



**THE AUDIT BOARD OF  
REPUBLIC OF INDONESIA**

# Strategic Plan 2016-2020

Integrity | Independence | Professionalism



# THE AUDIT BOARD OF THE REPUBLIC OF INDONESIA



**KEPUTUSAN BADAN PEMERIKSA KEUANGAN  
REPUBLIK INDONESIA**

**NOMOR 7 /K/I-XIII.2/12/2015**

**TENTANG  
RENCANA STRATEGIS BADAN PEMERIKSA KEUANGAN  
TAHUN ANGGARAN 2016 SAMPAI DENGAN TAHUN ANGGARAN 2020**

**BADAN PEMERIKSA KEUANGAN REPUBLIK INDONESIA,**

- Menimbang** : bahwa untuk melaksanakan tugas dan wewenang Badan Pemeriksa Keuangan sesuai ketentuan Pasal 6 sampai dengan Pasal 11 Undang-Undang Nomor 15 Tahun 2006 tentang Badan Pemeriksa Keuangan, perlu menetapkan Keputusan Badan Pemeriksa Keuangan tentang Rencana Strategis Badan Pemeriksa Keuangan Tahun Anggaran 2016 sampai dengan Tahun Anggaran 2020;
- Mengingat** :
1. Pasal 23E, Pasal 23F, dan Pasal 23G Undang-Undang Dasar Negara Republik Indonesia Tahun 1945;
  2. Undang-Undang Nomor 17 Tahun 2003 tentang Keuangan Negara (Lembaran Negara Republik Indonesia Tahun 2003 Nomor 47, Tambahan Lembaran Negara Republik Indonesia Nomor 4286);
  3. Undang-Undang Nomor 1 Tahun 2004 tentang Perbendaharaan Negara (Lembaran Negara Republik Indonesia Tahun 2004 Nomor 5, Tambahan Lembaran Negara Republik Indonesia Nomor 4355);
  4. Undang-Undang Nomor 15 Tahun 2004 tentang Pemeriksaan Pengelolaan dan Tanggung Jawab Keuangan Negara (Lembaran Negara Republik Indonesia Tahun 2004 Nomor 66, Tambahan Lembaran Negara Republik Indonesia Nomor 4400);
  5. Undang-Undang Nomor 25 Tahun 2004 tentang Sistem Perencanaan Pembangunan Nasional (Lembaran Negara Republik Indonesia Tahun 2004 Nomor 104, Tambahan Lembaran Negara Republik Indonesia Nomor 4421);
  6. Undang-Undang Nomor 15 Tahun 2006 tentang Badan Pemeriksa Keuangan (Lembaran Negara Republik Indonesia Tahun 2006 Nomor 85, Tambahan Lembaran Negara Republik Indonesia Nomor 4654);

7. Surat Keputusan Badan Pemeriksa Keuangan Nomor 31/SK/I-VIII.3/8/2006 tentang Tata Cara Pembentukan Peraturan, Keputusan, dan Naskah Dinas pada Badan Pemeriksa Keuangan Republik Indonesia;
8. Keputusan Badan Pemeriksa Keuangan Nomor 3/K/I-XIII.2/7/2014 tentang Organisasi dan Tata Kerja Pelaksana Badan Pemeriksa Keuangan;

**MEMUTUSKAN:**

**Menetapkan :** **KEPUTUSAN BADAN PEMERIKSA KEUANGAN TENTANG RENCANA STRATEGIS BADAN PEMERIKSA KEUANGAN TAHUN ANGGARAN 2016 SAMPAI DENGAN TAHUN ANGGARAN 2020.**

**PERTAMA :** Menetapkan Rencana Strategis Badan Pemeriksa Keuangan Tahun Anggaran 2016 sampai dengan Tahun Anggaran 2020 sebagaimana tercantum dalam Lampiran sebagai bagian yang tidak terpisahkan dari Keputusan ini.

**KEDUA :** Keputusan ini mulai berlaku pada tanggal 1 Januari 2016.

Ditetapkan di Jakarta  
pada tanggal 28 Desember 2015  
**BADAN PEMERIKSA KEUANGAN  
REPUBLIK INDONESIA**

**WAKIL KETUA,**



**SAPTO AMAL DAMANDARI**

**KETUA,**



**HARRY AZHAR AZIS**

# FOREWORD



Our praise and gratitude to Allah Almighty that, because of His grace and blessings, BPK Strategic Plan 2016—2020 is finally prepared and completed. BPK Strategic Plan 2016—2020 outlines the vision, missions, strategic goals and objectives, policy directions for audit and organizational development, as well as the measurement targets.

This Strategic Plan is a continuation of BPK Strategic Plan 2011—2015, thus the accomplishments of BPK Strategic Plan 2011—2015 becomes one of the considerations in formulating this Strategic Plan. Other considerations include the rationale, development of strategic environment, as well as the desired conditions to be achieved in the next five years. In terms of policy directions on audits in 2011—2020, the National Medium Term Development Plan (RPJMN) 2015—2019 serves as a reference in determining the theme and focus of BPK audits. In addition, BPK audit policy in the next five years must also take into account any urgent needs arising from public concerns as well as demand/request from stakeholders. Thus, it is expected that BPK audits can be used by the legislative, the government and other stakeholders for decision making in line with the respective duties and authorities in achieving nation goals.

In that regard, the quality of BPK audits must be improved. BPK core values, i.e. integrity, independence and professionalism must continue to be upheld and strengthened. BPK quality control system at audit engagement and at institutional level should also be strengthened.

BPK Strategic Plan 2016—2020 is drafted by involving all levels in BPK. Therefore, the success of this strategic plan shall be determined by active participation of all levels to implement the plan and to achieve the vision, missions, strategic goals and objectives, as well as measurement targets. Let us work together closely to implement the Strategic Plan 2016—2020 for the success of our organization and to support the management of state finances in achieving nation goals.

THE AUDIT BOARD OF THE REPUBLIC OF INDONESIA  
CHAIRMAN,

Dr. H. Harry Azhar Azis, M.A.



# TABLE OF CONTENTS

- I** FOREWORD
- VIII** EXECUTIF SUMMARY

## CHAPTER 1 BACKGROUND

- 1** BACKGROUND
- 3** RATIONALE
  - 4** State Goals and BPK Position
  - 5** BPK Roles and Responsibilities
  - 7** Value and Benefits of BPK Outputs to Stakeholders
  - 10** Standards and Guidelines
  - 12** Bureaucratic Reform
  - 12** The Accountability Organization Maturity Model
  - 14** International Audit Standards: Values and Benefits of Supreme Audit Institutions
- 14** CURRENT CONDITIONS
- 19** DEVELOPMENTS IN STRATEGIC ENVIRONMENT
  - 19** Developments in National Strategic Environment
  - 26** Developments in International Environment
- 28** DESIRED CONDITIONS
- 29** STRATEGIC ISSUES
- 31** CONTINUITY OF BPK STRATEGIC PLAN

## CHAPTER 2 VISION, MISSIONS, VALUES, STRATEGIC GOALS, AND OBJECTIVE

- VISION **35**
- MISIONS **38**
- CORE VALUES **40**



- 40 STRATEGIC GOALS**
- 41** Strategic Goal 1: Increasing the Benefit of Audits in Order to Drive Public Administration to Achieve State Goals
  - 42** Strategic Goal 2: Improving the Quality of Audit Services in Order to Drive Public Administration to Achieve State Goals

- 42 STRATEGIC OBJECTIVES**
- 43** Strategic Objective 1: Increased utilisation of audit results by stakeholders
  - 44** Strategic Objective 2: Improving the Quality Control System

## CHAPTER 3 POLICY DIRECTION, STRATEGIES, REGULATORY, AND INSTITUTIONAL FRAMEWORK

- 47 NATIONAL POLICY DIRECTION AND STRATEGIES**
- 51** Audit on Macro Economic Development
  - 53** Audit on Human and Societal Development
  - 63** Audits on Leading Sectors Development
  - 69** Audit on Equitable and Regional Development
  - 74** Audits on Development Preconditions

- 78 BPK POLICY DIRECTION AND STRATEGIES**
- 79** Policy Direction 1: Increased the Relevance of Audits Conducted with Stakeholders Expectations
  - 83** Policy Direction 2: Improved Operational Excellence in Audits and Organization
  - 86** Policy Direction 3: Development and Optimization of Resources



**92 REGULATORY FRAMEWORK****93 INSTITUTIONAL FRAMEWORK**

93 Organization

96 Integration of Strategic Plan Implementation and Bureaucratic Reforms

**97 IMPLEMENTATION FRAMEWORK**

98 Strategy Map

99 Evaluation

**CHAPTER 4 PERFORMANCE TARGETS AND FUNDING FRAMEWORK****103 PERFORMANCE TARGETS**

104 Technical Program 1. Public Administration Audit

105 Technical Program 2. Enhancement of Quality of the Organization, Apparatus, and Public Administration Audit

105 Technical Program 3. Register of the State Losses (National/ Subnational), Legal Services and Development in State Financial Audit

105 Generic Program 1: Management Support and Implementation of Other Technical Duties

105 Generic Program 2: Improvement of the Infrastructure and Facilities for BPK Apparatus

106 Generic Program 3: The monitoring and Increased Accountability of BPK Officials

**106 FUNDING FRAMEWORK****CHAPTER 5 CLOSING****109 CLOSING****112 GLOSARIUM**

# LIST OF FIGURES

- 3** **Figure 1** Interconnections between BPK Strategic Plan and National Medium Term Development Plan (RPJMN)
- 4** **Figure 2** BPK Position in the 1945 Constitution
- 11** **Figure 3** Pillars of Quality Control Systems
- 13** **Figure 4** The Accountability Organization Maturity Model
- 15** **Figure 5** Vision, Missions, Strategic Goals in Strategic Plan 2011—2015
- 25** **Figure 6** Priority Agenda and Development Dimensions
- 28** **Figure 7** BPK strategic plan development framework
- 36** **Figure 8** Strategic Plan Focus from time to time
- 42** **Figure 9** Translating Strategic Goals into Strategic Objectives
- 43** **Figure 10** Stakeholders Support for BPK's Existence
- 50** **Figure 11** Audit Themes and Focus
- 50** **Figure 12** The Link between Organizational Maturity and Audit Themes and Focus
- 78** **Figure 13** Framework of BPK Strategic Plan 2016—2020
- 94** **Figure 14** Management Structure for Strategic Plan Implementation
- 95** **Figure 15** Stages of Benefits Realization
- 96** **Figure 16** Bureaucratic Reforms Areas of Change
- 97** **Figure 17** Cascading of BPK-Wide Strategic Plan to the Employees
- 98** **Figure 18** BPK-Wide Strategy Map
- 99** **Figure 19** Evaluation Mechanism

# LIST OF TABLES

- 24** **Tabel 1.** Proyeksi Penduduk Indonesia tahun 2010—2035
- 32** **Tabel 2.** Kestinambungan Renstra BPK
- 49** **Tabel 3.** Sasaran Pembangunan Prioritas Bidang Tata Kelola dan RB
- 104** **Tabel 4.** Target Indikator Kinerja Utama
- 107** **Tabel 5.** Indikasi Kebutuhan Pendanaan 2016—2020



## EXECUTIVE SUMMARY

**A**s one of the state institutions established and governed in the 1945 Constitution, the Audit Board (BPK) and other constitutional branches have a duty to support the achievement of nation goals as outlined in the Preamble to the Constitution. This shall be carried out by BPK via free and independent audits of public administration.



