various parts of the world. Not only that, academics and other stakeholders also provided input so that the discussion forum could provide important input in the development of future performance audits. The following are the views of a number of parties related to the implementation of the seminar.



Wanessa Carvalho Amorim de Mello

Brazilian Federal Court of Account

SAIs Can Work Together to Strengthen Performance Audits

The Audit Board of the Republic of Indonesia (BPK) holds an International Seminar entitled "Leveraging Performance Audit Impact towards Green Economy" in Jakarta on 5-7 June 2023. A representative from the Brazilian Federal Court of Account, Wanessa Carvalho Amorim de Mello, says that the international seminar is conducted in cooperation with the World Bank and several other development partners. It is an important event that can support the efforts of Supreme Audit Institutions (SAI) from around the world to strengthen the cooperation.

"Congratulations to BPK for its success in holding the international seminar," Wanessa said.

The seminar is attended by 14 SAIs from various parts of the world. Wanessa explains that each SAI has a different way of working. In the meantime, issues related to green economy and climate change are such big issues that need to be faced together.

"This seminar is the right event for us, the SAIs, to improve each other and collaborate in creating better systems, mechanisms and performance audits for a better world," she said.

Wanessa emphasizes that SAIs can work together mainly in three ways, namely training, capacity building and communication. By exchanging expertise and improving communication, she believes, common goals can be achieved.



“**When we exchange expertise, exchange training, and collaborate with each other, I believe we can achieve any goal. We all already have a good methodology.**”

"When we exchange expertise, exchange training, and collaborate with each other, I am sure we can achieve any goal. We all have a good methodology. I also learned a lot from other SAIs today," she said.

Wanessa also appreciates the good relationship that has existed between BPK and SAI Brazil. In 2022, the two institutions signed a Memorandum of Understanding (MoU) to strengthen, promote and develop a framework for cooperation in public sector auditing.

She considers that the seminar organized by BPK is a good start in the effort to strengthen SAIs' role in dealing with green economy issues. "The SAIs have also started following up the green economy and formulating better public policies for the world. So this is all a very good start," she said. ~

Joshua Francis

Senior Director, Performance Audit Service Group ANAO

A Forum to Share Experiences in Performance Audits

The Australian National Audit Office (ANAO) appreciates the role of the Audit

Board of the Republic of Indonesia (BPK) in holding an International Seminar entitled "Leveraging Performance Audit Impact towards Green Economy". Senior Director, Performance Audit Service Group ANAO, Joshua Francis, assesses that the seminar can be a forum to share experiences and expertise in conducting performance audits, especially to support the green economic development.

"We can share experiences on topics related to the green economy and we can learn about what other Supreme Audit Institutions (SAIs) are doing," Francis said in Jakarta on Monday, 5 June 2023.

There were 14 SAIs involved in the seminar. Francis says that he succeeds in gaining inputs from interesting discussions.

"I get a lot of views that I can take them home and share them with colleagues at ANAO, concerning on what is happening in Indonesia," he said.



I get a lot of views that I can take them home and share them with colleagues at ANAO, concerning on what is happening in Indonesia.

Francis says that discussion series in the seminar are also discussing about how SAIs can enhance the green economic development. It is expected that through performance audits, SAIs can improve the government's role in carrying out development programs.

ANAO presents experiences in performance audits of the green economy. Francis says, ANAO had carried out around 27 performance audits related to the green economy, from 2015 to 2016. "We also share how we develop mid-term and long-term audit strategies," he said. ~

Dr Sutthi Suntharanurak

Director of International Cooperation State Audit Office of the Kingdom of Thailand

Supporting the Formulation of Concrete Collaboration

The Collaboration among Supreme Audit Institutions (SAIs) around the world is expected to produce concrete results to develop the green economy. The Director of the International Cooperation of the State Audit Office of the Kingdom of Thailand, Dr. Sutthi Suntharanurak, says that the international seminar organized by BPK and the World Bank is very interesting and significant.

"I think in the future we can continue to collaborate closely and realize concrete activities," Suntharanurak said.

Suntharanurak appreciates BPK for successfully holding the international seminar entitled "Leveraging Performance Audit Impact towards Green Economy" in Jakarta on 5-7 June 2023. He considers the event to be a moment to share and learn many things.

"We share what we have done in SAI Thailand and we also gain experiences from other parties such as the World Bank, the European Union and academic institutions. We can learn from them," he said.

He emphasizes that the topic chosen by BPK is a very interesting effort to improve performance audits to support the green economy. According to him, the topic needs to be continuously advocated.



We share what we have done in SAI Thailand and we also gain experiences from other parties such as the World Bank, the European Union and academic institutions. We can learn from them.

"We share our audit experiences in Thailand based on a case study analysis in performance audit reports. We also share findings on ways to improve the quality of performance audit reports related to the green economy," Suntharanurak said.

In his view, efforts to build a green economy cannot be done alone. SAIs around the world need to go hand in hand to address the issue.

"I think after this meeting and when we return to our homes, we need to continue walking together. Not only among us, the ASEAN countries, but also the whole world," he said. ~

Ismail Cengiz EREK

Turkish Court of Accounts

Exchanging Experience to Improve Audit Quality

The international seminar on “Leveraging Performance Audit Impact Towards Green Economy” organized by the Audit Board of Indonesia (BPK) is considered able in improving the quality of performance audit for Supreme Audit Institutions (SAIs) worldwide. A representative of the Turkish Court of Accounts, Ismail Cengiz, has drawn many ideas and thoughts from the event. He also shares experience of SAI Turkiye on the topic.

“As soon as we return to Turkiye, we will check again every detail and try to figure out how we can improve our audits,” Cengiz tells *Warta Pemeriksa*.

Cengiz emphasizes that the international seminar held on June 5-7, 2023 in Jakarta is very beneficial in giving opportunities for SAIs to interact among each other. He specifically mentions how it has opened up rooms for discussion with BPK.

He believes that green economy and SDGs are areas of importance and of concern to the wider community. In this regard, SAI needs to conduct performance audits.



According to him, performance audits can provide added values to the society. Thus, SAIs need to increase the number of performance audits and share experience to increase their effectiveness.

“Hopefully, the world will be better than today,” he says.

Meanwhile, SAI Turkiye and BPK are committed to continue working together. There are a number of future plans to carry out joint audits.

“BPK can share their experience to us, and likewise, we to them,” he states. ~

“**As soon as we return to Turkiye, we will check again every detail and try to figure out how we can improve our audits.**”

Isnaeni Achdiat

Managing Director Government and Public Sector EY Indonesia Consulting

Results of Green Economy Audit are Highly Awaited

Performance audits can be the answer for public demanding for audit results. Managing Director Government and Public Sector EY Indonesia Consulting Isnaeni Achdiat states that performance audits can provide answers to development progress being carried out by the government. In this regard, Isnaeni thinks that the international seminar held by BPK is very relevant to support performance audits that have increasing impacts on society.

"After hearing various stakeholders talk and share experiences, I am now more optimistic," he says to *Warta Pemeriksa*.

Isnaeni also appreciates BPK's initiatives in inviting international participation to this discussion topic. According to him, green economy is a relatively new topic.

He believes that the seminar provides a good opportunity to exchange ideas amongst participants coming from diverse background. They do not only come from the Asia region, but also from Brazil, Turkiye, and Australia.



I suppose exchanging ideas are a positive trigger to create innovation. As participants return to their countries, they would report on the ideas discussed and how to replicate success stories of other countries to their own.

"I suppose exchanging ideas are a positive trigger to create innovation. As participants return to their countries, they would report on the ideas discussed and how to replicate success stories of other countries to their own," he tells.

Isnaeni emphasises how green economy development is important not only to government, but mainly for the society. Young generation especially puts a lot of attention to this topic.

"Thus, the society has expectations for governments to carry out the existing programs," he says.

Isnaeni acknowledges that a number of SAIs are still facing issues in driving the impact of performance audit for a green economy. However, it may also be because the issue of green economy is relatively new.

However, through dialogue like the seminar BPK is holding, there will be a concrete action plan for the future. "This meeting also opens up opportunities for collaboration between SAIs and also with other development partners. I think I have a reason to be optimistic," he ends. ~

Getting to Know Professional Skepticism



AND ITS PRACTICE IN BPK

Apa itu skeptisisme profesional?

Skeptisisme profesional berarti pemeriksa tidak menganggap bahwa pihak yang bertanggung jawab adalah tidak jujur, tetapi juga tidak menganggap bahwa kecurangan pihak yang bertanggung jawab tidak dipertanyakan lagi. (SK, p. 48)

- Perencanaan profesional merupakan pemrosesan pengetahuan kolektif, keterampilan, dan pengalaman.
- Perencanaan profesional adalah pertimbangan yang dibuat oleh pemeriksa yang terlibat, memiliki pengetahuan, dan pengalaman sehingga memungkinkan kompetensi yang diperlukan untuk membuat pertimbangan yang wajar. (SK, p. 48)



Bagaimana skeptisisme profesional diterapkan?

Pemeriksa mempertimbangkan hubungan antara biaya pemerolehan bukti dengan kegunaan informasi yang diperoleh.

- Kesulitan atau biaya yang timbul untuk memperoleh bukti tidak boleh dijadikan alasan untuk meninggalkan suatu prosedur yang diperlukan untuk ketika prosedur alternatif tidak tersedia.

Pemeriksa menggunakan pertimbangan profesionalnya dan menerapkan skeptisisme profesional dalam mengevaluasi kuantitas dan kualitas bukti, untuk mendukung UHP (SK, p. 58)



Kapan skeptisisme profesional diterapkan?

Pemeriksa harus menggunakan kerangka profesional antara central dan sekunder, skeptisisme profesional, dan pertimbangan profesional di seluruh proses pemeriksaan. (SU, p. 35)

- Pemeriksa harus memisahkan, memisahkan, dan melakukan pemeriksaan dengan sikap skeptisisme profesional. Pemeriksa harus selalu berkeadilan terhadap bukti yang disajikan dan tidak mengabaikan bukti yang menunjukkan kelemahan dan kelemahan bukti yang signifikan selama pemeriksaan. (SU, p. 42)
- Pemeriksa harus menggunakan kerangka profesional dalam menilai risiko besarnya kesalahan yang secara signifikan akan memengaruhi laporan dan risiko bahwa yang telah signifikan dapat mempengaruhi profesionalisme dan integritas laporan tersebut dan tingkat kepercayaan. (SU, p. 45)



Mengapa skeptisisme profesional harus diterapkan?