To perform this duty, Article 23 E, F and G of the 1945 Constitution establish the mandate of BPK. Further, national legislations on state finances (2003—2004) govern the management and accountability of state finances as well as BPK audits, whereas provisions concerning BPK institutional arrangement are stipulated in Law No. 15 of 2006 on the Audit Board.

In order to support public administration in achieving nation goals as well as in exercising its duties and authorities pursuant to the abovementioned legislations, BPK prepares a Strategic Plan (*Renstra*). The Strategic Plan is used as a five-year plan to achieve BPK vision and missions along with the strategic goals and objectives and policy directions, as well as the measurement indicators.

BPK Strategic Plan 2016—2020 is the third of its kind. The Strategic Plan that was applied ten (10) years ago put an emphasis on organizational development to create BPK as a supreme audit institution that is independent, professional, and credible to contribute active role to support accountable and transparent public administration. The implementation of previous Strategic Plan was able to develop BPK in line with the vision and missions as prescribed in the Strategic Plan, although some achievements still need to be improved. BPK was also able to support public administration to be more accountable and transparent. This is demonstrated by increasing numbers of government financial statements that receive unqualified audit opinion (WTP) within the period of 10 years.

As a continuation of the previous Strategic Plan, the 2016—2020 Strategic Plan emphasizes on the benefits and quality of BPK audit results to strengthen the transparency and accountability of public administration that has already improved within the last 10 years. The Strategic Plan also increases the role of BPK to support public administration-in achieving nation goals.

Based on that, Strategic Plan 2016—2020 is designed by referring to a framework that consists of four parts, namely: (1) rationale<sup>1</sup>; (2) the current condition as the basis (baseline); (3) developments in BPK strategic environment<sup>2</sup>; and (4) the desired conditions expected to be achieved in the next five years.

BPK's role and position as a state institution to support public administration in achieving the nation goals as well as the exercise of BPK's duties and authorities are the rationale in formulating the Strategic Plan 2016—2020. In addition, the understanding about stakeholders, quality control system, bureaucratic reform, maturity model of accountability institution, as well as the international standards of values and benefits of audit institutions are also the rationale in the formulation.

After considering the above rationale, the formulation of BPK Strategic Plan 2016—2020 also considers the current conditions. The accomplishments of 2011—2015 Strategic Plan provides the current context to be used as a consideration in formulating the 2016—2020 plan. Those accomplishments include achieving the vision to become a credible state audit institution that upholds the core values and to contribute an active role in supporting accountable and transparent public administration. This can be seen from accomplishments of BPK's strategic goals and objectives in relation to audit engagement, organizational outcomes, and other accomplishments. Based on the implementation of the Strategic Plan 2011—2015, the aspects that must be considered in the Strategic Plan 2016—2020 include the level of audit

1 With regards to nation goals, public administration (the state financial management and accountability) as well as its audits, the duties and authorities of BPK, bureaucratic reform programs, quality control system, maturity model of accountability institution reference, and international standards of values and benefits of SAI.

2 Internal strategic environment includes, among others, stakeholders' expectations, while the external environment includes organizations of supreme audit institutions and other international agencies.

recommendations that have been implemented by entities, improving the quality of relationships with stakeholders, improving the quality of the conducts of audits, improving auditors' capability, optimizing the use of information technology in corporate governance, and developing organizational culture to strengthen the core values.

The third part in the formulation of the 2016—2020 Strategic Plan is the developments in BPK strategic environment. This includes both the national and international strategic environment. National strategic environment includes the challenges faced by Indonesian nation and the development agenda. International strategic environment includes the developments in the International Organization of Supreme Audit Institutions (INTOSAI) and related organizations in Asia (ASOSAI) and ASEAN (ASEANSAI), as well as audits of foreign loans and grants.

The desired condition in Strategic Plan 2016—2020 correlates with increasing BPK roles in supporting public administration in achieving nation goals. Such roles can be increased by improving the quality and usefulness of audit results as well as improving the quality of BPK as modern organization that uses information systems and technology.

Further, identifying and analysing issues that are found in each part of the framework for the development of BPK Strategic Plan 2016—2020. The analysis uses the SWOT (Strength, Weakness, Opportunity, and Threat) approach, which resulted in the following strategic issues, among others: (1) improving the quality of BPK audit results; (2) increasing audit recommendations that have been implemented by entities; (3) improving the relevance of BPK audits with stakeholders' expectations; (4) improving BPK business processes and corporate governance by using information systems and technology; and (5) enhancing the capability and management of the human resources in BPK. Based on the above framework in formulating BPK Strategic Plan 2016—2020, the vision as outlined in the Strategic Plan is as follows: **“Fostering public administration to achieve State goals through the provision of beneficial and high quality audits.”**

To achieve the above vision, BPK has set some missions, namely: **(1) Audit public administration independently; (2) Govern the organization with integrity, independence and professionalism.**

The vision and missions are to be achieved by two (2) **Strategic Goals** as follows:

- 1. Increasing the Benefit of Audits in Order to Drive Public Administration to Achieve State Goals**

This strategic goal shall be achieved by increasing the quality of audit results and their level of use by stakeholders for decision-making in line with their respective duties and authorities. To achieve this goal, BPK focuses on improving the management of audit strategies and increasing audit recommendations that have been implemented by entities.

## **2. Improving the Quality Of Audit Services in Order to Drive Public Administration to Achieve State Goals**

This strategic goal shall be achieved by increasing the effectiveness of quality control system in audit engagement and in institutional level.

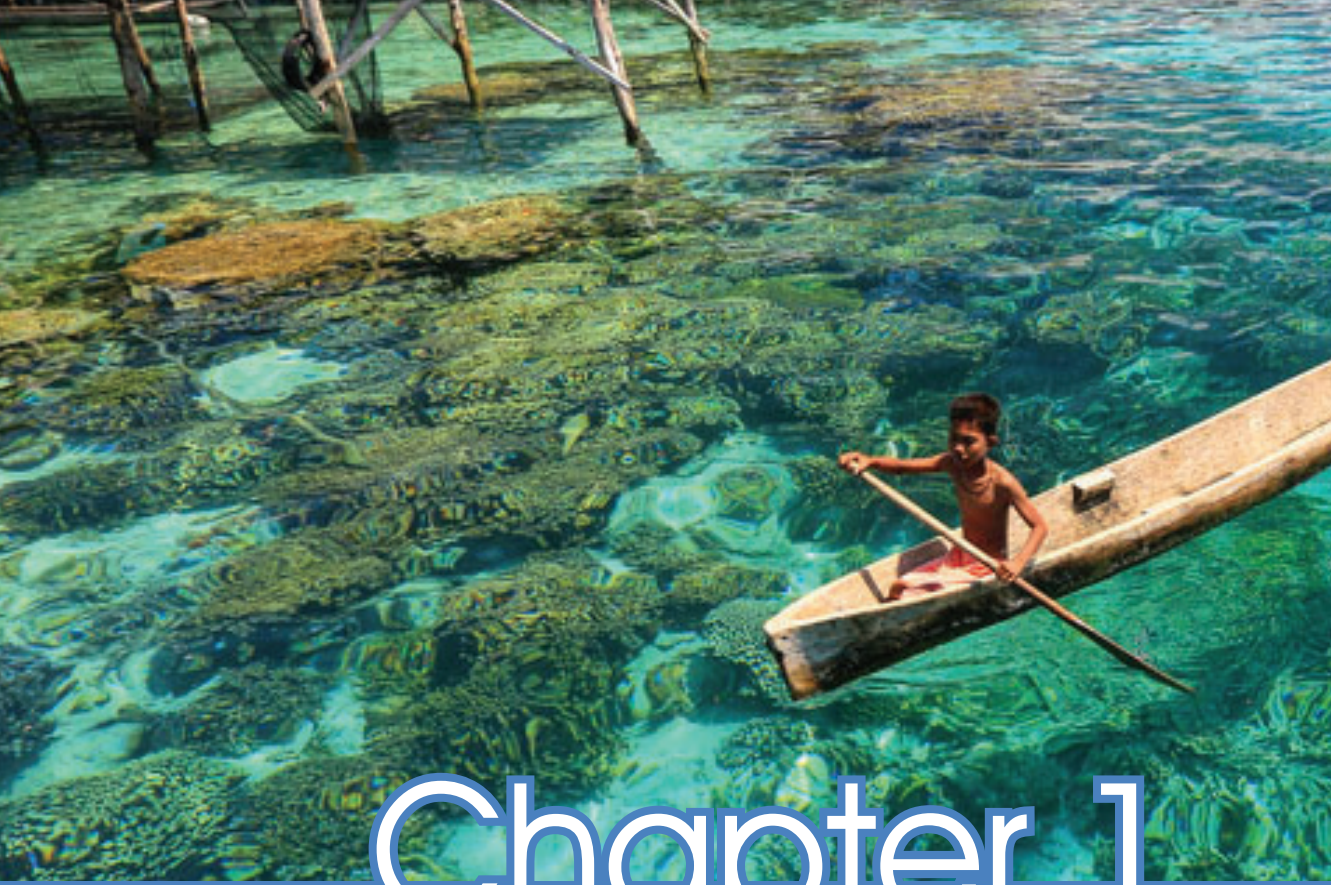
To achieve those strategic goals, capital support in human resources, information and organizational aspects are required, as follows:

1. Human capital capability shall be increased by establishing a talent pool, i.e. a group of employees who have expertise in specific areas required to implement BPK strategies in 2016—2020 and have the understanding, knowledge and skills related to information systems and technology.
2. Information capital shall be enhanced by developing and integrating the information technology system for the entire governance of BPK.
3. Organization capital shall be improved in terms of (1) the development of modern organizational culture that uses information systems and technology in achieving its goals; (2) management of organizational knowledge to capitalize the knowledge and best practices that have been carried out in a working unit and to extend its application to other working units.

Finally, implementation of BPK Strategic Plan must be supported by financial resources that are managed effectively and used as efficiently as possible with due regard to applicable laws and regulations.

The accomplishments of the Strategic Plan, i.e. the vision, missions, strategic goals and objectives, will be measured by Key Performance Indicators (KPI). Further, to assist in the process of managing the Strategic Plan implementation, a more detailed document will be drafted and outlined as the Strategic Plan Implementation Plan (RIR). BPK Strategic Plan 2016—2020 and its implementation plan will be monitored periodically and in a phased manner to ensure that the plan is achieved and aligned with developments in the legislation, strategic environment and BPK policy directions. The accomplishments of the Strategic Plan will be the basis to ensure the continuity of BPK organizational development agenda.





# Chapter 1



## BACKGROUND

**S**trategic planning is a process undertaken by an organization to determine the strategies, directions and guidelines in making the right decisions and taking appropriate actions through a right string of options which also taking into account the resources. The process results in a Strategic Plan that will be used to plan and allocate resources annually.

In national planning, the National Development Planning System (SPPN) is specified in Law No. 25 of 2004. In accordance with the system, national development plan includes twenty-year long-term plan, five-year medium-term plan and annual plan.

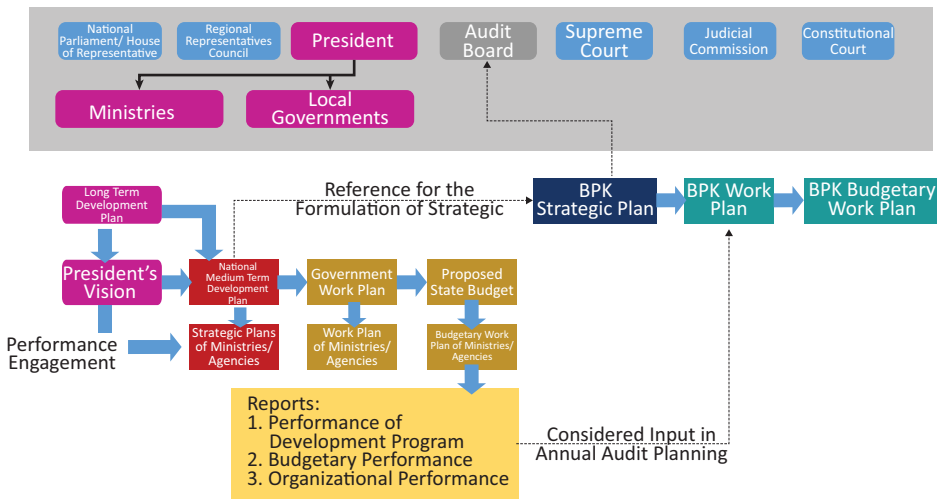
National Long Term Development Plan (RPJP) of 2005—2025 is stipulated in Law No. 17 of 2007. The RPJP contains the elaboration of the Government of Indonesia's national goals as outlined in Preamble to the 1945 Constitution of the Republic of Indonesia. The National RPJP serves as a guideline in the preparation of the five-yearly National Medium Term Development Plan (RPJMN) and as a reference for Subnational RPJPs.

RPJMN is an elaboration of the vision, missions and programs of the elected President. The RPJMN contains, among others, national development strategies, general policies, programs of respective Ministries/Agencies (KL) as well as inter-agency programs, regional and cross-regional programs, and macro-economic framework. RPJMN is then translated into an annual development plan, such as the Government Work Plan (RKP), and must be taken into consideration in the preparation of the Subnational Medium Term Development Plan (RPJMD). Furthermore, the Subnational Government Work Plan (RKPD) shall be prepared based on RPJMD and by referring to the RKP.

RKP and RPJM as planning documents will become the basis for the formulation of Strategic Plan of the Ministries/Agencies (KL) or the regional work units (SKPD). The strategic plans of KL/SKPD contain the vision, missions, goals, strategies, policies, as well as development programs and activities of KL/SKPD and are of indicative nature. KL/SKPD strategic plans serve as a guideline to prepare the annual Work Plan (*Renja*) of KL/SKPD which contains policies, programs, and development activities.

As a state institution, BPK carries out its planning activities by considering the national development planning system (SPPN). The budget documents, particularly the National RPJP and the National RPJM, are therefore taken into consideration in the formulation of BPK Strategic Plan. Thus, BPK Strategic Plan includes strategies, policies and programs pertaining to audits that support the achievement of the nation goals in state financial management. Furthermore, BPK Strategic Plan also serves as a reference for the formulation of BPK Work Plan and BPK Work and Budgetary Plan (RKA) as BPK annual budget documents. The interconnections in budget planning processes can be seen in Figure 1 below.

**Figure 1. Interconnections between BPK Strategic Plan and National Medium Term Development Plan (RPJMN)**



The development plans as prescribed above were also considered in the framework for formulating BPK Strategic Plan. The framework includes the rationale, the current conditions and accomplishments of the previous Strategic Plan, developments in BPK strategic environment, as well as the desired conditions.

## RATIONALE

The rationale behind the formulation of BPK Strategic Plan 2016—2020 embarks on the consideration of the state’s goals and BPK’s constitutional position among other constitutional branches of Indonesia as stipulated in the 1945 Constitution. The formulation further considers the roles and responsibilities of BPK as stipulated in the Constitution and the relevant legislations. The other set of rationale includes considerations on the value and benefits of BPK’s outputs for the stakeholders. It also considers BPK standards and guidelines in conducting its roles and responsibilities, maturity model of an supreme audit institution, as well as international standards concerning the values and benefits of supreme audit institutions.

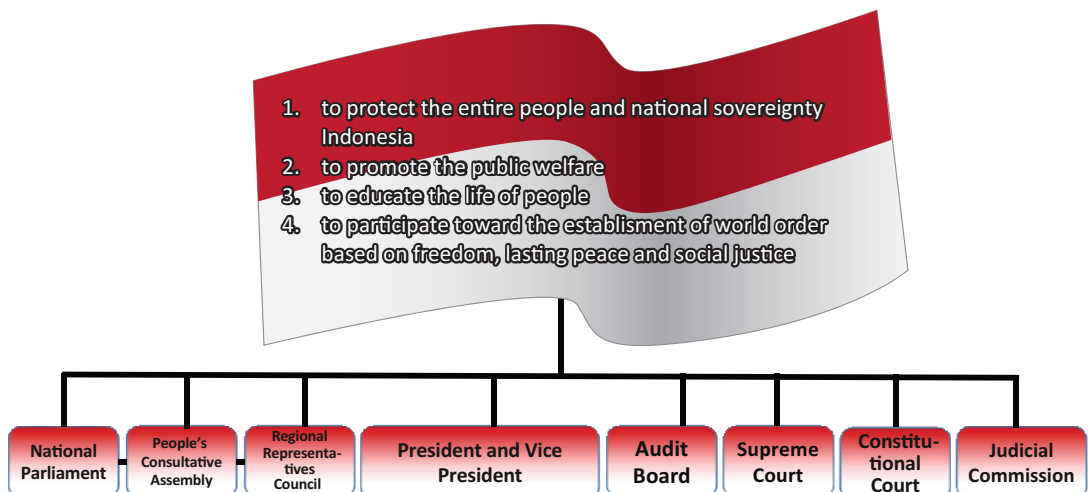
## State Goals and BPK Position

Preamble to the 1945 Constitution stipulates the purpose of the establishment of the Government of Indonesia, namely: (1) to protect the entire people and the national sovereignty of Indonesia; (2) to promote public welfare; (3) to educate the life of the people; and (4) to participate toward the establishment of a world order based on freedom, lasting peace and social justice. To achieve these objectives, the Constitution also governs the state institutions and state finances.

BPK is one of the state institutions that are governed by the 1945 Constitution, and its stipulated duty is to audit state financial management and accountability in a free and independent standing. BPK's audits and institutional arrangement are regulated in Article 23E, 23F, and 23G of the Constitution. Furthermore, Law No. 15 of 2004 on The Audit of State Financial Management and Accountability (Public Administration) as well as Law No. 15 of 2006 on The Audit Board of the Republic of Indonesia (BPK) further regulate BPK's audits and institutional arrangement.

In connection to the above State's goals as well as the provisions as prescribed in the Constitution and the national laws, BPK audits are intended to support the state financial management in achieving the State goals. The Constitution asserts that in order to audit public administration, a free and independent BPK is established. BPK's position is equal to other constitutional branches regulated within the 1945 Constitution, namely the President (Executive Government), the People's Consultative Assembly (MPR), House of Representatives (DPR), the Regional Representatives Council (DPD), the Supreme Court (MA), the Constitutional Court (MK), and the Judicial Commission (KY). The position of BPK and other constitutional branches can be seen in Figure 2 below.

Figure 2 BPK Position in the 1945 Constitution



The achievement of State goals and BPK constitutional position is the first rationale in the formulation of BPK Strategic Plan 2016—2020. Which is also linked with both the current conditions as well as the desired conditions to be achieved through BPK's audits. Within the last decade, BPK's audits of government financial statements have shown an improved transparency and accountability of state finances. This is shown by unqualified audit opinions (WTP) toward the government financial statements.

Such condition shows that public finance management has made some improvements in terms of transparency and accountability. Nevertheless, the aspect of which public administration contributes in achieving the State's goals has not been assessed. Therefore, BPK must improve its upcoming audits to assess the contribution of public administration in achieving State's goals.

## BPK Roles and Responsibilities

In the formulation of BPK Strategic Plan 2016—2020, BPK roles and responsibilities as stipulated in Law No. 15 of 2006 on the Indonesian Audit Board provides the second rationale. The BPK roles and responsibilities include:

1. Auditing the public administration of the central government, local governments, other state institutions, Bank Indonesia (the Indonesian Central Bank), State-Owned Enterprises (SOE), public service agencies, local-government-owned enterprises, and institutions or other entities that manage state finances (Article 6 paragraph (1));
2. Conducting discussions on findings with audited entities/auditees in accordance with the standards of state financial audit (Article 6, paragraph (5));
3. Submitting the compilation of audit reports on public administration to the representative bodies which are DPR, DPD and DPRD to be put to use according to their roles and responsibilities (Article 7 paragraph (1));
4. Submitting the compilation of audit reports to the president, governors, heads of regencies/mayors for follow-up in accordance with their authorities for the purposes of follow-up of the audit findings (Article 8 paragraph (1));

5. Reporting any fraud or criminal indication found in the audits to law enforcement agencies in accordance with the legislation within maximum 1 (one) month after the findings (Article 8 paragraph (3)); and
6. Monitoring the follow-up of audit findings that is to be carried out by the officials as referred to in paragraph (1), and notifying the results in writing to DPR, DPD and DPRD, and the Government (Article 8 paragraph (5)).

In performing its duties, BPK has the following authorities/powers as follows:

1. Determining topics and entities to audit, planning and conducting the audit, determining audit time frame and methods, and drafting and presenting the audit report;
2. Requesting information and/or documents that must be provided by any person, organization units of the central government, the local governments, other state institutions, Bank Indonesia (Indonesian Central Bank), SOEs, public service agencies, local-government-owned enterprises, and other institutions or bodies managing state finances;
3. Conducting audits in locations where state money and properties are stored, in operational sites, in the book-keeping and administration units of state finances, as well as audits on any accounts/calculations, documents, evidentiary documents, bank statements, acquittals, and other registers related to the management of state finances;
4. Defining the type of documents, data and information on state financial management and accountability that must be submitted to BPK;
5. In consultation with the central/local governments, setting the audit standards of state financial management and accountability;
6. Establishing code of ethics on the audit of public administration;

7. Hiring experts and/or external auditors to work for and on behalf of BPK;
8. Supervising the functional positions of auditors;
9. Providing advice/considerations on government accounting standards; and
10. Providing advices/considerations on drafting of internal control system of the central/local governments prior to its official use.

In carrying out the above roles and responsibilities, BPK is supported by operating units, which consists of the Secretary General, audit units, supporting units, representative offices, auditors and other officers who are designated by BPK. In the formulation of BPK Strategic Plan 2016-2020, roles and responsibilities of BPK operating units as well as their implementation was included as one of its rationale.

## Value and Benefits of BPK Outputs to Stakeholders

The value and benefits of BPK's outputs for its stakeholders also becomes a rationale in formulating BPK Strategic Plan 2016—2020. Stakeholders use BPK's outputs in their decisions making, especially in managing public finance to achieve the Nation's goals.

BPK stakeholders include representative bodies which are the DPR (House of Representatives), the DPD (Regional Representatives Council) and DPRD (Local House of Representatives), the government, audited entities/auditees, competent authorities, other statutory bodies, NGOs and professional organizations, Indonesian citizens and international institutions. These stakeholders use BPK outputs in accordance with their roles and responsibilities as prescribed in the legislation.