Bukti pemeriksaan yang bertentangan dengan bukti pemeriksaan lain yang diperoleh;

Informasi yang menimbulkan pertanyaan tentang keandalan dokumen dan tanggapan terhadap permintaan keterangan yang digunakan sebagai bukti pemeriksaan;

Kondisi yang mengindikasikan adanya kecurangan dan/atau ketidakpatuhan;

Kondisi yang memungkinkan perlunya prosedur pemeriksaan tambahan atau prosedur yang dipaparkan dalam pedoman pemeriksaan. (SU, p. 46)





AUDITORS MUST PLAN, CONDUCT AND REPORT THE AUDIT WITH PROFESSIONAL SKEPTICISM. THEY ACKNOWLEDGE THAT CERTAIN CIRCUMSTANCES MAY CAUSE THE SUBJECT MATTER TO DEVIATE FROM THE CRITERIA.

As an auditor of the Audit Board of the Republic of Indonesia, he is required to be skeptic. What is skepticism or professional skepticism?

In the Knowledge Transfer Forum held in March, Principal Auditor Eko Yulianto explained that according to the State Financial Audit Standards (SPKN) 2017, skepticism is an attitude where a mind is always questioning and critically evaluating audit evidences. Meanwhile, professionalism, as defined in paragraph 47 of the conceptual framework, is the ability, expertise and professional commitment to do tasks with the principle of due care, thoroughness and accuracy guided by standards and applicable laws and regulations. Auditors are required to be thorough, professional, careful and most importantly guided by standards.

It is also explained in paragraph 48 that professional skepticism means that the auditor does not assume that the responsible party is dishonest, but it also does not consider that the honesty of the responsible party is beyond question.

"Fifty-fifty, but still critical. Thinking that the management is dishonest, but its honesty cannot be unquestioned," Eko said.

Meanwhile, Eko said, professional judgment is the application of collective knowledge, skills and experience. The professional judgment is made by trained auditors having knowledge and experiences to meet the competence necessary in formulating reasonable judgments.

Therefore, he emphasizes the importance of adequate training and competence, as with sufficient training, knowledge and experience, the competency will be built.

"Thus, the considerations we make will be reasonable in the sense that the considerations are correct. That is the what aspect (what is professional skepticism)," he said.

He then moved on to the application of professional skepticism as the "how" aspect. In this case, the auditor considers the relationship between the cost of obtaining evidence and the usefulness of the information.



Here is to also says quality and quantity of the evidences, (whether they are sufficient or not to carry out the audit procedures. Whether it is correct or not is related to the quantity. If we apply it to our work, it will relate to the sampling we take.

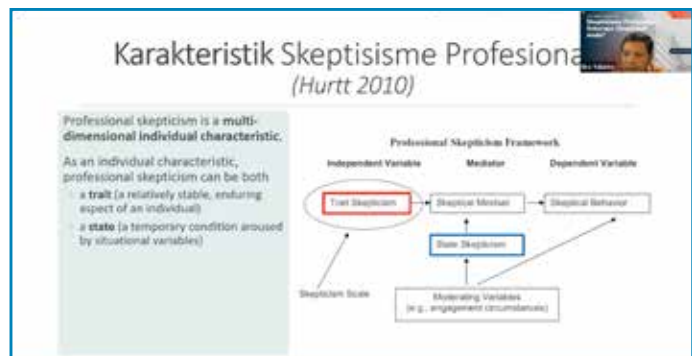
The difficulty or expense involved in obtaining evidence should not be used as an excuse for omitting an evidence-gathering procedure when alternative procedures are not available. "What the SPKN wants is that the cost related matter will not be an issue. The point, however, at all costs, is to answer whether it is yes or no," he said.

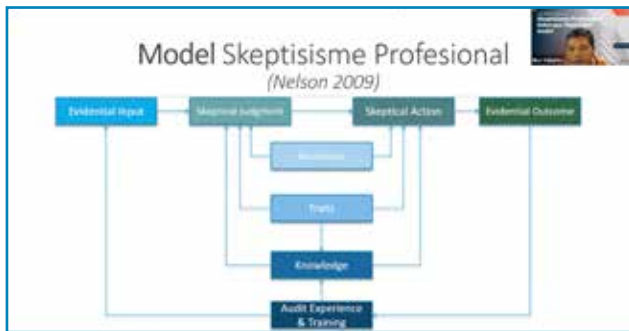
As described in paragraph 38, auditors exercise professional judgment and skepticism in evaluating quantity and quality of evidence, namely the adequacy and appropriateness of evidences.

It is used to support the audit report, which is prepared with sufficient and appropriate evidences.

"Here is also mentioning quality and quantity of evidences, sufficient or not, in carrying out audit procedures, whether this is true or not, it is related to the quantity. If we apply it to our work, it relates to the sampling we will take. The sampling must be representative of the population. The characteristics of the population must be reflected in the sample we take. Then the question is whether the sample is correct or not, whether the evidences are sufficient or not," he said.

Meanwhile, in terms of quality, when the auditor uncovers a fraud, the evidences received must describe the fraud that occurred. So if it is in trial, it must be accepted by the judge. "So the criteria are to ensure that the evidences you receive are of high quality, it is impossible for a judge to reject it. If it is rejected, it means it is not of good quality," he said.





Auditors, Eko said, must use professional skills carefully and thoroughly, professional skepticism and professional considerations throughout the audit process, as also stipulated in the SKPN 2017. Thus, as early as at the very beginning of planning the audit, the auditor has had to be skeptical.

Auditors must plan, conduct and report the audit with a professional skepticism. They acknowledge that certain circumstances may cause the subject matter to deviate from the criteria.

An attitude of professional skepticism means that the auditor makes critical judgments with a mind that is always questioning adequacy and appropriateness of the evidences obtained during the audit (paragraph 44). Auditors should use professional skepticism in assessing fraud risks that could significantly affect the audit work whenever they occur or may have occurred (paragraph 45).

"So if you want to uncover fraud, then you have to be skeptical. If you are not skeptical, the fraud will not be found, it will happen or maybe it has happened. So the consideration is when it is used. Earlier it was stated that it happened throughout the audit process," he said.

THE IMPORTANCE OF SKEPTICISM

The attitude of professional skepticism is very important because sometimes the audit evidence contradicts with each other. In addition, there may also be information that raises questions about the reliability of documents and responses obtained as the audit evidences.

"We are questioning. Every question raising, the skepticism must also be raised. You also have to question, whether it is true or not, or whether the documents are incomplete. So you need to be skeptical in all evidences you receive."

The third one is when it is the circumstances that indicate fraud and/or non-compliances.

The fourth and the last is when the auditor finds a condition that is in need of additional audit procedures. Meaning that the auditor must think about other procedures to respond to.

"When you do that, you are considered skeptical. If you don't do that, it means you are not skeptical," he said.

HOW SKEPTICAL ARE YOU?

Eko mentioned that there is a measuring tool or a list of questions to measure how skeptical someone is.

In a journal, it is stated that skepticism is actually an innate trait, in other words, a nature. Other than that, it is depending on the situation or state.

When classified, there are six groups of professional skepticism. The first is a questioning mind, meaning that someone always questions something.

Second, suspension of judgment or postponing judgment. "Between believing or not believing, between yes or no. It depends later on the evidences you get." Eko said.

According to him, it is influenced by the search for knowledge. To be called skeptical, there must be a trait to seek or not to seek knowledge, depending on the evidences. "You like to seek knowledge to answer evidences you get or not," he said.

The fourth group is the interpersonal understanding. It is interpersonal relationship, interpersonal understanding. "In looking for evidence, do you maintain your image or not, are you easy to approach or not," he continued.

The next is the self-esteem. It relates to how a person assesses himself. "Are you among those with high prestige or not. Then, the last one is related to the autonomy," he said. ~

Recognizing Materiality to Understand Financial Conditions

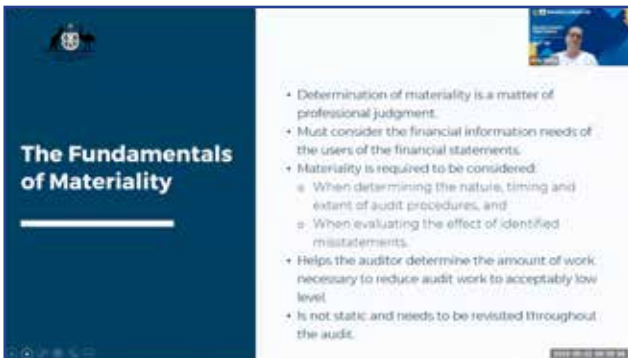
MATERIALITY CAN IDENTIFY RISKS OF ACCOUNT MISSTATEMENT IN FINANCIAL STATEMENTS AND DETERMINE NATURE, TIMING, AND SCOPE OF AUDIT PROCEDURES.



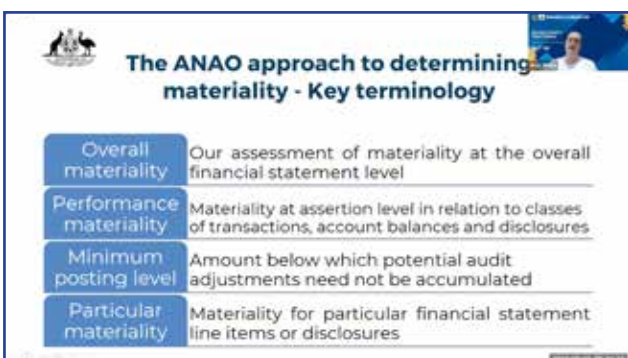
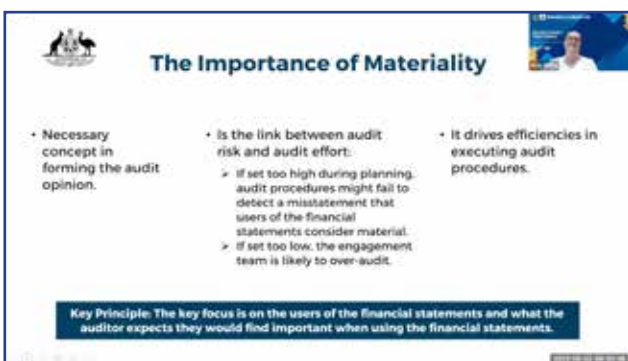
Litbang Live Community held yet another discussion in May. This time, the topic they raised was "Materiality in the Audit of Financial Statements" with guest speakers from the Australian National Audit Office (ANAO). ANAO's Executive Director Kristian Gage, Financial Statement Auditor Jessica Tolentino, and Audit Principal Amy Wicks explained materiality from the perspective and regulations owned, and its challenges.

"Materiality is the most fundamental concept, which has standards from world institutions. We hope there are similarities and challenges that we all can learn from," Audit Principal Amy Wicks opened.

Amy explained that based on the rules and views of ANAO, in accordance with the Australian Auditing Standards (ASA 320), materiality in planning and conducting audits provides specific guidance on the application of materiality for public sector audits.



Materiality is the most fundamental concept, which has standards from world institutions. We hope there are similarities and challenges that we all can learn from.



So, what exactly is materiality?

According to Jessica Tolentino, materiality is used or considered when planning and carrying out audits to reduce audit risks to an acceptable level. Therefore, materiality is used to determine the nature, timing and scope of risk assessment procedures.