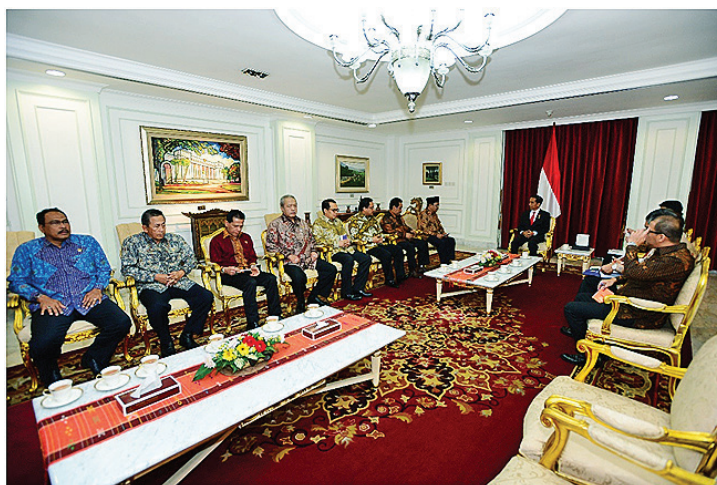
BPK outputs are the manifestation of its roles and responsibilities in accordance to the legislation, and they are as follows:

### 1. Audit Reports (LHP)

LHP (Audit Reports) contains results of BPK audits that are conducted on the basis on BPK's mandate. Audit Reports (LHP) include the LHP on financial audit, LHP on performance audit, and LHP on special purpose audit e.g. LHP on investigative audit. LHP is submitted to representative bodies which are: DPR, DPD and DPRD as well as to the president/governors/heads of regencies/mayors, to be followed-up in accordance with their authorities. LHP that has been tabled to the parliament is open for public, except for investigative audits.

### 2. Compiled Summary of Audit Results per Semester (IHPS)

IHPS is a comprehensive summary of all of BPK's audits results within one semester as well as the monitoring the follow-up of previous audit results, and settlement of state financial losses and other findings on fraud/criminal indications. IHPS is submitted to representative bodies and the president/governors/heads of regencies/mayors no later than 3 (three) months after the end of the semester to be put to use in accordance with their respective roles and responsibilities.



### 3. Monitoring on the Audit Recommendations Implemented by Entities (TLHP)

TLHP describes the condition/status of follow-up of the findings of previous audit. This information is included in IHPS to be presented to representative bodies as well as the president/governors/heads of regencies/mayors to be put to use in accordance with their respective roles and responsibilities

#### **4. Monitoring on the Settlement of State Financial Losses (National/Subnational)**

The monitoring results on the settlement of state financial losses (national/subnational) describes the current condition/status of how the national/subnational financial losses are settled, either by government treasurers or non-treasurers as well as other persons. The monitoring results are included in IHPS to be presented to representative bodies which are: DPR, DPD and DPRD as well as the president/governors/heads of regencies/mayors to be put to use in accordance with their respective roles and responsibilities.

#### **5. Monitoring on the Proceedings of Submitted Audit Findings with Indicated Fraud/Criminal Offenses**

Audit findings of Indicated Fraud/Criminal Offenses are submitted by BPK to the competent authorities. The proceeding of such audit findings by the competent authority is monitored by BPK and included in IHPS to be presented to the representative bodies and the president/governors/heads of regencies/mayors to be put to use in accordance with their respective roles and responsibilities.

#### **6. Calculation of State Financial Loss**

BPK has the authority to assess and/or specify the amount of state financial loss caused by an unlawful act, either intentionally or negligently committed by the treasurer, manager of state/local-owned enterprises and institutions or other entities that manage state finances. The results from calculation of state financial losses are submitted by BPK to the competent authorities which are: law enforcement agencies for further legal process.

#### **7. Outlook opinion on state financial management and accountability**

With reference to Article 11 Letter a of Law No. 15 of 2006, BPK can provide outlook opinions through oversight, insight and foresight on current state financial management and accountability to DPR, DPD, DPRD, the central/local governments, other state institutions, Bank Indonesia, SOEs, public service agencies, and local-government-owned enterprises, foundations, and other related institutions or organizations.

#### **8. Expertise/Professional Testimony**

In enforcing the laws in the event that indicates fraud/criminal offense and state financial losses are discovered, BPK works together with law enforcement agencies. In addition to the

requirement to submit audits findings that contains indications of crimes to law enforcement agencies as mentioned above, pursuant to Article 11 Letter c of Law No. 15 of 2006 BPK can also provide an expert/professional testimony in judicial proceedings regarding state financial losses in the national/subnational level.

**9. Provides Consideration on the Settlement of State financial losses (National/Subnational)**

Pursuant to Article 11 Letter b, BPK can provide due considerations/advice on the settlement of state financial losses at the national/subnational level that are determined by the central/local government.

**10. Provide Consideration on the Draft of Government Accounting Standards (SAP)**

Pursuant to Article 32 paragraph (1) of Law No. 17 of 2003 and Article 9 paragraph (1) Letter i of Law No. 15 of 2006, BPK is authorized to give due considerations/advice on draft of Government Accounting Standards prior to being stipulated in government regulation.

**11. Consultation on Drafts of Government Internal Control System (SPIP)**

Article 9 paragraph (1) letter j of Law 15 of 2006 states that BPK can provide advice/consideration on the draft design of government internal control system prior to being stipulated in government regulation.

**12. Evaluation on Audits conducted by Accounting Firm**

Evaluation on audits conducted by accounting firm is BPK duty pursuant to Article 3 paragraph (2) of Law No. 15 of 2004 and Article 6 paragraph (4) of Law No. 15 of 2006. The evaluation results are presented to the representative bodies, so it can be acted upon in accordance with its authority.

## Standards and Guidelines

BPK Standards and guidelines regarding the audit of state financial management and accountability are also another rationales in the formulation of BPK Strategic Plan 2016—2020. The standards and guidelines include the

State Financial Audit Standards (SPKN), code of ethics, audit management manual (PMP) and manual on the management of audit supporting units (PMPP), audit guidelines, and Audit Quality Control System (SPM).

Standards and guidelines are the foundations to develop the quality of BPK's outputs. With quality reports, those would allow stakeholders to use BPK's outputs in their decision making in managing public finance so as to achieve nation's goals.

More specifically, BPK has established its Audit Quality Control System (SPM) to assure the quality of state financial audits. SPM is a system designed to obtain reasonable assurance that BPK and its auditors comply with the law and the audit standards, and that the reports produced reflect the on-fields real conditions. Furthermore, BPK has developed the quality control elements, namely the audit element and other elements that affect the quality of BPK's audits and outputs. BPK Quality Control (SPM) covers independence and mandate; leadership and internal governance; human resource management; audit standards and methodology; institutional support; BPK relationship with stakeholders; continuous improvement; results; and audit performance.

BPK's quality control framework is described as integrated pillars of a building. The nine pillars of quality control are built on BPK core values, which are integrity, independence and professionalism. Compliance with the quality control elements is expected to strengthen BPK in undertaking its missions and achieving its vision. BPK Quality Control System can be seen in Figure 3 below.

Figure 3. Pillars of Quality Control Systems



## Bureaucratic Reform

Law No. 17 of 2007 on Indonesia's 2005—2025 National Long-Term Development Plan mandates that the development of state officials will be made through bureaucratic reforms to support a successful development in other sectors. Bureaucratic reform means a major shift in Indonesia's paradigm and governance. Further, bureaucratic reform also means a big stake for Indonesian nation in facing the challenges of the 21<sup>st</sup> century. Since 2010, a comprehensive concept and policies of bureaucratic reform have been developed and further stipulated in Presidential Regulation No. 81 of 2010 on The Grand Design of Bureaucratic Reform 2010-2025, and Ministerial Regulation of Minister of Bureaucratic Reform and Administrative Reform No. 11 of 2015 on the Road Map for Bureaucratic Reform 2015—2019.

Within BPK's corporate governance, bureaucratic reform (RB) is a rationale in the formulation of BPK Strategic Plan 2016—2020. Bureaucratic reform policies and programs are integrated into the Strategic Plan.

## The Accountability Organization Maturity Model

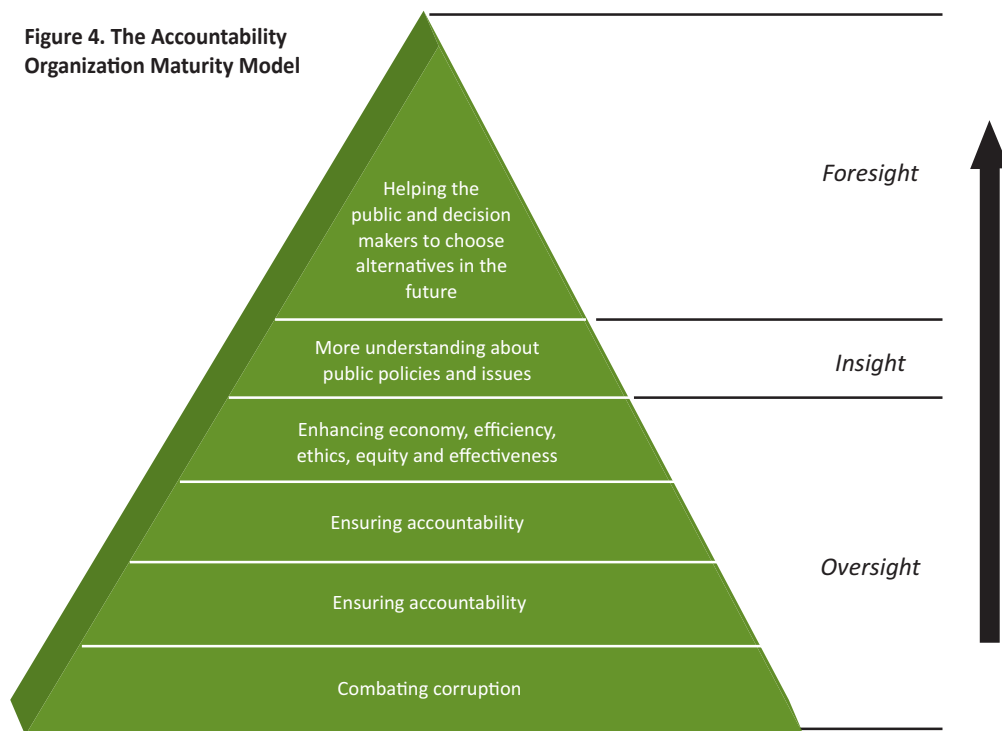
The Accountability Organization Maturity Model, in this case the maturity model of an audit institution, is a capacity development model as developed by International Organization of Supreme Audit Institutions (INTOSAI). Within the model, the maturity of an audit institution is consistent with its roles, namely oversight, insight and foresight.

The **oversight** role has traditionally focused on ensuring government entities are spending funds as intended by the parliament and complying with applicable laws and regulations, while guarding against fraud, waste, abuse, and mismanagement. This function is performed by encouraging efforts to combat corruption, increasing transparency, ensuring accountability and improving the economy, efficiency, ethics, fairness and effectiveness.

In its **insight** role, BPK is expected to provide important perception into what programs, policies, and operations which are working well; best practices to be shared and benchmarked; how agencies can improve the linkages across the silos of government; and how different levels of

government and their non-governmental partners can be better aligned to achieve important outcomes for the nation. This function is performed by way of understanding more deeply about public policies and issues.

**Figure 4. The Accountability Organization Maturity Model**



Source: adapted from *The Accountability Organization Maturity Model GAO*

The **foresight** role means to provide future outlook by highlighting the long-term implications of today's decisions and identifying key trends and emerging challenges facing our nation before they reached crisis proportions. This function is to help the public and decision makers choose alternatives of future policies. This function can be delivered by exercising the BPK's authority in issuing audit opinion with regards to public policy settings in development programs

Based on the explanation above, BPK has already covered the first four layers (oversight function), although mostly are concentrated in the lower three layers. In order to cover the two top layers, the insight function starts to be performed through thematic and investigative audits of national policies and issues. However, BPK has yet to provide any outputs to the public and decision makers with regards to its foresight function that would be useful to assist them in choosing alternative future policy.

## International Audit Standards: Values and Benefits of Supreme Audit Institutions

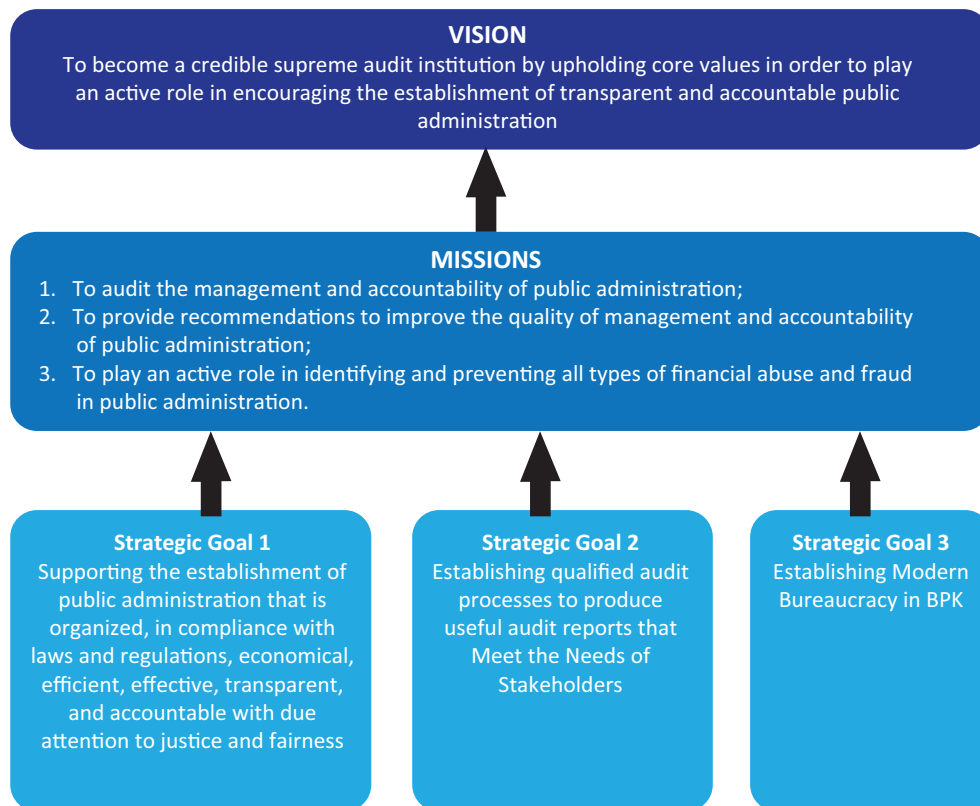
The international audit standards concerning the values and benefits of audit institutions are intended so that audits will contribute to the betterment of the people. It is specified in the International Standards of Supreme Audit Institutions (ISSAI) No. 12 about the Value and Benefits of Supreme Audit Institutions - making a difference to the lives of citizens. ISSAI 12 is used as a rationale in formulating BPK Strategic Plan 2016—2020, particularly to support state financial management in achieving Nation's goals through quality and useful audits.

## CURRENT CONDITIONS

As a continuation of the previous Strategic Plan, the 2016—2020 Strategic Plan is formulated based on the accomplishment of the Strategic Plan 2011—2015. The accomplishment serve as a baseline to formulate the 2016—2020 Strategic Plan. Such current condition is the results from the achievement of vision, missions and strategic goals and objectives, including the Key Performance Indicators (KPI).

In 2011—2015, the vision that BPK aimed to achieve was to become a credible supreme audit institution that upholds its core values to play an active role in supporting the establishment of accountable and transparent public administration. To achieve this vision, BPK has set three missions and three strategic goals that are outlined as follows.

Figure 5. Vision, Missions, Strategic Goals in Strategic Plan 2011—2015



The Strategic Plan 2011—2015 ends in 2015. In general, BPK has achieved the vision, missions and strategic goals and objectives as well as the target measurement indicators as specified in the Strategic Plan 2011—2015. However, there are some strategic goals and objectives that need to be improved.

Strategic Goal 1: Supporting the establishment of public administration that is organized, in compliance with laws and regulations, economical, efficient, effective, transparent, and accountable with due attention to justice and fairness, is generally achieved through the strategic objective: Improving the Effectiveness of Follow-up Actions of Audit Results and Meeting Stakeholders Expectations, with details as follows.

- a. Follow-up of the recommendations from BPK audits that reached 55.14%, out of the expected target of 65%. With such rate of completion, the state financial management has become more transparent and accountable. This is demonstrated by an increasing number of audit opinion to financial statements of state ministries/agencies and local governments that were unqualified (WTP). The number of unqualified audit opinions for ministries/agencies' financial statements (LKKL) increased from 56% (2011) to 74% (2014), and from 3% (2011) to 34% (2014) in local governments' financial statements (LKPD).
- b. Reports of criminal indications that were followed-up by competent authority has reached 74.47% from the initial target of 65%.
- c. Stakeholders' satisfaction index on BPK outputs, as surveyed by an independent party, is measured at 4.0 from the target of 4.1 on a maximum 5.0 satisfaction index scale.

The accomplishments above show that BPK had encouraged the establishment of a better governance on public administration, but there still room for improvements, especially related to improving communication with stakeholders on the audit recommendations implemented by entities.

Strategic Goal 2: Establishing qualified audit processes to produce useful audit reports that meet the needs of stakeholders, is achieved through five (5) strategic objectives as follows.

- a. Improving Audit Management Functions  
Audit management functions have reached the targets as follows.
  - 1. The number of audit reports published in 2011—2014 has reached an average of 99.96% of the target.
  - 2. The number of performance audit reports issued up to 2014 is relatively small compared to financial audit reports. The number of performance audit reports produced in 2011—2014 reached an average of 94.14% of planned target.
  - 3. Timeliness of audit engagement and reporting in 2011—2014 reached an average of 96.28% of the target. Thus, the audit results can be immediately used to support the improvement of public finance management.

4. The compliance level of audit quality assurance in general has reached the target, which is reaching an average of 98.60% of the target in 2011—2014. This numbers shows that the quality of BPK audits is sufficient.

b. Improving the Quality of Opinion and Advise

The quality of outlook opinion and advice to stakeholders has reached the prescribed target. This is shown by an increasing number of audit opinions issued by BPK in 2015 that reached 700% of the target, although on average the audit opinions issued in 2011—2014 only reached 50% of its target.

c. Improving Acceleration in Determining the Claims to the Treasury and Monitoring of the Settlement in Compensating State financial losses

Stipulation of the claims to the treasury and also monitoring the settlement in compensating state financial losses in 2011—2014 has reached an average of 100.14% of the target.

d. Improving the Effectiveness in Implementing Quality Assurance System (SPKM)

The implementation of Quality Assurance System (SPKM), as measured by an indicator of the percentage of peer review recommendations that are followed-up, has reached 87.30% by the end of 2014.

e. Availability and Harmonization of Regulations on State Financial Audit

Harmonization of laws and regulations related to the state financial management and audits has exceeded the prescribed target by the end of 2014, reaching 157.89%.

There are some challenges in achieving Strategic Goals 2, namely the relatively small number of performance audits compared to financial audits and special purpose audits (PDTT), as well as the quality of the audit results – as claims for BPK audit reports were lodged by relevant parties. Hence, the audit quality must be improved.

Strategic Goal 3: Establishing Modern Bureaucracy in BPK, achieved through four (4) strategic objectives as follows:

a. Improving the Quality of Organization and Management

This objective is achieved by software availability for audit and non-audit that has exceeded its target, which is 133.33%, by end of 2014.

b. Increasing Competence of Human Resources (HR) and Management Support

This strategic objective has generally been achieved, as demonstrated against their respective targets as follows: 122.72% employees have meet the required standards of competence up to 2014; 93.51% employee satisfaction index; 105.26% of business processes had used information technology. A challenge that must be addressed in achieving this strategic objective is to provide for employees' required hours of training, which has only reached 84.31% against the target in 2011—2014.

c. Improving the Standards and Quality of Facilities and Infrastructure

The standards and quality of facilities and infrastructure up to 2014 have only reached 90.12% of the prescribed target. This shows that efforts are still needed to increase efficiency and effectiveness in the provision and utilization of BPK facilities and infrastructure.

d. Increasing use of Budget

The use of BPK budget in general has been reached, as indicated by unqualified audit opinion (WTP) issued for BPK's Financial Statements FY 2011—2014 as well as the percentage of budget absorption that reached 92.81% of the prescribed target.

In achieving Strategic Objective 3, there are aspects that must be improved to create a modern bureaucracy, such as the fulfilment of number of required hours of education and training, development of e-BPK, and the use of information technology for organizational management. Detailed accomplishments of 2011—2015 BPK Strategic Plan can be found in Appendix 1.

# DEVELOPMENTS IN STRATEGIC ENVIRONMENT

## Developments in National Strategic Environment

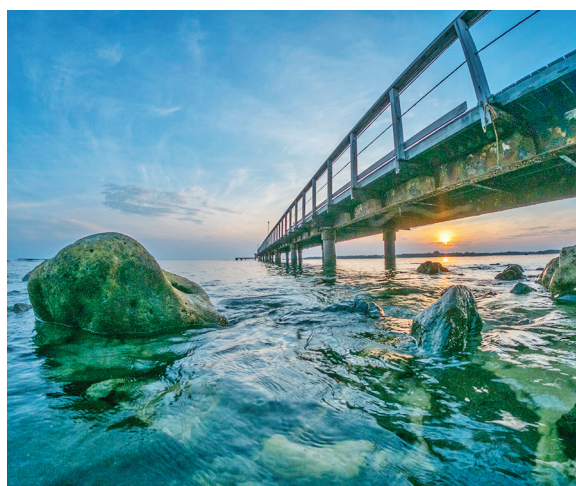
In the 2015—2019 RPJMN (National Medium-Term Development Plan), the Indonesian government identifies strategic environments that must be considered in the formulation of its national development policies and strategies. Since BPK's audits for 2016—2020 are developed towards assessing the level of accomplishment of the development targets as prescribed in the 2015—2019 RPJMN, the strategic environments should also be a concern of BPK as this will affect its audit policies and strategies.

Some of the strategic environments specified in the 2015—2019 RPJMN are as follows:

### Geo-politics

The 2015—2019 RPJMN states that competition to gain control over natural resources in the context of food and energy security is one of the trends in global geo-political situation. This happens as the world is facing global energy crisis triggered by increasingly rapid depletion of fossil fuels energy. Also, changes in the use of staple food crops such as maize, sugar cane, and wheat as alternative energy source are causing global food crisis. Consequently, global food prices are soaring and food exports and imports increase massively.

The situation shows how competition over food and energy supplies becomes a new instrument in international negotiations. In trade sector, a number of countries implement non-tariff barriers as a strategy to protect food price and supplies in their country. In order to have control over the natural resources, some big and industrial countries



implement a strategy of land acquisition and exploration to other parts of the world to meet their needs for resources.

In addition, advancement in information technology that breaks through and eliminates geographical barriers has resulted in globalized cultural values. Internet and social media not only facilitate communication between people at the global, regional and national levels, but also triggered a paradigm shift in science and culture that goes beyond national borders. Not only globalization brings in global culture to Indonesia, it also has an impact on strengthening primordial ties.