In addition, materiality can identify risks of account misstatement in financial statements and also determine the nature, timing and scope of future audit procedures.

“As we have said, materiality can be used when starting an audit, and in further assessment, whether or not it is still relevant to the audit,” said Jessica.

Materiality always changes following the business process. So, it is worth remembering that auditors do not only calculate all data in financial statements from zero, but also determine the nature, timing, and scope of risk assessment procedures.

One thing she underlined is that determination of materiality is based on professional considerations. It also must consider financial information needed and the people needing it.

Materiality can also be a consideration when determining nature, timing and scope of audit procedures and when evaluating identifiable effects of misstatement.

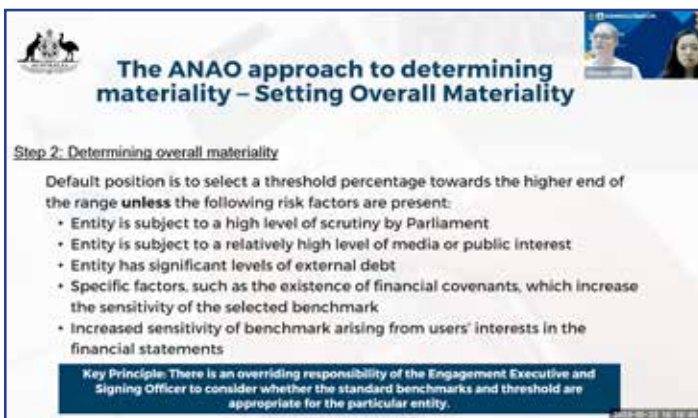
“Materiality helps auditors determine what must be done, to reduce unnecessary audit activities. Materiality is not absolute, so it needs to be reviewed throughout the entire audit process,” she explained.

There are a number of key terminologies related to materiality. Firstly, overall materiality. It is materiality assessment based on the overall financial statements. Secondly, performance materiality, which is materiality based on the assertion level related to the classification of transactions, balances and disclosure.

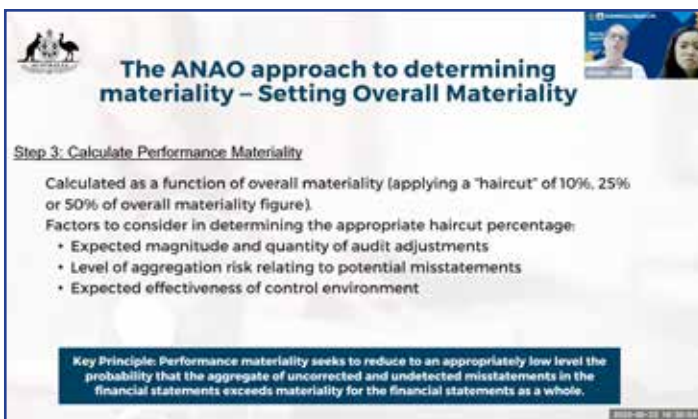
Then, there is minimum posting level. It is the minimum number from which audit adjustment does not need to be accumulated. Lastly, particular materiality, that is for items or disclosure statements.



In her presentation, Jessica explained that overall materiality is needed for information on financial statement users. For ANAO, parliament is the main public institution that receives financial reports. The reason for this is that financial reports can provide a basis for members of parliament to monitor the government and other executive institutions to be accountable of all their activities.



Financial reports can also be used by the government to make the right economic decision. Thus, overall materiality is greatly influenced by ANAO's perception of the information on government activities that the parliament needs.



In general, overall materiality is used as a benchmark in the financial statements as a whole and forms the basis for performance materiality. In addition, risk factors related to the nature of the entity are not part of audit risk. Overall materiality is also calculated based on the percentage of the selected benchmark.

Amy Wicks added that there are three important things why materiality deserves attention. First, it is required in forming an audit opinion. Second, it liaises between audit risk and audit effort.

Therefore, if materiality is too high during the planning period, audit procedures might not be able to detect account misstatements in financial statement users. If set too low, the engagement team will most likely over-audit," she told.





Finally, most importantly, materiality can drive efficiency in the implementation of audit procedures. ANAO, said Amy, has its own approach to determining materiality. This approach is certainly in accordance with ANAO’s audit standards/rules.

Apart from having levels of materiality (overall, performance, and particular materiality), a professional -judgment approach to assessing materiality must also be documented.

Another rule is the need of approval from Executive Engagement. When the official responsible is not from the engagement team, s/he is also required to approve the materiality.

As an example, if she were an Engagement Executive, then the Audit Chief would ask senior and junior auditors to calculate and compile materiality. When the materiality is deemed appropriate, then it can only be approved by the Engagement Executive. It must also be approved by other parties related to the audit.

“The approval is a key element to link between materiality and auditor’s opinion,” she concluded. ~

The ANAO approach to determining materiality – Key judgements used in setting materiality

- Identifying the primary financial information needs of users of the financial statements in determining the appropriate benchmark.
- Evaluating the reliability of source data used to determine a threshold.
- Weighing up the respective risk factors to determine the appropriate thresholds to apply.
- Determining whether a particular materiality should be adopted.
- Consideration of qualitative factors (e.g. material by nature).

The ANAO approach to determining materiality – the relationship with Whole of Government

The Engagement Executive for the audit of the Consolidated Financial Statements (CFS) recommends to the Auditor-General for approval:

The overall materiality level to be applied to the CFS audit.	Performance materiality.	The maximum overall materiality level or levels to apply to the component audits for the CFS.
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Key Principle: The Overall materiality in the financial statement audit of Ministry, SOE etc cannot exceed the maximum overall materiality for the component.

Challenges faced and lessons learned

Deviating from set materiality thresholds

- Situations when this may occur
 - ANAO approach

Not revising materiality during the course of the audit

- Materiality needs to be revised when new information arises during the audit that causes the auditor to determine a different amount (or amounts) at planning
- Materiality needs to be reassessed at the finalization of the audit
- May also require the auditor to revise the clearly stated threshold percentage



BEING ACQUAINTED with BPK's Audit and Fraud Theory

ONE OF THE MAIN PROBLEMS AFFECTING INDONESIA'S ECONOMY TO NOT BEING OPTIMAL IS THE CORRUPTION.

Indonesia as an archipelagic country has cultural diversity and is endowed with various advantages if compared to other countries. Its natural wealth is very abundant. With these various advantages, Indonesia is supposed to be in its right position as a developed country. However, how advanced is Indonesia economically? It underlies the question of the BPK Board Member I, Nyoman Adhi Suryadnyana, in his public lecture entitled "Forensic Audit: Investigative Audit" organized by the Faculty of Business Economics of the University of UPN Veteran Jakarta on Saturday, 10 June 2023.

Nyoman explains that developed countries are those whose per capita income is above USD12,500. Currently, Indonesia's per capita income is between USD4,200-4,500. "These are, dearest colleagues, that are called as the middle income trap. It is a trap in a very long span, from USD2,000 to 22,000. It is surely a challenge and yet a passion in itself," he said.

The government has launched the vision of Golden Indonesia 2045. Indonesia is targeting a per capita income of more than USD22,000 to be included in the developed countries category. With all prerequisites, Indonesia should have been a developed country. Otherwise, there must have been something that is not optimal, for instance, the use of resources in efforts to achieve vision and missions.

In the governmental structure, there is a theory saying that the wealth belongs to the Indonesian people. The phrase "belongs to the people" means that the wealth is mandated to the House of Representatives (DPR). "The DPR as the representative of the people further assigns the mandate to a handful of people who have the ability to manage it. That is what is called as the government," he said.

As a manager, the government has to report to the owner of the wealth. The report must follow a standard. "If the report does not have any standard, the recipient of the report cannot compare it, as whatever form the report is in, it will always be entitled as good or not good, it should have a comparison, there should be a standard. Thus, to measure it, there must be a comparison or a standard," he said.



“
If the report does not have any standard, the recipient of the report cannot compare it. It should have a comparison, there should be a standard. Thus, to measure it, there must be a comparison or a standard.

In terms of standards, there are the so-called government accounting standards, on which base the Audit Board conducts the audits is. "So, in this agent principal theory, the triangle of authority makes the role of BPK very important in ensuring that what is owned by the people, which is mandated to the DPR, is useful and beneficial according to the expectations of the owner, that is, the people," he said.

One of the main problems that makes Indonesia's economic condition not optimal is corruption. A successful country, Nyoman says, is a country that is able to control its corruption and even eliminate it. In assisting prevention and eradication of corruption, BPK uses three approaches. They are preventive, detective and repressive approaches.

"Preventively, it means that BPK functions as an initial bulwark against corruption by auditing the government. The audited objects is everything related to the use of the state finance in central and regional governments, separated state assets

managed by state and regional government-owned enterprises," Nyoman said.

In the preventive audits, there are three types of audits conducted by BPK. The first is the financial audit, which is intended to provide opinion and recommendations.

To gain the best opinion, Nyoman said, there are four things the audited entities can do. First, following the government accounting standards. Second, adequately disclosing all financial information. Third, complying with laws and regulations. Fourth, implementing an effective internal control system.

"Despite the fact that it is only four in numbers, but they are very difficult to be achieved. Why? Because it is culture. So, this culture is what we want to convey to all of you, that we have rules covering all our activities. If we want something good, we surely have to follow the rules. The culture of following the rules must always be encouraged and developed in the Indonesian society," Nyoman said.

The second type of audits applied in preventive efforts is the performance audit. It provides recommendations to improve the performances of the audited entities. The third is audits with specific purposes. These three types of audits, Nyoman continues, are to ensure that the government's internal control system runs effectively and prevent irregularities in the use of the state budget.

These three audits are routinely conducted by BPK in every fiscal year. BPK also provides recommendations to improving the internal control system in order to optimize the prevention of corruption. Nyoman adds that BPK also employs an organizational maturity model covering oversight, insight and foresight. At the oversight stage, BPK, among others, participates in preventing corruption through its audits. At the insight stage, BPK enters the public policy area. At the foresight stage, BPK provides alternative choices for decision makers and the public to create a better future.

In addition to the preventive approach, BPK also uses a detective approach. In this approach, Nyoman said, BPK identifies potential signs of corruption. "As detectives, of course, there are many sources of information. It can be from the public, inspection reports, or from other sources. So, as detectives, we must have the ability to artfully detect corruption. The audit is an art," he said.



The results of BPK's investigative audit are then submitted to law enforcement officials to be followed up according to the law.

The detective approach requires other approaches, from preventive to repressive. Even within the repressive approach, unlike law enforcement agencies, BPK does not have a direct authority to take legal action against corruptors. Even so, BPK's audit findings are the important tool for law enforcement agencies as they can provide relevant evidences and information, thereby assisting the law enforcement against corruption.

"The results of BPK's investigative audit are then submitted to law enforcement officials to be followed up according to the law. In short, BPK does not directly handle corruption cases, but its role is very crucial in preventing corruption," Nyoman said.

BPK contributes significantly to efforts to eradicate corruption in Indonesia. It is in accordance with article 14 of Law Number 15 Year 2004 concerning Audits of State Financial Management and Accountability and article 8 paragraphs 3 and 4 of Law Number 15 Year 2006 concerning BPK. The laws state that BPK has a legal obligation to report any findings indicating criminal acts to relevant authorities. The report must be submitted within a month after finding criminal acts. This report then becomes the basis for investigations, which are conducted by law enforcement agencies.

"So, when in the process of auditing, auditors finding indications of criminal acts, particularly corruption, are obliged to report them to the relevant authority. It shows the

importance of BPK's role in eradicating corruption, how the audit results are used as the basis of investigations by law enforcement agencies," Nyoman said. He adds that audit results indicating criminal acts that had been handed over to law enforcement officials have to be followed up.

FORENSIC AUDIT AND INVESTIGATIVE AUDIT

Nyoman explains that the audit profession, especially forensic audit, is not only about checking the compliance with the accounting standards. It also contributes to prevention and eradication of criminal acts of corruption and other misuse of the state finance. He says that in a forensic audit, there is an investigative audit. An investigative audit is a method specifically designed to find indications of criminal acts or irregularities and is included in the special-purposed audit.

Deviances in a legal context are defined as unlawful acts, i.e., any action contrary to the applicable regulations, both written and unwritten, such as social norms or ethics that apply in a society.

Meanwhile, in the context of auditing, deviations can mean two things, namely error or fraud. The thing distinguishing the two is the element of intention.

"Mistakes occur without any element of intention, usually due to technical errors or human errors. On the other hand, fraud is a deviation that occurs because there is an intentional element to harm other parties or benefit oneself. So, an investigative



audit is used to recognize various types of irregularities or criminal acts," Nyoman said.

He explains that there are two main objectives in an investigative audit. The first is to uncover deviations indicating a criminal act. In auditing the state financial management, investigative audits are used to detect and uncover acts violating the law, such as corruption or misuse of funds. The aim is to ensure that the state's financial processes and transactions run correctly and in accordance with applicable regulations.

Second, to calculate state losses. When irregularities or criminal acts occur in the management of the state finance, it will usually cause state losses in the form of money or other assets. One of the objectives of the investigative audit is to calculate how much loss the state must bear as a result of a corruption. The results of the calculation are then used as the basis for efforts to recover losses and enforce the law against corruptors. In short, investigative audits aim to ensure integrity and accountability in managing the state finance and support law enforcement efforts and recovery of state losses due to the criminal acts.

Several types of irregularities in the management of the state finance or the state assets indicated as criminal acts, among others, are bribing state officials, abusing authority, committing corruption, embezzling assets and rigging financial reports. In general, all of these actions are forms of irregularities detrimental to the state finance.

FRAUD

Nyoman also explains about fraud. He says, there are several definitions explaining the meaning of fraud.

Fraud is defined as an action, statement, exclusion or concealment that is done intentionally to deceive other parties. Fraud, he continues, is confirmed to have an element of intention. It can involve misrepresentation or concealment of material facts related to a transaction that is known to be fraudulent or leaks resulting in discrepancies, while deliberately deceives other parties causing them to bear the loss. The purpose of fraud is usually to gain certain advantages or benefits.

According to laws concerning the criminal act of corruption, as particularly stipulated in article 2 paragraph 1 of Law Number 31 Year 1999 regarding the Eradication of Corruption Crimes, the criminal act of corruption is defined as any person who unlawfully commits an act of enriching himself or another person or a corporation that can harm the country's economy. It is a person's actions intended to enrich themselves or enrich others. The article 3 further explains about the abuse of authority, opportunity or facilities by someone with the aim of benefiting oneself, another person or a corporation that can harm the state finance or the country's economy.

"In other words, anyone who commits an act like what the two articles refer as can be punished according to the applicable law," Nyoman said.

In understanding fraud, he continues, there are three theories. The first is GONE Theory, the second is Fraud Triangle, and the third is Fraud Diamond.

He explains that corruption continues to occur because the perpetrators have various reasons. One theory that explains about the causes of corruption is the GONE Theory, which includes Greedy, Opportunity, Need and Exposure. The theory says that corruptors tend to be greedy and never satisfied. They always want more and this fuels corruption when the opportunity arises. In addition, excessive lifestyle and inability to take legal action also affect the risk. "In the past, corruption started from the greed. It became dominant that there was an imperialism. It then moved to the industrial revolution where the legal system was already in effect. However, there was no good supervisory system at the moment, which led to discrepancies. These encourage opportunities. Those who do not have the opportunity, their needs began to have to be fulfilled," Nyoman explained.

In a modern era, the law enforcement is the commander in chief for preventing corruption. With a clear and consistent oversight system, it will make people who are greedy, needy and have the opportunity to think twice about committing corruption.



In the past, corruption started from the greed. It became dominant that there was an imperialism. It then moved to the industrial revolution where the legal system was already in effect. However, there was no good supervisory system at the moment, which led to discrepancies.

The second theory is the fraud triangle. There are three important factors affecting someone to commit corruption or fraud. Those factors are pressure, opportunity or chance and rationalization. The theory reveals that fraud occurs when there is an opportunity. There are perceived pressures such as financial problems and justification for fraud through a rationalization process.

In this case, these factors interact with each other and contribute to the occurrence of fraud. The pressure or motivation to commit fraud varies widely, ranging from economic reasons, pressure from superiors, to revenge. Based on this theory, the opportunity to commit fraud is related to the weakness of the internal control system. Meanwhile, rationalization is related to corruptors' justifications based on the culture they believe in.

The third theory is fraud diamond, which is a new perspective on the phenomenon of fraud proposed by Wolfe and Hermanson. It is an extension of the fraud triangle theory adding qualitative elements important to fraudulent acts. In the fraud triangle theory, fraud occurs because of three main elements, namely pressure, opportunity and rationalization. While in the diamond fraud theory, there is the fourth element, namely ability.

The fraud diamond theory illustrates fraud that occurs when there are pressures, opportunities, rationales and abilities interacting one another. Thus, the theory provides a more comprehensive understanding and broadens the point of view on factors influencing the occurrence of fraud.

An example among students is like an academic violation, namely a piracy or plagiarism in writing assignments or scientific works. A student may face



pressure to achieve high achievements of getting good grades and competing with his friends to meet expectations. The pressure can let students to find dishonest ways to achieve expected results.

Related to the opportunity, students, being in a digital era, have an easy access to abundant online resources, including articles from previous assignments and other academic works. Opportunities for plagiarism or piracy of other people's works become much easier, of which students can quickly copy and paste parts or all of the content without providing proper references or doing original research and thinking. The rationalization is when the cheating student rationalizes his action with various reasons.



Related to the ability element, in the context of lectures, for example, students with technical skills and access to easy tools will make themselves easier to committing academic fraud. They can use plagiarism checkers or quickly copy and paste things by using technology.



"It should be noted that plagiarism is a violation of ethics and academic integrity. Students should respect principle of honesty and intellectual property rights, as well as develop skills and knowledge with integrity and honest efforts." ~

Ahmadi Noor Supit

Board Member V of BPK

**Together
is the Key to
the Advanced BPK**



■ Ahmadi Noor Supit

Ahmadi Noor Supit, familiarly called Supit, now serves as Board Member V of the Audit Board of the Republic of Indonesia (BPK). He is inaugurated by the Chief Justice Dr. H. M. Syarifuddin on October 27, 2022 at the Supreme Court Building. He is selected after following a series of selection processes organized by the House of Representatives and the Regional Representatives Council (DPD) of the Republic of Indonesia.

THE BEGINNING OF AHMADI NOOR SUPIT'S POLITICAL CAREER

To *Warta Pemeriksa*, he describes his career journey with him being a student activist in 1970s. He was the Chair of the Jakarta Technical College Student Council (STTJ) in 1977-1978. He was also the Chair of the Java-Bali South Kalimantan Student Association dan Coordination in 1978-1979. In 1980s, he joined Golkar Political Party and was active as the leader of several youth organization in South Kalimantan, such as Indonesian Youth National Committee (KNPI) and Indonesian Youth Renewal Force (AMPI).

Supit also led the social organization, SOKSI, as one of the founding organizations of the Golkar Political Party. He led SOKSI starting from the South Kalimantan Province until he became the Chair of SOKSI National Leadership Council. Within the Golkar Political Party, Supit had been in the leadership ranks of the Central Leadership Council (DPP).

In 1987, Supit had the opportunity to nominate himself as the first member of the House of Representatives (DPR) coming from the 1977-1978 student batch. However, since he was too young at that time, seniors of the party asked him not to become a DPR member.

"I eventually agreed not to become a member of the DPR. It turned out that not being a member was also a blessing for me. Because over a period of five years, I was able to focus on

increasing my political knowledge and improving my economic in my region," Supit said.

Later in 1992, Supit finally fought back to occupy a seat at the DPR. He was the first activist to enter the DPR. It then became his preservation to try to improve policies he considers not good for the society.

"When I became a member of the DPR in 1992, I served the Commission VII, which is now the Commission XI. It is the commission in charge of finance. Because I am indeed an activist by blood, I like to be unable to hold back when something is not right. I will immediately protest and then try to fix it," he said.

OVERSEEING THE STATE FINANCE FROM THE EYES OF BPK

Ahmadi Noor Supit decides to complete his political journey in the DPR in 2019. According to him, 20 years is enough for him to play his role in the financial sector. However, it turns out to only apply to him. After discussions with several parties, Supit is encouraged by his colleagues to continue to put his concern on the state finance, especially through BPK.

"But for one reason or another, I did not continue the process to become a BPK member at that time. It was only later in 2022 that the thought resurfaced. Moreover, I have a lot of networks in the world of politics and bureaucracy that hopefully I will be able to work together to push BPK to the even better," he said.

Ahmadi Noor Supit goes through various selection stages to be a member of BPK. He becomes the only candidate that is elected by the deliberation, until it is ratified by the DPR Plenary Session on Tuesday, 27 September 2022. His current position is to fill the vacancy as the Board Member V after the previous Board Member, Harry Azhar Azis, passed away on 18 December 2021.

He reveals that his work is to continue to contribute to the nation in the financial sector, especially from a different perspective. After previously contributing to the Parliament, now he will try to make BPK even better.

MOTIVATION IN TAKING THE OFFICE IN BPK

When he was in the DPR, Ahmadi Noor Supit admits that he had seen BPK's many achievements, especially in the post-reformation period. However, he expects that those will not make BPK satisfied. Instead, BPK has to continue advancing.

"We surely also have to look at what expectations and measures of success conveyed by other parties, especially the community. We have to ensure that BPK is really great, as what is mandated by the law. The existing duties and functions have also been carried out in accordance with the Constitution," Supit said.