Based on 2015—2019 RPJMN, Indonesia remains to have maritime border issues with its neighbouring countries, namely India, Thailand, Malaysia, Singapore, Vietnam, the Philippines, Palau, Papua New Guinea, Timor-Leste and Australia, as well as land border issues with Malaysia, Timor-Leste and Papua New Guinea. Regardless of the efforts in border negotiations that had brought significant progress, border issues still leave behind quite significant potential conflicts such as with Malaysia and with Timor-Leste on the Indonesian province of NTT.

Indonesia's strategic geographic position creates opportunities for people from other countries to enter and conduct illegal activities within Indonesian territory that results in various impacts. Illegal fishing, piracy, smuggling, drug trafficking, human trafficking, illegal exploitation of natural resources such as timber, timber products and paper, present threats to Indonesia's national defence and security.

With regards to these conditions, BPK can play a role to assess whether the government already has and implements development policies and programs related to food and energy supplies while maintaining the preservation of resources and the environment as well as enhances Indonesia's national defence capability and the stability of national security.

### Geo-economy

Global, regional and national economic conditions present both opportunities and challenges for the Indonesian economy. Those opportunities and challenges are, among others, as follows. First,



with regards to Indonesia's capacity and competitiveness as a nation, the implementation of ASEAN Economic Community (AEC) while at the same time at the end of 2015 that includes free trade or liberalization in five sectors, namely goods; services; investment; capital; and skilled labour, will influence the course of development and the movement of people and goods within the country.

In facing the AEC, competitiveness is crucial so that Indonesia will be able to win the competition among countries in ASEAN region, which would certainly be more intense due to economic and trade liberalization. However, the 2014—2015 Global Competitiveness Report prepared by the World Economic Forum put Indonesia in 34<sup>th</sup> place out of 144 countries, a rank which is lower than those of the neighbouring countries such as Thailand, Malaysia, and Singapore.

The results of a study from The Asia Competitiveness Institute (ACI) that focused more on ASEAN region also ranks Indonesia below Singapore, Malaysia, Thailand and Brunei Darussalam in its 2013 ASEAN Competitiveness Index. The study highlights three major focus for Indonesia that are not optimal, which are quality of life and infrastructure development; government and institutional settings; as well as financial, business, and manpower conditions. These findings should be followed up by BPK through better-guided and better-targeted audits to increase the nation's competitiveness.

Second, the level of prosperity of Indonesian people is relatively low, as seen from the 2013 Human Development Index which ranked Indonesia in 108<sup>th</sup> place out of 187 countries with a score of 0.684 (from the scale of 0-1), lagging behind Malaysia (#62), Thailand (#89), and significantly behind Singapore (#9). The percentage of Indonesia's population living below the poverty line by 2011 was also relatively high, which was 16.2% of the total population of Indonesia (249.9 million in 2013) or equals to approximately 40 million people.

Article 23 Paragraph (1) of Indonesia's 1945 Constitution states that, as a tool of state financial management, the national budget shall be stipulated by law annually and be implemented in transparent and accountable manner for the greatest benefit of the people. Therefore, it is a challenge for BPK, who is mandated by the Constitution to audit state financial management and accountability, to make sure that the audits can bring more significant impacts to the improvement of people's welfare.

Third, the government's ineffectiveness is marked by relatively high level of corruption. Indonesia ranks 114 out of 177 countries with a score of 32 (on a scale of 0-100) in the 2013 Corruption Perception Index as measured by Transparency International. In addition, government organisational postures that do not have the right size, functions, and targets from the perspective of organizational needs and workload, as well as the lack of inter-agency coordination and synergy at central and local levels, both horizontally and vertically, also contribute to the ineffectiveness of the government.



Study findings from the Institute for Public Administration (LAN) indicates that there are potential of overlapping and duplication of powers, duties and functions of central-level government agencies in at least 32 sectors/areas of government. One of them is in the maritime sector, which is one of the government priority area. There are at least nine agencies that have potential overlapping authorities.

Government ineffectiveness leads to a waste of resources and creates adverse impacts on business, finance and investment, creating the so-called high-cost economy. Not surprisingly, the World Bank through its 2015 Ease of Doing Business Index puts Indonesia in 114<sup>th</sup> position out of 189 countries.

Four, the adoption of accrual accounting at the overall central and local governments. The adoption aims to improve the quality of decision-making in the government through more comprehensive and more transparent presentation of information concerning all aspects of government finance.

The adoption of accrual accounting is a challenge not only for all government institutions, but also for BPK as audit institution. Hence, it is absolutely necessary to improve BPK auditors' capability to adjust to the new accounting system in their audits.

With regards to the challenges and opportunities, with all its power and mandate BPK can play a role to ensure that the Government of Indonesia has and implements the right policies in macro-economic development, so that opportunities can be used to push the national economic growth as well as to improve people's welfare.

### Demographic Dividends

The projected number of Indonesian population in 2010—2035 is illustrated in the following table:

**Table 1. Projection of Population of Indonesia 2010-2035**

	2010	2015	2020	2025	2030	2035	Changes 2010-2035 (%)
0-14 years old, in millions	68.1	69.9	70.7	70	67.9	65.7	3.5
15-64 years old, the working age, in millions	158.5	171.9	183.5	193.5	201.8	207.5	30.9
60+ years old, the elderly, in millions	11.9	13.7	16.8	21.3	26.7	32.4	167.8
Total, in millions	238.5	255.5	271.1	284.8	296.4	305.7	28.2
Urban population (%)	49.8	53.3	56.7	60	63.4	66.6	33.4
Dependency ratio	50.5	48.6	47.7	47.2	46.9	47.3	- 7.4

The data shows that the number of Indonesia's population continues to increase as the proportion of working-age population grows and increases with projected change of 30.9%. Such conditions create opportunity of increased labour force in the country as well as an opportunity to fill the needs for labours in other countries. As the number of working age population increases, the dependency ratio will decline.

Aside from the opportunities, such a large population may cause various social problems if there are no right policies to support them. Large population will increase pressure on the demands for food and energy as well as on the quality and sustainability of the environment. As the elderly population grows, they would require social security, old-age pension, and services related to aging and degenerative diseases. Urbanization and migration require cities to provide adequate urban infrastructure while at the same time hold the potential of social conflicts, unemployment and crimes. High population also potentially increases pollution and causes the spread of infectious diseases.



With regards to these conditions, BPK role is to assess whether the government has and implements the right development policies and programs concerning human resources, population, health, education, economy and employment, infrastructure and natural resources in order to harness the potential of the large working age population and curb

potential problems that it may cause. In addition, the government also needs to have development policies and programs to ensure equitable development and its results.

## Climate Change

The increasing public awareness and attention on the issues of environment, climate change, and sustainable development also increase the demands of stakeholders on the integration of environmentally friendly perspective in all aspects of life and business processes, including in the public sector.

## National Development Agenda

As described in the previous chapter, BPK is a state institution that works in synergy with other state institutions to achieve the goals of the country. Such synergy is realized by setting the focus on how BPK exercises its duties and authorities, mainly in audits, to optimally safeguard the national development agenda as prescribed in 2015—2019 RPJMN. There are nine priorities agenda of national development as well as three dimensions of development in the 2015—2019 RPJMN that helped shape the strategic environment of BPK. They should therefore be addressed. The nine priority agenda of national development and the development dimensions are presented as follows:

**Figure 6. Priority Agenda and Development Dimensions**

Development Priority Agenda		Development Dimensions	
1. To re-establish the state's duty to protect all people and provide security to all citizens	Human	1. Education 2. Health 3. Housings 4. Mentality/character	
2. The presence of the government through a clean, effective, democratic, and reliable governance			
3. To build Indonesia from its periphery; to strengthen the rural areas within the framework of a unitary state of Indonesia			
4. To strengthen the presence of the state by reforming its system through corruption-free, dignified, and reliable law enforcement	Leading sectors	1. Food security 2. Energy and electrical power security 3. Maritime and marine 4. Tourism and industry	
5. To improve the quality of life of Indonesian people and communities			
6. To improve people's productivity and competitiveness in the international market so that Indonesian can move forward and stand up with other Asian nations			
7. To achieve economic independence by moving the strategic sectors to domestic economy	Inter region (village, peripheral areas, outside Java, Eastern Indonesia)	1. Equitable Distribution and Regional-Base 2. Inter income-group	
8. To revolutionize the nation's character			
9. To strengthen diversity and social restoration of Indonesia			

## Stakeholders' Expectations

BPK strategic environments at the national level are also influenced by the its stakeholders expectations. Thus, in addressing the strategic environments, BPK needs to pay attention to the expectations of its stakeholders which include representative bodies (DPR – national parliament, DPD – regional council/senate and DPRD – local parliament) as a reflection of expectations of the people, the government (audited government agencies and law enforcement agencies), other statutory agencies, citizens of Indonesia, and international institutions.

To better understand the expectations of its stakeholders, BPK has carried out a series of activities such as hearings with representative bodies and other relevant agencies, stakeholders' satisfaction survey to measure the level of satisfaction among stakeholders on the performance of BPK, and held *BPK Mendengar* (BPK Listens – a sharing forum) to find out about the public's opinion about BPK and various aspects pertaining to BPK duties.

Through the abovementioned activities, BPK is able to identify many things that must be addressed in terms of its institutional aspects. The stakeholders expect that BPK always maintains its core values in performing its duties as well as be more active in communicating and disseminating information in order to improve inter-agency cooperation. In terms of audit, the stakeholders expect that BPK's audits stay focused so as to better answer the needs of the people and that BPK's audit-recommendations should be made in more details and being able to answer the problems faced by the audited entities. Further, the stakeholders also expect that BPK improves the quality of its audit reports and increases the number of auditors.

## Developments in International Environment

BPK is a member of supreme audit institution organization on a global level (INTOSAI), Asia level (ASOSAI) and ASEAN level (ASEANSAI) and plays an active part in the activities of those organizations. BPK also works with international institutions such as the United Nations, the World Bank, and the Asian Development Bank regarding audits of international organizations and projects funded by foreign loans and grants, as well as capacity building

activities. Furthermore, BPK also fosters bilateral cooperation with other supreme audit institutions in order to exchange knowledge and experience in state financial audit.

BPK involvement in international organizations of audit institutions, relationship with international organizations and cooperation with supreme audit institutions provide leverage in the development of BPK capacity and institution. This includes, among others:

#### **1. Audit Standards and Guidelines**

As a member of INTOSAI, BPK takes into account and uses international audit standards or International Standards of Supreme Audit Institutions (ISSAI) to develop BPK audit standards. Development of ISSAI in the INTOSAI environment affects the development of BPK audit standards and guidelines.

#### **2. Institution Building and Capacity Building**

BPK engagement and relationships with international organizations and other supreme audit institutions bring impacts to the improvement of BPK in terms of its capacity and as an institution. The impacts can be seen in the increased capabilities, knowledge and experience of BPK Human Resources in various international activities. Knowledge and experience gained from international activities also have an effect on the improvement of corporate governance and the development of knowledge management systems as well as best practices for BPK institutional development. Thus, the benefits of international activities are not only obtained at the individual personnel level, but also for BPK as an institution.

#### **3. Quality Improvement**

The quality of BPK audit results can be improved by assessing the suitability of BPK audit practices and standards with the international standards and guidelines, as well as through benchmarking, peer review and exchange of experience with other SAIs.