Supit acknowledges that BPK's progress cannot be achieved alone. The cooperation of many parties is urgently needed, given the collective-collegial system adopted by BPK. He is sure that in the future this collaboration will be able to make many changes to this institution, surely with strategic plans agreed upon with other leaders.



We surely also have to look at what expectations and measures of success conveyed by other parties, especially the community. We have to ensure that BPK is really great, as what is mandated by the law. The existing duties and functions have also been carried out in accordance with the Constitution.

"The desire for any change cannot be carried out in a sudden. Therefore, the time and the intensity of communication between all Members are very important. Everyone must have the same vision, mission and views on how to develop BPK and to make improvements," Supit said.

With the cohesiveness among BPK leaders in understanding all problems in BPK, Supit believes that BPK leaders will be stronger in solving every challenge together. He has a great hope that with the time available, he can still make a useful contribution to the nation through his duties in BPK.

BPK MUST ENSURE THAT THE STATE BUDGET IS BEING USED CORRECTLY

According to Ahmadi Noor Supit, as an institution auditing the state finance, BPK has an important role in saving and overseeing the state finance. He says that it is a measure to ensure that every use of the state money can be monitored and used effectively to achieve the goal of improving people's welfare, reducing poverty and improving education.

According to him, BPK also has an important role in ensuring that all government's activities including development programs carried out by President and the Executive run properly. All of these activities use funds obtained from the public money. Therefore, spending priority should be set to provide direct benefits to the people. Guaranteed fulfillment of needs and increased social welfare through government's spending activities are what is called as the quality of spending.

To achieve better development goals, it is important for the government to pay attention to quality, sustainable and strategic management of the state finance. Supit emphasizes that the budget allocations of ministries and agencies are not synchronized, both in terms of quantity and proportion, causing imbalanced speed and effectiveness of the governmental programs' implementations.

"It is like an orchestra, all ministries and institutions have assigned roles and are expected to contribute according to their duties in the right time. BPK can play a key role in ensuring alignment and efficiency in the use of the state budget," Supit said.

Supit assesses that currently BPK is more focused on auditing financial statements and not yet on the level of involvement in designing and planning the state revenues. He hopes that BPK can also conduct assessments and measurements of all planning to ensure that all plans are carried out in accordance with the objectives.

"We then have to see the outcome. We should be able to see the results of managing the state budget, which has now reached around IDR 3,000 trillion. The ideal goal is to improve the condition of the country through the use of this money. At a minimum, we can fulfill the role required by the Constitution," he said.

Regarding BPK's credibility, Supit acknowledges the need for in-depth communication and discussion within the BPK organization to continue to improve aspects the public consider as lacking. BPK must continue to introspect and self-evaluate. Supit believes that in every difficult change, there will always be God's intervention. Therefore, it is necessary to create even more solid togetherness in BPK, between the leadership and the bureaucracy, in working together, sharing information, conveying suggestions and implementing them.

"Do not let the public asks: how is it that the financial statements had been audited and that the unqualified opinion was obtained, but suddenly, a few days later, the District Head or the Governor was arrested?" It means that there is a public dissatisfaction with what BPK has been doing. It is what we have to introspect and evaluate together," Supit said.

The unqualified opinion given by BPK to the government is not only limited to fulfilling administrative requirements of accounting standards and statutory provisions, but also reflects the feasibility of the organization in managing the state finance and providing services to the public. It is to reduce the gap between the unqualified opinion and the people's

expectation. Supit emphasizes that BPK has a challenge to reformulate the criteria used in its audits.

"I have repeatedly said that it is not easy to provide an understanding to the public that even if BPK gives an unqualified opinion for an entity, it will not be necessarily free from irregularities," Supit said.

According to him, in reality, there are still many irregularities committed by audited entities. Thus, even though we explain to the public about the concept of the audit we are conducting in relation to the unqualified opinion given, their understanding is not fully into it. As a consequence, the opinion provided by BPK is considered non-linear with the many corruption problems happening in the audited entities. They hope that by being granted with unqualified opinion, it means that there will be no corruptions in the area. For this reason, BPK must conduct an evaluation that the unqualified opinion can be linear with the degree of deviations. In this regard, BPK will be able to change the public's perception.

In addition, Supit also hopes that the unqualified opinion must also be linear with the level of community welfare. He views that an increase in the quality of financial management in a region will be directly proportional to an increase in the people's welfare, as caused by a decrease in irregularities or non-compliance with regulations. Regional Heads, whether Governors, Mayors or Regents elected by the people, are required to manage regional finances as well as possible, for the sake of increasing the welfare of the people who have chosen them.





■ Ahmadi Noor Supit

On various occasions, Supit has encouraged BPK to carry out audits primarily in the regions in order to focus on significant problems occurring in those areas. These significant problems refer to those issues that are of public concern, have a broad impact or have been going on for a long time without any legal action. Supit is of the opinion that BPK must be able to capture and understand biggest concerns of the public in a certain area, so that the audit results can answer the expectations of the community. This emphasizes the importance of BPK in making a real contribution in addressing issues having the most impact on the region and responding to community needs with appropriate actions.

Now, with the era of public information openness, Supit also says that society and millennial generation are quicker in receiving information on irregularities in an entity. Thus, BPK's audits must be able to touch the root of the problem. If BPK only gets the same and repeated findings, the public satisfaction will decrease. In relation to this, BPK needs to change the mindset, so that in the future BPK's performance will be viewed as favorably by the public. Among other things, BPK can start by responding to major issues developing in the society. Its role must be seen through the presentation of findings on those developing issues, not just as repeated findings. For this reason, skepticism, creativity and initiative are needed in carrying out the audit process. Auditors should be more observant and not confined to ordinary or routine procedures. Skeptical or suspicious attitude must exist but must be supported by relevant and sufficient evidences. With a skeptical attitude coupled with creativity and initiative, audit findings will be of greater weight and will fulfill the public expectations.

“**The desire for any change cannot be carried out in a sudden. Therefore, the time and the intensity of communication between all Members are very important. Everyone must have the same vision, mission and views on how to develop BPK and to make improvements.**”

The current era of public information openness makes it easier for the public to obtain information. The community can immediately criticize things they do not feel in line with their expectations, and conversely, things they feel useful for the benefit of the community can be immediately appreciated. It can be an opportunity for BPK to enhance a positive image to the community and all stakeholders by conducting audits that are beneficial to people's lives, that the public and stakeholders can feel the direct impact of BPK's audits. In addition, in carrying out audit tasks, BPK's auditors should be able to position themselves as people who are directly affected by a policy. It is in order to feel and understand more about the current condition, so that they can provide recommendations that are right on target, effective and actionable.

INTEGRITY, INDEPENDENCE AND PROFESSIONALISM IN BPK

Supit emphasizes that in order to achieve the aforementioned objectives, the BPK's organization having a high integrity is required. Integrity is an important value that must be upheld by BPK and all BPK's auditors. It does not mean to close oneself and not communicating with stakeholders. On the contrary, BPK must be able to act as a partner for its stakeholders, especially the government, in carrying out their duties. To achieve this goal, constructive and effective two-way communication is essential. "By having integrity, BPK will be able to well carry out its duties and make a significant positive contribution to the management of the state finance and the interests of the society," Supit said.

ALL COMPONENTS OF BPK APPLIES THE PRINCIPLE OF TOGETHERNESS

According to Supit, public expectations for BPK's performance are very high. The public expect that BPK can become one of the institutions participating to realize a clean, transparent and accountable governance. Government and law enforcement agencies, particularly the audit institution, are fully committed to protecting and saving the state finance. It is obvious that BPK cannot work alone. Collaboration and cooperation with all BPK's partners are somethings that BPK must always put forward in carrying out its duties and functions to safeguard, protect and save the state finance to realize the people's welfare.

Ahmadi Noor Supit expects that all components within BPK can apply the principle of togetherness. It means that any task performed may not be carried out without the knowledge of the relevant parties. Everyone must know and discuss the steps to take. In this way, the same knowledge will be created, so that all BPK's components can provide consistent explanations, especially for matters that are currently in the public spotlight.

According to him, one person's thoughts and opinions are not the same as collectively generated thoughts. By

making decisions together, BPK will be more assertive in dealing with the situation. At a minimum, everything is reported and there must be a reporting mechanism that ensures that we all understand what is going on in BPK. "The target is how we can all be compact. Understand all the problems that exist here and solve all the problems together. Thus, BPK will be more solid and effective in conducting its duties," he said.

THE ROLE OF THE GOVERNMENT'S INTERNAL SUPERVISORY APPARATUS (APIP)

Finally, Supit also highly expects the active role of the APIP, both the Inspectorate General and the Inspectorate, in the two important things. First, in escalating the substance of BPK's findings in one working unit of an audited entity to another that is not sampled for the audit. It is intended to ensure that the same problems will not happen in other working units and no recurring problems will be found in the future audits. Second, in coordinating the acceleration of the follow up of audit recommendations in accordance with respective authorities. The APIP's competency improvement is also needed. It is to gain a better competence in optimizing the role as an internal control providing an early prevention of irregularities in the state/regional financial management.

Supit emphasizes that the APIP should also be at the forefront of preventing irregularities in their respective institutions as they are the most aware of all daily activities of the institutions. All red flags of non-compliance leading to frauds should be known by the APIP as early as possible to prevent or minimize their occurrences.

The main role of the APIP in preventing frauds is to try to eliminate causes of the occurrence. The prevention of frauds will be easier than overcoming them. If there is a corruption in an entity, it means that the role of its APIP should be questioned. It is not to blame BPK's auditors, who come only once a year. ~

Oath Taking of the New MKKE Members from Professionals

BPK CHAIRPERSON ISMA YATUN LED THE OATH TAKING CEREMONY.



BPK MKKE members for the period of 2023-2025 from professional element, Agus Surono was inaugurated as the new MKKE member replacing Mardiasmo, whose term of office had expired on April 13, 2023.

The oath-taking was carried out during the BPK plenary attended by Vice Chairman Agus Joko Pramono, Board Member I Nyoman Adhi Suryadnyana, Board Member II Daniel Lumban Tobing, Board Member III Achsanul Qosasi, Board Member V Ahmadi Noor Supit and Board Member VII Hendra Susanto.

Members of the Honorary Council of the Code of Ethics (MKKE) of the Audit Board of the Republic of Indonesia (BPK) from professional element were sworn in at the BPK Head Office in Jakarta on Monday. BPK Chairperson Isma Yatun led the oath taking ceremony.

According to BPK Decree Number 1 Year 2023 concerning the dismissal with honor of the BPK MKKE members from professional element and BPK Decree Number 2 Year 2023 concerning the appointment of

The MKKE members Lindawati Gani and Rusmin and BPK officials were present at the ceremony.



Presently, the MKKE comprises of Achsanul Qosasi as Chairman concurrently member and Agus Joko Pramono as a member representing BPK, Agus Surono as a member representing professionals, and Rusmin and Lindawati Gani as members representing academics. ~



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Improving the Efficiency and Effectiveness of Military Procurement

THE DECENTRALIZATION OF DEFENSE EQUIPMENT PROCUREMENT TO SEVERAL UNITS HAS RESULTED IN INEFFICIENCY AND INEFFECTIVENESS OF PROCUREMENT DUE TO THE SIMILARITY OF TYPES AND PURPOSES OF THE USE OF DEFENSE EQUIPMENT PROCURED IN EACH PROCUREMENT UNIT.



**I GUSTI BAGUS
TRIDARWATA
YATNAPUTRA**



**KARDHIKA
CIPTA BINANGKIT**

Strengthening the defense sector through increasing the military budget is one of the priority programs of countries in the world. Based on data from the Stockholm International Peace Research Institute (SIPRI), global military spending increased from USD 410 billion per year during 1970 – 1990 to USD 1.7 trillion during 2010 – 2018. Countries in the Middle East spend the largest portion of their GDP on defense (4.5% of GDP) during 1992 – 2018. On the other hand, countries in the western hemisphere spend around 1.4% of their GDP on the defense sector (Clements, et al. 2019).

Strengthening the defense sector even beats the priorities of countries in the world to tackle global poverty. A study from the United Nations reveals that the amount of money spent on the defense sector globally is USD 249 per capita. Based on the standards of the World Bank and the Office of Disarmament Affairs (ODA), only 5% of this figure is needed to achieve the Millennium Development Goals by 2015. In several developed countries, the military budget even far exceeds the value of aid for development in other countries. In 2010, the US

foreign aid budget made up only 4% of its military budget. China, India, and Brazil only allocate 1% of their military budgets for foreign grants (Atwood, et al. 2012).

The amount of a country's military budget is determined by several factors. In developing countries, the military budget of neighbouring countries determines the size of a country's military budget in the long run. Studies conducted by the IMF show that reduction in the military budget in neighbouring countries by 1% of GDP impacts the country's military budget reduction of 0.25% of GDP. Another factor that affects the size of the military budget is spending on social welfare (social spending). In developing countries, an increase in social spending by 5 percentage points of GDP reduces the military budget by ½ percentage point (Clements, et al. 2019).

The increase in the military budget is not accompanied by an increase in the transparency and accountability of defense institutions. The report of the United States Government Accountability Office (US GAO) states that the US Department of

Defense faces several types of fraud in managing its budget which includes exaggerating prices by creating pseudo-competition through auctions involving several companies with the same ownership, the provider of goods does not qualify to win in the auction, as well as defects in goods produced by foreign manufacturers. This item's defects even impacted 47 US fighters (GAO, 2019). SIPRI highlights the use of non-budgetary funds for military purposes in Latin American and Caribbean countries. These non-budgetary funds are obtained from military business activities, for example the soldiers of Guatemala, Honduras, Nicaragua, Paraguay, and Venezuela have businesses in the banking, transportation, industrial, and agricultural sectors (Bromley & Solmirano, 2012). The same condition occurs in Sub-Saharan African countries. Non-budgetary funds in the military environment result in underestimating military expenditure calculations than its real calculations, for example in Mozambique (Tian, et al. 2018).

As is happening globally, Indonesia's military budget also experiences an increasing trend. The graph below shows this trend. Even though the percentage of the military budget to the total government budget tended to decrease from 1993 (7.2%) to 2018 (4.3%), in real terms the military budget increased from USD 2 billion (constant 2018) in 1993 to USD 7.4 billion in 2018. It decreased drastically after the 1997 monetary crisis. However, after the succession of national leadership, the military budget began to increase with the highest rate of increase occurred during the period 2010 to 2013. This significant increase was closely related to the stipulation of Minimum Essential Force (MEF) as development priority in the National Medium-Term Development Planning (RPJMN) 2010 – 2014 (Presidential Regulation Number 5 of 2010).

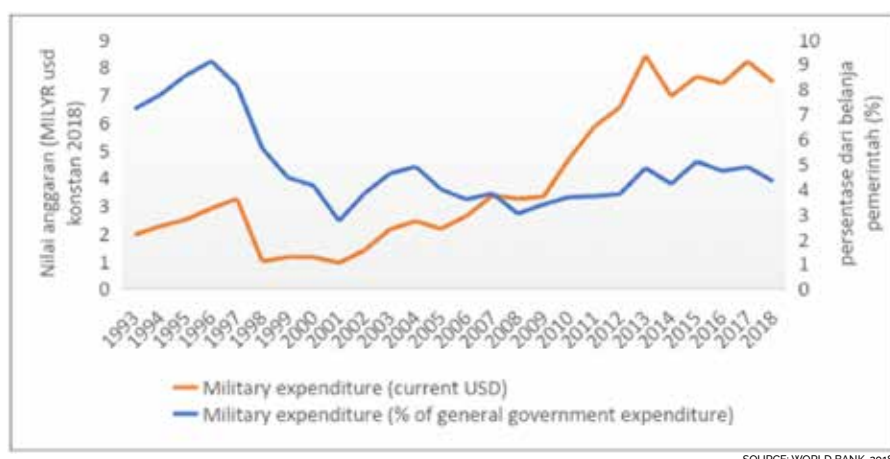


Figure 1 Indonesia's Military Budget, 1993 – 2018

CRITICAL POINT #1: INEFFICIENT PROCURING ORGANIZATION

Indonesia's Ministry of Defense is the only ministry that consists of organizational units under it. Organizational Units (Unit Organisasi/UO) are levels in the program and budget management which consist of the Ministry of Defense, the Indonesian National Armed Forces Headquarters (Mabes TNI), the Army, the Navy and the Air Force. Each organizational unit has its own leader. The Ministry of Defense is headed by a Minister of Defense, the Indonesian National Armed Forces Headquarters is headed by a Commander, and the forces are headed by a Chief of Staff. In financial

management, the Minister of Defense acts as a Budget User. Each UO has a Budget User Authority.

The existence of five organizational units within the Ministry of Defense has an impact on the decentralization of the military procurement to each UO. The decentralization of defense equipment procurement to several units has resulted in inefficiency and ineffectiveness of procurement due to the similarity of types and purposes of the use of defense equipment procured in each procurement unit. This can happen because the military equipment provided by Ministry of Defense and TNI Headquarters will eventually be used by units in one of the three forces. This condition can lead to inefficiency because the items purchased are more than needed. If the procurement of military equipment is top down (not by a request from the user), this can even lead to ineffective procurement where the purchased equipment is useless.

The same condition also occurs in other countries. Canada has two ministries that function as military procurement units, namely the Ministry of National Defense (DND) and the Ministry of Public Works and Government Services Canada (PWGSC). The existence of two ministries that carry out the procurement function raises several obstacles in achieving efficient procurement as follows (Williams, 2016).

- a. There is no clear accountability because the roles of the two ministries overlap

b. Defense sector procurement performance is low

Two measurements commonly used to measure procurement performance are timeliness and costs incurred. In Canada, the dualism of procurement units extends the required procurement time by 66%. Cost increases also occurs in military procurement in Canada, which incurs due to direct appointments. Direct appointments have negative impact for several reasons. First, for the defense industry, direct appointment removes the incentive to compete in making quality products. Second, the Ministry of Defense even suffers from two disadvantages due to direct appointments, namely paying a higher price and receiving goods of lower quality.

c. There is no long-term planning related to military spending

The absence of such planning makes it easier for the government to increase or decrease procurement plans without having to explain the reasons to the public.

Efforts to simplify military procurement organizations in Canada have not been easy. There are at least two groups that want to maintain the status quo. The first is the bureaucrats at PWGSC. These officials benefit from the procurement process, for example in the form of a trip to an international aviation exhibition in Farnborough, England, or Le Bourget, France. The second group is companies that are only profit-oriented and do not think about the interests of defense or taxpayers. In order to influence government decisions, these companies increase their points of entry in the procurement process. The existence of many procurement units will give them greater opportunities to negotiate. If there is only one ministry implementing procurement, then they have to stake all their resources at a single point of entry.

Inefficiencies arising from inefficient organizations need to be addressed by overhauling the procurement organization, namely by concentrating the procurement of defense equipment in one unit that is directly on the coordination line with the Minister of Defense.

Centralization of defense equipment procurement in one organization brings several benefits. According to Williams (2016), the benefits of forming a single procurement organization go beyond strengthening accountability. The first benefit is the mainstreaming of the procurement process which has an impact on accelerating the process. The second benefit is the efficiency that arises from eliminating overlapping roles, for example reducing the number of procurement committees. With the merger,



One of the biggest challenges in the military procurement cycle is finding price references. Unlike goods that are sold freely to the public, the military equipment market is closed so that price references cannot be obtained easily.

not only cost savings can be achieved, but also personnel deficits can be overcome. Personnel who have qualifications in the field of procurement can be allocated to one procurement unit only. Third, the existence of a single procurement unit allows for the widespread application of performance measurement.

In addition to the three benefits mentioned earlier, the separation of the procurement unit from the user also has the potential to increase the professionalism of the TNI. User will see the procurement process as an effort to increase combat capabilities. As a result, the submission of defense equipment will be made based on the needs of the unit. Rent-seeking activities in submitting defense equipment procurement can be avoided. In the end, the procurement process is able to fulfill the objective of procuring what is needed, not just using what has been procured.

Procurement centralization must be accompanied by strengthening the mechanisms for proposing military equipment procurement from user. One of the negative impacts that may arise from centralization is the ineffectiveness of procurement because the military equipment user (Armed Forces) and the procurement unit (Ministry of Defense) are on separate coordination lines. Therefore, the mechanism for proposing a military equipment must be strengthened and closely monitored.

CRITICAL POINT #2: UNAVAILABILITY OF PRICE REFERENCE

One of the biggest challenges in the military procurement cycle is finding price references. Unlike goods that are sold freely to the public, the military equipment market is closed so that price references cannot be obtained easily. The economic system of the country of origin of the military equipment also influences the availability of price references. In countries with open economic systems, such as the U.S, manufacturers provide price references to prospective buyers directly. On the other hand, in countries with a closed economy, manufacturers only

provide price references to their appointed agents. Prospective buyers cannot ask for references directly to the manufacturer.

There are two alternatives for the Ministry of Defense to obtain valid price. The first alternative is to develop a manufacturing price survey mechanism by involving the Defense Attache assigned to that country. The second alternative is through a memorandum of understanding with the Ministry of Finance to access customs data. Notification of Imported Goods (Pemberitahuan Impor Barang/PIB) contains information about CIF (cost, insurance, and freight) value of each imported good. This data can be used as a basis for calculating owner's estimation. However, this method has drawbacks because some invoices may have been modified so that they do not match the real transactions.

CRITICAL POINT #3: INEFFICIENT SUPPLY CHAIN

Another challenge related to military procurement is inefficient supply chain due to indirect transfer from manufacturer to end user. The Ministry of Defense does not always enter into contracts with companies that are representatives of manufacturers in Indonesia. Some transactions involve intermediary companies that link manufacturers and bidding companies. This transaction chain even involves a third country (intermediary country) which is a bridge between Indonesia and the manufacturer's country of origin. This condition certainly creates inefficiencies because of the profits obtained by intermediary companies.