#### **4. Increased Credibility**

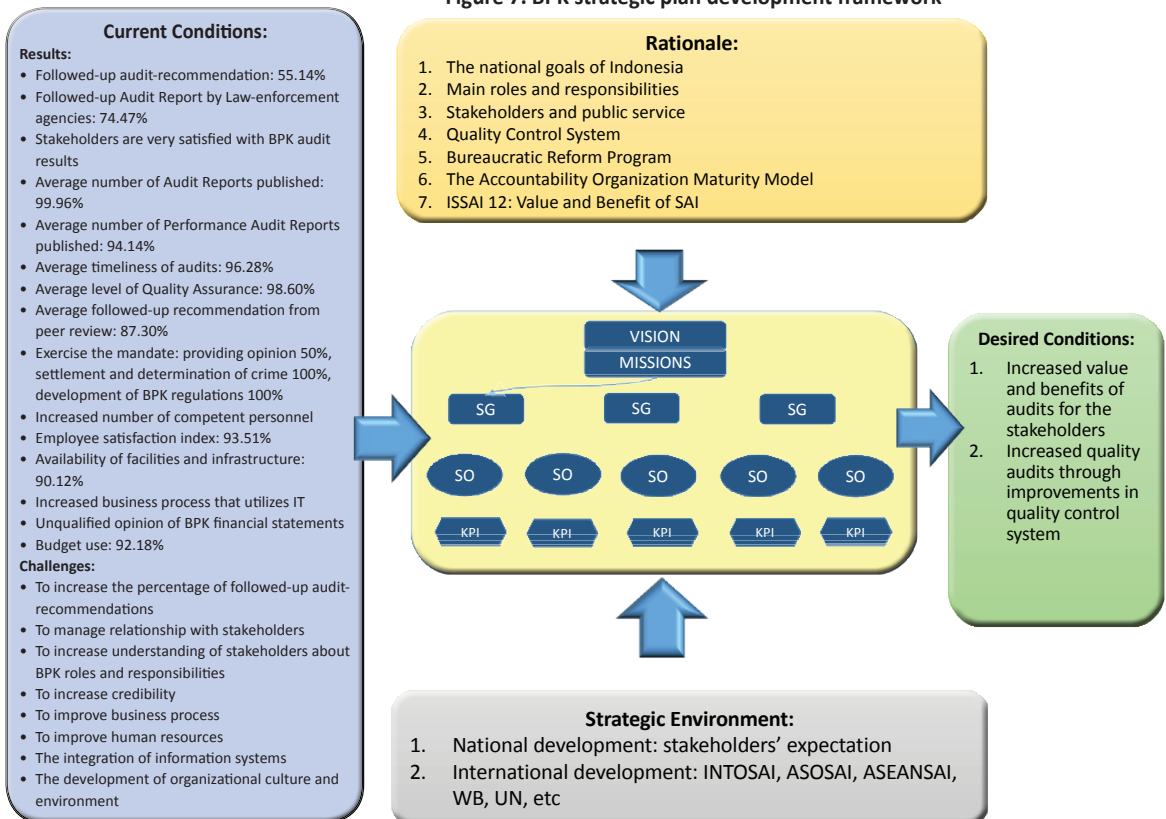
The role of BPK in auditing international organizations and projects financed from foreign loans and grants also increase stakeholders' trust and confidence on BPK credibility. Furthermore, BPK audits on projects

financed from foreign loans and grants provide reasonable assurance on the transparency and accountability of such loans and grants.

## DESIRED CONDITIONS

The conditions expected to be achieved by the end of the Strategic Plan period are displayed in BPK Strategic Plan Development Framework 2016—2020, which are built upon the principles that must be adhered to and considered by BPK, the developments in BPK internal and external environment, as well as the ideal conditions that BPK aims to achieve. The strategic plan development framework is built by considering four aspects, namely: rationale, the current conditions, strategic environment and the desired conditions.

Figure 7. BPK strategic plan development framework



The **rationale** section illustrates BPK's mandate according to the legislation and an overview of the best practices of a Supreme Audit Institution (SAI). **Current Conditions** section provides a baseline that describes BPK condition when the 2016—2020 Strategic Plan was drafted. **Strategic Environment** section provides an overview about the environments surrounding BPK that affect its existence as an organization. **Desired Conditions** section provides some ideas of things that BPK wishes to achieve by end of 2020 through the implementation of the Strategic Plan that has been prepared by considering the rationale, current conditions, and strategic environment.

Taking into account the rationale, current conditions, and strategic environment, two conditions are set to be achieved in 2016—2020, namely the increased use of audit results and increased quality audits in supporting better state financial management to achieve the Nation's goals.

## STRATEGIC ISSUES

The strategic plan's development framework was followed by a SWOT analysis on BPK quality control system to further explore the strategic issues faced in achieving the desired conditions within the next five years. Based on the SWOT analysis results, implementation of bureaucratic reform program and development of the organization's internal and external environment, the strategic issues to be noted include the followings.

1. The follow-up on BPK's audit recommendations by the state financial managers.

The extent to which BPK recommendations are being followed-up are one of the proofs that the quality of BPK audits is valued and appreciated by audited entities. In addition, the level of follow-up on BPK audit-recommendations will determine the success of BPK's efforts to improve the management of state finances.

Up to the last report (2014), the follow-up of recommendation has yet to show a good level, ranging only in 50-60%. Increasing this level of follow-up needs to be put in BPK future transformation agenda so

---

### STRATEGIC ISSUES:

1. The follow-up of BPK audit recommendations by state financial managers must be improved;
  2. Relationship between BPK and stakeholders must be well managed;
  3. Increased understanding of all stakeholders about BPK roles and responsibilities;
  4. BPK credibility must be maintained and further improved;
  5. Improvement of BPK business process;
  6. Increased human resources competence;
  7. Integration of BPK information systems;
  8. The development of organizational culture and environment.
-

that the audited entities and other stakeholders would better feel BPK presence.

2. Relationship with stakeholders are not yet managed to increase the impact of BPK audits to transparency and accountability of state finances.

BPK's audits will have a significant impact to public welfare if BPK can capture the problems faced by the people as well as the obstacles faced by the stakeholders in carrying out their duties and functions in national development.

3. Increased understanding among all stakeholders regarding BPK roles and responsibilities.

So far there are a number of public expectations on BPK that cannot be met because those expectations are not included as BPK roles and responsibilities. For example: public expectations that entities are not engaged in any corruption when BPK issues unqualified audit opinion for their financial statements.

4. The organization's credibility must be maintained and further improved.

The organizational credibility is attained by preventing any interventions from any parties which may interfere with BPK independence in conducting audits, and in ensuring that employees adopt characters that are in line with BPK core values.

5. Improved business process through the adoption of ICT.

BPK has managed to put together a roadmap on improving its business processes as specified in Strategic Plan 2011—2015, which sets out 12 business processes that need to be improved and automated. When the Strategic Plan's period ended, BPK has only been able to make some improvement and automation on in one business process, namely the monitoring of the follow-up of BPK audit-recommendations. To further improve the quality of BPK as an organization, improvement and automation of other BPK business processes is a strategic issue which needs to be addressed in the 2016-2020 Strategic Plan.

6. Increased human resources capability.

Development of human resource management in BPK in the period of 2011-2015 was aimed at competency management, performance management, career management and training and development. However, to support the implementation of its duties and functions, BPK must be supported by employees who have excellent skills and expertise in the required fields.

Hence, for the 2016—2020 Strategic Plan, the focus of human resource development will be aimed at the development of audit talent pool that would support achievement of BPK's vision and missions.

7. Integration of information systems and database updates.

Information system that is based on information technology and database is one of the critical points in improving governance and supports for BPK in performing its duties in the digital era. In Strategic Plan 2011—2015, BPK had developed various information systems, yet they were not well integrated and its database had not been updated adequately.

This strategic issue is quite crucial for BPK in supporting the implementation of its duties and functions, especially in addressing constraints in human resources. Through the use of integrated and complete information systems and databases, particular administrative activities can be eliminated and the available human resources can be better directed towards analytical activities, especially in audits.

8. Development of organizational culture and environment that is conducive to the employees as well as the development of knowledge management so that BPK becomes a convenient place for its employees to build careers and competencies.

## CONTINUITY OF BPK STRATEGIC PLAN

BPK Strategic Plan 2016—2020 is a continuation of the Strategic Plan 2011—2015. The accomplishments of the 2016—2020 Strategic Plan are expected to continue in the next Strategic Plans. The continuity of BPK institutional development agenda from time to time can be illustrated as follows:

Table 2. Continuity of BPK Strategic Plans

Area	2011—2015	2016—2020	Post—2020
<b>Stakeholders' Perspectives</b>			
<ul style="list-style-type: none"> <li>Follow up monitoring of BPK's audits recommendations</li> </ul>	Focus on data completeness and update	Focus on efforts to further improve the audit recommendations that have been implemented by Entities	Focus on the audit recommendations implemented by Entities
<b>Internal Process Perspective</b>			
<ul style="list-style-type: none"> <li>Audit engagement</li> </ul>	Audits are focused more on financial audits and special purpose audits (PDTT)	Increasing performance audits and focusing on the oversight and insight functions for both the performance audits and the special purpose audits	Strengthening the oversight and insight functions for both the performance audits and the special purpose audits as well as improving the foresight function
<ul style="list-style-type: none"> <li>The exercise of BPK authorities</li> </ul>	Focus on the provision of software such as policies, standards and guidelines in exercising BPK authorities	Focus on strengthening and updating the software such as policies, standards and guidelines in exercising BPK authorities, particularly the use of IT	Increasing effectiveness on BPK exercise of authorities by the stakeholders
<b>Organizational Growth and Development Perspective</b>			
<ul style="list-style-type: none"> <li>Human resources development</li> </ul>	Development for auditors who hold functional positions and competence-based human resources development	Developing the capability of human resources through specialization (talent pool)	Increasing efficiency and effectiveness of human resources management
<ul style="list-style-type: none"> <li>IT management</li> </ul>	Fulfilling the needs to provide applications in supporting the organizations' operations	Enhancing the role of IT as the driver in the organizational operations and increasing the use of e-audit	Increasing efficiency and effectiveness of IT use in BPK organizational operations
<ul style="list-style-type: none"> <li>Organizational culture</li> </ul>	Management of organizational culture is not yet integrated	Structured, documented, and systematic management of organizational culture management	Assessing the implementation of organizational culture
<ul style="list-style-type: none"> <li>Knowledge management</li> </ul>	Performed independently by individual work unit and not centrally managed	Centralized and integrated management of organizational knowledge management	Improving the quality of knowledge management





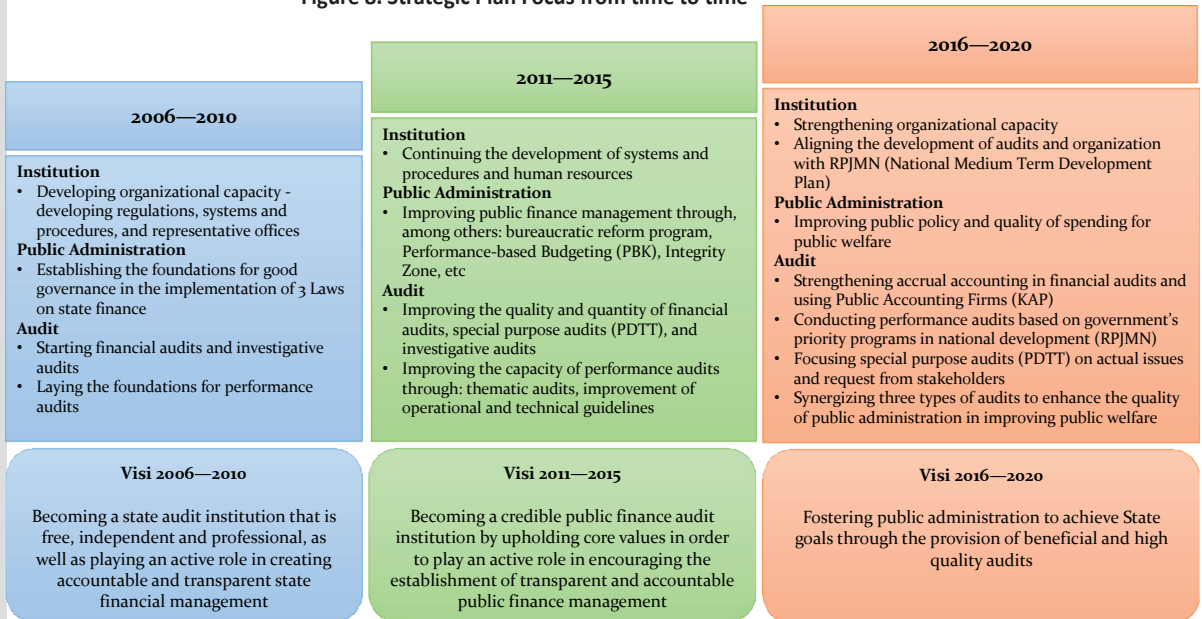
# Chapter 2



## VISION

**F**or an organization, a vision describes the expected future conditions to be achieved by the organization. BPK's vision changes along with developments in the organization and the shift of focus in BPK's development, which having relevance to developments in public administration in Indonesia.