The involvement of companies and intermediary countries can be detrimental to the Indonesian government in two aspects. First, losses suffered due to mark up by intermediary companies in their efforts to gain profits. Second, losses due to lack

of acceptance of goods import duties. One of the reasons in involving third countries in transactions is to avoid the obligation to pay import duties according to real transactions. Companies in third countries issue a deflated invoice to reduce the import duties in Indonesia. Modification of documents like this cannot be done in the country of manufacture of the goods so that the goods must be sent to an intermediary country first before going to Indonesia. Although military equipment is exempt from import duties, this practice still occurs. The process of issuing a letter of exemption from import duty at the Indonesian Armed Forces usually takes a long time, so to meet the contract deadline, the supplier of goods decides not to take advantage of the facility.

Efforts to shorten the procurement path will significantly increase efficiency. One of the mechanisms that can realize this condition is the purchase of military equipment directly from manufacturers, either with a government-to-government scheme or a government-to-business scheme. These schemes have been implemented by the Ministry of Defense in purchasing military equipment from the United States. As an alternative, the government can assign the Defense Attache to carefully verify the distributor of the military equipment. To strengthen this mechanism, the Ministry of Defense and the TNI must establish an endorsement procedure by the Defense Attache. There are at least two things that need to be regulated in that procedure. First, the coordination mechanism between organizational units to provide verification tasks to the Defense Attache. The second is the budget needed to carry out the verification. This verification may require official trip to the manufacturer which is in a location far from the Defense Attache Office. ~

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The Challenge of Implementing Standard on Auditing (SA) 600 SPAP for Auditing Local Government's Financial Reports

ACHIEVING A COMPREHENSIVE FINANCIAL AUDIT FOR LKPD IS ALSO NOT A SIMPLE JOB. THE AUDITORS MUST ASSESS VARIOUS ASPECTS TO ENSURE THAT A LOCAL GOVERNMENT'S FINANCIAL REPORT IS IN LINE WITH TRUE AND FAIR ACCOUNTING STANDARDS.



DEDY ERYANTO

Conducting financial audits for local governments' financial reports, known as *Laporan Keuangan Pemerintah Daerah* (LKPD), is a matter of routine for auditors working for Supreme Audit Agency's (BPK) regional offices when a new year comes. BPK also has a limited time to finish these audit engagements. Reading the explanation of article 31 of the Law No. 17/2003 on state finance (*UU No.17 Tahun 2003 tentang Keuangan Negara*), BPK has only a two-month auditing following governors, regents, mayors' financial submission to the body (Government of Indonesia-GOI, 2004). If we assume most local governments submit their LKPDs in March, it means BPK should give them back their final audit reports in May. Therefore, this time constraint has put BPK under pressure.

In fact, achieving a comprehensive financial audit for LKPD is also not a simple job. The auditors must assess various aspects to ensure that a local government's financial report is in line with true and fair accounting standards. At least, auditors should stick to three important matters; the effectiveness of internal control, compliance with law and regulation, and compatibility with governmental accounting standards (GOI, 2005a). In addition, auditors should address fraud or corruption-related issues at hand bringing about serious impacts on the fairness of LKPD.

Despite many transactions during one fiscal year that should be recorded within LKPD, these financial reports basically contain other governmental agencies' financial reports as well such as *Satuan Kerja Pemerintah Daerah* / Regional Working Unit (SKPD) and *Badan Layanan Umum Daerah* / Regional Public Service Agency (BLUD). In other words, LKPD combines the entire reports into one report technically known as consolidated financial reports. As a consequence, BPK also has a responsibility to make sure that they would be consolidated properly. In practice, especially for BLUD's financial reports, BPK does not handle their audit directly, yet a public accounting firm (*Kantor Akuntan Publik-KAP*) would take this role and BPK depends on their work. This mechanism, like it or not, gives another challenge for BPK, especially in ensuring whether a KAP has performed their audit for BLUD in a proper manner. Therefore, this short article attempts to discuss this challenge based on the auditing perspective and personal experience.

PUBLIC SERVICE AGENCIES (*BADAN LAYANAN UMUM, BLU*)

The Ministry of Finance (MoF) Regulation No.129/PMK.05/2020 on BLU explains it is basically a government agency established to provide goods and services for sale to society without taking any profit as its main objective. Its activities are based on the principle of efficiency and productivity (MoF, 2020). Moreover, article 346 of Law No. 23/2014 on the Local Government also emphasizes that a local government is able to set up *Badan Layanan Umum Daerah* (BLUD) to improve public services in its area. In terms of financial management, this regulation states BLUD is granted the status of "flexibility" to manage its finance as an exception (GOI, 2014). Flexibility means that BLUD can use directly its income to support its operation.

BLUD's current local governments in the region include community health centres (*Puskesmas*) and regional hospitals (*Rumah Sakit Daerah/ RSD*). Only a few provide other services such as education, transportation, agriculture, water management, and tourism. The Ministry of Internal Affairs (MoIA) notes there are currently 436 RSDs (53.8% of 810 RSDs in Indonesia) and 1,433 Puskesmas (14.1 % of 10,134 Puskesmas in Indonesia) running under BLUD model (MoIA, 2022). These numbers are predicted to increase in the future.

BLUD'S FINANCIAL REPORTS AND THEIR AUDIT MECHANISM

The government's regulation on the financial management of BLU - Law No. 23/2005 which was later changed into Law No. 74/2012 on the financial management of BLU - states clearly that BLUD must publish its financial reports and it is part of LKPD (GOI, 2005b). In addition, as a part of accountability, these reports are audited by an external auditor of the government which practically refers to KAP. Because BLUD's financial reports are one of the LKPD components, the status of an auditor who audits the reports is a component auditor which is KAP, while the auditors who audit consolidated reports referring to LKPD, are called group auditors.

However, in practice, the audit quality between the group and the component auditor is not the same. It makes sense as they are from different offices with different capabilities respectively. Therefore, in response to this situation, the International Auditing and Assurance Standards Board (IAASB) issued Standard on Audit (SA) number 600 regarding Special Considerations - Audit of Group Financial Statements (Including Component Auditor Work) (Fitriany, et al., 2020).

SA 600 has also been adopted by the Indonesian Institute of Certified Public Accountants (*Institut Akuntan Publik Indonesia - IAPI*) in the Professional Standards for Public Accountants (*Standar Profesional Akuntan Publik - SPAP*). It has been applied since the 1st of January 2013 (IAPI, 2021). In fact, the State Finance Audit Standards (*Standar Pemeriksaan Keuangan Negara, SPKN*) are the auditing standard that is applied by BPK and other auditors who audit public finance in Indonesia. It means all clauses within SA 600 are relevant to be implemented in the context of a relationship between BPK (group auditor of LKPD) and KAP (component auditor of BLUD).

THE IMPLEMENTATION OF SA 600 AND SOME CHALLENGES IN AUDITING LKPD

In general, the main purpose of SA 600 is to mitigate audit failure in group entities where the group auditor is responsible for the entire audit process, particularly the audit quality in component entities. In the context of auditing LKPD, BPK as a group auditor is responsible for the overall



If the group auditors have a chance to review every detail of KAP's working papers, they will notice that there are some audit procedures that may not be addressed properly by KAP. For example, many KAP have not made yet a risk assessment, tested internal control, or considered aspects of materiality.

audit process of LKPD including the audit quality. Consequently, BPK is also aware of the reliability of BLUD's financial reports after having consulted with LKPD, suggesting that BPK depends on KAP's audit reports on BLUD. However, to what extent BPK could rely on them?

Based on my personal experience as a technical supervisor (*Pengendali Teknis-PT*) who assists audit teams of LKPD in the BPK Regional Office of East Java, I found some challenges in implementing SA 600. Firstly, there are problems related to communication and coordination between the group auditor (BPK) and the component auditor (KAP). There has been inadequate time available for the group auditors who are very busy finishing their fieldwork. Therefore, during rush hour like this, direct communication and coordination with KAP must not be easy to be done. Mostly the group auditors only use special forms that are available in the audit manual (*juknis*) for auditing LKPD as a medium for KAP to communicate their work. In this case, from the group auditors' perspective, they assume that by filling out these forms, KAP had informed all of their work.

In fact, if the group auditors have a chance to review every detail of KAP's working papers, they will notice that there are some audit procedures that may not be addressed properly by KAP. For example, many KAP have not made yet a risk assessment, tested internal control, or considered aspects of materiality. These

incomplete procedures will automatically have an impact on the audit quality of BLUD.

Secondly, in terms of audit capacity and capability. The majority of KAP auditing BLUD is small accounting firms. They also have only a limited number of auditors who can do fieldwork and obtain sufficient audit evidence. Many of them are fresh graduates with less or even no experience in public sector contexts like BLUD. Therefore, they are also not familiar with issues related to public sectors, such as accounting treatments, budgeting, procurement, and compliance. However, the group auditor needs these audit materials to support the accuracy and appropriateness of consolidated financial reports, which is LKPD.

To sum up, BPK has attempted to apply SA 600 in auditing local governments' financial reports or LKPD. This implementation is a consequence of SPKN, a mandatory auditing standard for BPK, of adopting SPAP which also derives from International Standards on Audit (ISA) that contains SA 600. However, in practice, the implementation faces some challenges such as communication and coordination between BPK and KAP as the component auditor. In addition, the capacity and capability of KAP in auditing BLUD are still questionable. These problems could address the audit quality of BLUD which can also impact the reliability of LKPD. Therefore, BPK still needs to find appropriate ways to minimize these existing problems. ~

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Publication of Strategic Audit Plans as A Form of Transparency and Accountability in BPK

BEING TRANSPARENT AND ACCOUNTABLE CAN IMPLY THAT A SAI SHOULD BE ABLE TO INFORM THE PUBLIC ON ALL WORKS IT UNDERTAKES AND BE HELD TO ACCOUNT FOR ITS USE OF PUBLIC RESOURCES.



ASRARUL RAHMAN

Supreme Audit Institutions (SAIs) shall be showing exemplary practice on transparency and accountability, as being promoted by International Organization of Supreme Audit Institutions (INTOSAI) at the International Congress of Supreme Audit Institutions (INCOSAI) XXII, as one of its four approaches on how SAIs contribute to the implementation of SDGs. Intosai Development Initiative (IDI) further translates accountability as "Being held responsible for what is done", and encourages SAIs to "Lead by Example", by demonstrating "a high level of accountability"¹. It is thus without hesitation that one can say that the notion of transparency and accountability is deemed imperative in the SAIs ecosystem.

Being transparent and accountable can imply that a SAI should be able to inform the public on all works it undertakes and be held to account for its use of public resources. In this era of digitalization, disseminating information through the internet, enables even encourages SAIs to be informative and held accountable at the same time. Badan Pemeriksa Keuangan (BPK), as one of key players in the global community of SAIs, has been taking into account public disclosure as an indicator in measuring its performance. Given the democratic and freedom of press that has been existing in Indonesia since the political reform in 1998, BPK has been amenable to the idea of public disclosure. BPK has long been providing access to any of its documents to the public.

To name a few, BPK has been publishing strategic plans, audit reports, annual reports, sustainability report, annual performance reports, etc. All of these documents are timely provided on BPK's website, except audit reports. In the beginning, all audit reports were published online. However, due to some cases of data-misuse, the provision of audit reports are now requiring IDs of the requesters for checking their credibility. The online publication of these documents aims to uphold the right of the Indonesian people on information, as well as maintain the culture of transparency and accountability in BPK.

Nevertheless, most of BPK's documents made available to the public are post-activity reports, meaning that the provision of documents reflects BPK's accountability on resources that have been used up beforehand. IDI² mentions that to "lead by example", SAIs should publish not only 'reports' and 'assessment', but also 'plans'. As a matter of fact, BPK has published its strategic plan online. This strategic plan consists of six strategies, five of which are on the operationalisation of BPK as an entity, and the remaining one is on its core activity, which is audit. The latter merely comprises general strategies on how BPK will

mainstream its audits with Government's development plans. The strategic plan however does not inform clearly and timely, areas on which BPK is about to audit in the future. These audit areas are ideally comprised in a document titled "Strategic Audit Plans".

In fact, the public is entitled a right to be informed about areas on which BPK will audit. It not only allows the public to know whether areas that they are concerned of the most have been addressed by BPK, but also gives opportunity to the people to participate and be involved in the process of determining audit areas. This practice of publishing audit areas has been undertaken by some SAIs such as Government Accountability Office (GAO) of the US and Australian National Audit Office (ANAO). GAO publishes a document titled "Trends Affecting Government and Society" as part of its strategic plans, in which it conveys to the US congress and US citizens, prioritized areas that are to be audited and it will therefore mainly allocate its budget on. Based on past occurrences and current situation, GAO is able to foresight areas that will become major threats to the US, and thus need to go deeper under GAO's scrutiny, among other areas. The provision of this document offers added-values to the public, by which the public is given opportunity to participate in giving suggestions and feedback on the strategic audit plans.

In the case of ANAO, it publishes the annual "ANAO Corporate Plan" and "Annual Audit Work Program". Both documents supplement each other to ensure that the public is well-informed about areas to which ANAO will perform audits in the upcoming financial year. In its website, ANAO even welcomes Australian senators to request for audits on specific issues that they are concerned of. In the "Annual Audit Work Program", ANAO provides an overview of audit work programs in each area, including the highlights of issues, purpose and key features of the audit program, and how the program is developed and delivered. The level of information provided in ANAO's website on the audit work program really depicts the notion of accountability and transparency at such an advanced level. ANAO does not only provide information on prioritised audit areas, but also information on how areas are determined based on a set of due process, from environmental scanning, topic development, coverage review, consultation, final review, to the selection of audit areas.

The fact that BPK has not published its strategic audit plans does not infringe any legal requirement

in Indonesia. There is no stipulation in Indonesia's regulations demanding BPK to publish its strategic audit plans. There is also a concern raised on the consequences of publishing strategic audit plans, especially on opening up an opportunity for the auditees to be 'well-prepared' and ensure that they are 'ready' to be audited for the next audit period. This thought is deemed equivalent to a premise that the police should not turn on their sirence when they are about to approach culprits or criminals, because they will have ample time to escape. Another drawback of publishing strategic audit plans that may hinder the decision to publish them is that the possibility of flaws in the due process of determining prioritised audit areas, that potentially trigger public's distrust and pose a threat to BPK's reputation.

Regardless of the cons on publishing the strategic audit plans, in order to proclaim itself as a key player in global SAI community, BPK needs to get to the same level of transparency and accountability with GAO and ANAO. In so doing, BPK should make its strategic audit plans available to the public. Advantages of publishing BPK's strategic audit plans can be two fold. First, it can improve BPK's reputation by gaining more trust from the public, as the public could be convinced that their real life problems will be addressed by BPK. Second, it can improve BPK's relevance to the society, by welcoming feedback and suggestions from the people, so its strategic audit plans can be more inclusive and beneficial to the life the citizen. This is inline with the INTOSAI-P12 in which SAIs are always expected to "making a difference to the lives of citizens".

In order to be able to publish its strategic audit plans, BPK needs to set a tone at the top, meaning that all BPK's Board Members should be aware that the publication of BPK's strategic audit plans is a relevant indicator of BPK's independence. By making the strategic audit plans available to the public, BPK implies that it can be held accountable in the overall due process and is indeed independent in determining its audit areas. In addition, BPK also needs to ensure that it has capacity to do the studies and research to capture least developed areas that therefore needs to be audited by BPK. This can be pursued by embarking on a capacity building project, by which BPK's strategic planners can see best practices in GAO or ANAO as a benchmark. All in all, it is a strategic decision that needs to be made by BPK, should it want to maintain or even progress its quality as a well-regarded SAI regionally or internationally. ~

¹ Strategic Management Handbook For Supreme Audit Institutions, page.24

² Strategic Management Handbook For Supreme Audit Institutions, page.158



1-11
Eid al-Fitr Prayer and conviviality in BPK attended by Chairperson Isma Yatun, Board Member IV Haerul Saleh and Board Member V Ahmadi Noor Supit, April 21, 2023.



12-14

Ramadhan Bazaar attended by Chairperson Isma Yatun, Board Member I Nyoman Adhi Suryadnyana, Board Member II Daniel Lumban Tobing and Board Member V Ahmadi Noor Supit, April 10, 2023.

15-17

BPK Chairperson Isma Yatun attends the Nuzulul Quran. Also present are Board Member I Nyoman Adhi Suryadnyana and Board Member III Achsanul Qosasi, April 10, 2023.



18-19

Board Member I Nyoman Adhi Suryadnyana attends the Khataman Quran held in BPK in Ramadan, April 10, 2023.

20-21

Board Member II Daniel Lumban Tobing delivers his remarks and briefing at the Leader's Briefing on the Integrity Zone Development within the Directorate General of Audit II, April 6, 2023.

22

The handover of the performance audit report of the Ministry of Tourism attended by Board Member III Achsanul Qosasi and Minister of Tourism and Creative Economy Sandiaga Salahuddin Uno, April 3, 2023.

23

Board Member VI Pius Lustrilang is giving direction at the Leader's Briefing on Strengthening the Integrity of Audits of Central and Regional Governments' financial statements Fiscal Year 2022 within the Directorate General of Audit VI, April 17, 2023.

24

The Handover of the performance audit report of PT Telkom attended by Board Member VII Hendra Susanto and President Director of PT Telkom Ririek Adriansyah, April 13, 2023.





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25-34

To celebrate Eid Al-Fitr 1444 H, on May 2, 2023 BPK held a Halal Bihalal for BPK employees attended by BPK Leadership. Starting her remarks, BPK Chair conveyed a Happy Eid Al-Fitr to all BPK employees and reminded that to keep public trust, all must maintain integrity as a crucial point in carrying out duties and functions of BPK. Also physically present in the event were high-level officials as well as employees from regional offices throughout Indonesia attending virtually.



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35-38

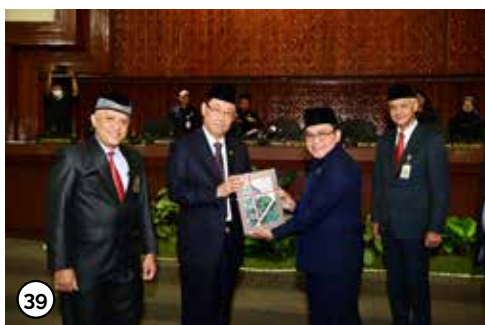
Submission of Financial Audit Reports of OJK (Financial Services Authority) and LPS (Indonesia Deposit Insurance Corporation) for 2022 at BPK Head Office in Jakarta on May 23, 2023. The Audit Reports were conveyed by BPK Member II Daniel Lumban Tobing to Chairman of the Board of Commissioners of OJK Mahendra Siregar, and Chairman of the Board of Commissioner Purbaya Yudhi Sadewa.



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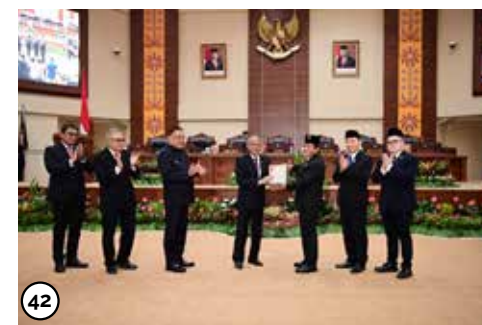
39-40

Submission of Audit Report of Financial Statements of Central Java Province by BPK Board Member V Ahmadi Noor Supit to Speaker of Regional House of Representative (DPRD) Sukirman and Governor of Central Java Province Ganjar Pranowo in Semarang, Central Java, May 22, 2023.

41
Submission of Audit Report of Financial Statements of West Kalimantan Province attended by BPK Board Member VI Pius Lustrilanang on May 9, 2023.



41



42

42
BPK Board Member VI Pius Lustrilanang submitted the Audit Report of North Sulawesi Financial Statements on May 15, 2023.

43
Submission of Audit Report of North Kalimantan by BPK Board Member VI Pius Lustrilanang on May 25, 2023.



43

44
BPK Board Member VI Pius Lustrilanang submitted the Audit Report of South Sulawesi Financial Statements on May 26, 2023.



44



45-56
Eid al-Adha
1444 H prayer
at BPK RI and
sacrificial animal
distribution
attended by BPK
Chair Isma Yatun,
Board Member
I Nyoman Adhi
Suryadnyana and
Board Member II
Daniel Lumban
Tobing,
29 June 2023.





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57-59

Board Member I Nyoman Adhi Suryadnyana giving a remark at employees' farewell in the Audit I, 9 June 2023.



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61



62

60-62

Board Member III Achsanul Qosasi delivers remark at the Walimatus Safar, 19 June 2023.



63



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63-64

The handover of the audit report of SIG attended by Board Member VII Hendra Susanto, 8 June 2023.



Password Security



- **Use a strong password**
With a minimum of 8 characters.
- Use combination of uppercase, lowercase, and number.
- Do not use common words easily guessed or found in dictionary.
- **Do not use numbers or words that represent personal identity**
Example: date of birth, ID number, children name, pet name, etc.

Keep Your Password Safe

Do not share your password to other people.

Do not use the same password for different systems/applications.

Example: use a different password for social media and BPK account.

Do not write down your password on paper/other media that is easily visible.

Logout from applications once not used.



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▶ BPK provides communication channels as a commitment to support accountability and information disclosure to establish communication with stakeholders.