Figure 8. Strategic Plan Focus from time to time



In the **2006—2010 Strategic Plan**, Indonesia’s public administration was marked by the laying of foundations for good governance in the implementation of the three national laws on state finances. In that period, BPK set the vision: **“becoming a state audit institution that is free, independent and professional as well as playing an active role in creating accountable and transparent public administration ”**. BPK’s organizational development is focused on developing organizational capacity, particularly developing the regulations that are required to implement the Law No. 15 of 2006 about BPK, including the required implementing regulations and systems and procedures, as well as establishing representative offices in all provinces in Indonesia. Meanwhile, the audit development focus is the commencement of financial audits and investigative audits as well as laying of the foundations for performance audits in accordance with INTOSAI best practices.

In the **Strategic Plan 2011—2015**, public administration developed into continuing the implementation of the three national laws on state finance. This was marked by the start of budgeting reform program, bureaucratic reform program, establishment of integrity zone program, etc.

Within that period, BPK had the following vision statement: **“Becoming a credible public finance audit institution by upholding core values in order to play an active role in encouraging the establishment of transparent and accountable public administration”**. This vision statement was built on what has been accomplished under the previous vision, because in the Strategic Plan of 2006—2010 BPK was able to establish itself as an independent, free, and self-governing institution as required in INTOSAI’s Lima Declaration by fulfilling the requirements as stipulated in Law No. 15 of 2006.

The focus of organizational development was to build on the accomplishments from previous period, i.e. completing the required systems and procedures as well as improving human resources management.

In terms of audits, focus was placed on improving the quality of financial audit, performance audit, and special purpose audit. Such development focus was carried out by adjusting the audit standards with the standards issued by INTOSAI as well as by increasing the number of performance audit. The period also sees the beginning of thematic performance audit, i.e. performance audit on a broad topic or strategic issues, in which the field work was carried out by several work units which covered a number of audited entities and conducted on a continual basis. The results of the thematic audit were expected to provide broader conclusions on the implementation of government programs and activities.

Upon entering the period of **2016—2020 Strategic Plan**, BPK’s development focus in supporting better public administration will be shifted from the administrative assurance in state financial management to a more substantive results assurance in development programs (outcomes and impacts). In the future, it is expected that the utilisation of the BPK audit results will bring a greater impact for the life of the nation. In order to improve public policies and the quality of spending to achieve the State’s goals. Therefore, BPK is required to strengthen the use of accrual accounting in financial audit; to strengthen the use of performance audit on national development priority programs as specified in RPJMN; to focus the special purpose audits (PDTT) on actual issues and request/demand from stakeholders; as well as synergizing the three types of audits to support the quality of public administration in order to achieve the State’s goals.

BPK’s organizational development policy is directed towards improving the operational aspects of audits, the quality of stakeholders’ relations,

corporate governance, and optimizing BPK resource utilization which includes human resources, means and facilities, information technology, knowledge management and organizational culture, as well as financial resources.

**The vision in 2016-2020 Strategic Plan is “Fostering public administration to achieve State goals through the provision of beneficial and high quality audits”,** which means that in accordance with BPK’s mandate as stipulated in the 1945 Constitution, BPK’s audits in 2016—2020 period will ensure that all public administration managers have developed and conducted development programs/activities that have direct connections to the achievement of state goals as specified in 2015—2019 RPJMN agenda.

The achievement of this vision will be marked by increased use of audit outcomes and improved quality audits that supports public finance management in achieving state’s goals.

---

## BPK’s VISION 2016—2020

Fostering public administration to  
achieve State goals through the  
provision of beneficial and high  
quality audits

---

## MISSIONS

Indonesia’s 1945 Constitution Article 23 E paragraph (1) states that “to audit the management and accountability of state finance (i.e. Public Administration), a single Audit Board that is free and independent shall be established”. Furthermore, Article 3 (1) of Law No. 17 of 2003 on State Finance stipulates that the state finance (i.e. public administration) shall be managed in an organized manner, in compliance with the laws and regulations, efficient, economical, effective, transparent and accountable with regards to sense of justice and propriety (Article 3 paragraph (1)). The elucidation of the paragraph states that every state administrator must manage public administration in an organized manner, compliant with the laws and regulations, efficient, economical, effective, transparent, and responsible with regards to sense of justice and propriety.

Based on the legislation mentioned above, BPK's **missions** can be formulated as follows:

- a. Audit public administration independently;
- b. Govern the organization with integrity, independence and professionalism.

Public administration is the overall activities of public administration managers with respect to their position and authority, which includes planning, implementing, monitoring and accountability. In exercising their duties, Public administration managers must observe the principles of transparency, accountability, and integrity. Accountable means that Public administration should be result-oriented. This implies that every budget user shall answer and explain the performance of the organization with regards to the success or failure of programs which it is responsible for. The principle of openness or transparency in Public administration require transparency in the deliberations, determination and calculation of the budget as well as on the results of monitoring by an independent audit institution. Integrity in Public administration means that Public administration has been carried out in accordance with the prevailing laws and regulations and with due regard to propriety.

State Financial Accountability is the government's obligation to carry out public administration in an organized manner, compliant with the laws and regulations, efficient, economical, effective, and transparent, with regards to sense of justice and propriety. BPK audits are intended to support the achievement of state's goals, as set forth in the Preamble of the 1945 Constitution. The state ideals shall be achieved through the formation of a government that is equipped with all available tools to carry out development activities. The government divides its development plans into the Long Term Development Plan (RPJP, 2015—2025), Medium Term Development Plan or five yearly plan (RPJMN, 2015—2019) and annual plans.

---

## MISSIONS

- a. Audit public administration independently;
  - b. Govern the organization with integrity, independence and professionalism
-

Implementation of BPK missions is carried out by setting the strategic goals as identified in the strategic issues as well as by taking into accounts the added benefits and values that can be provided by BPK to the state and Indonesian people.

## CORE VALUES

All employees shall aim to achieve the ideals that are specified in the vision and missions by upholding the core values as follows.

**a. Integrity**

We build integrity by being honest, objective and firm in applying our principles, values, and decisions.

**b. Independence**

We uphold institutional, organizational, and individual independence. In all matters pertaining to audits, we are free, in our mental attitude and appearance, from any personal, external, and/or organizational intervention that may affect our independence.

**c. Professionalism**

We build professionalism by applying the principles of precautionary, accuracy, and precision, and abide by the applicable standards.

## STRATEGIC GOALS

The 2016—2020 Vision to be the driving force of the state financial management to achieve state goals through quality and useful audits shall be achieved through BPK missions, i.e. to independently audit public administration of the state i.e. the state financial management and accountability, and to implement good corporate governance with integrity, independence, and professionalism.

In ensuring that the vision and missions are achieved, two strategic goals are specified, i.e. to increase the benefit of audit results and to improve quality audits.

## Strategic Goal 1: Increasing the Benefit of Audits in Order to Drive Public Administration to Achieve State Goals

In accordance with its constitutional mandate, BPK shall freely and independently audit public administration, and the results of the audit are submitted to the representative bodies in accordance with their respective authorities. This strategic goal aims to make sure that the audit results that have been submitted by BPK can provide maximum benefits for the stakeholders in public administration for the achievement of the state goals as outlined in the preamble to the 1945 Constitution.

As stated in Article 1 of Law No. 15 of 2006, audit results are the final results from the process of assessing the truth, compliance, accuracy, credibility, and reliability of data/information on public administration (i.e. the management and accountability of state finance) that was performed independently, objectively and professionally based on State Financial Audit Standards (SPKN) which is elaborated in an audit report as decided by BPK. BPK audit report includes (1) audit report of the financial statement, which specifies an audit opinion, (2) audit report of performance, which contains findings, conclusions, and recommendations, and (3) audit report of special purpose audit, which contains conclusion. The audit results are summarized in an Audit Result Summary which is published every semester and once every five years.

Audit results shall be useful when they are geared towards improving public administration to achieve state goals. Thus, there will be no fraud in public administration that might cause losses to state finances and contain criminal elements. BPK's audits are also useful to improve the quality of transparency and accountability of financial statements as a form of state financial accountability. Furthermore, audit results can also improve the economy, efficiency, effectiveness of public administration as well as providing in-depth assessment (insight) and future options (foresight).

Increased benefits of BPK audits can be observed from the level by which BPK stakeholders use BPK's audit results. To increase the utilization of BPK's audit results, BPK's audits must be relevant to the needs and

expectations of stakeholders. In addition, the utilization rate of the BPK audits can also be observed from the level of audit recommendations that have been implemented by entities.

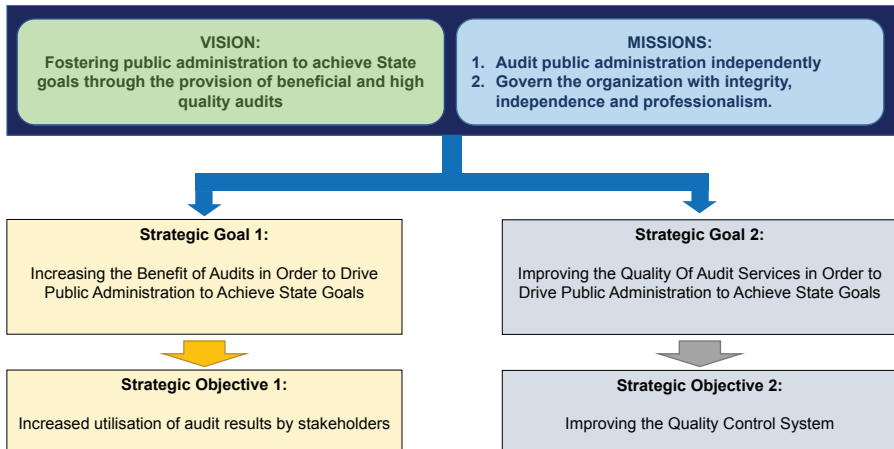
## Strategic Goal 2: Improving the Quality of Audit Services in Order to Drive Public Administration to Achieve State Goals

In accordance with the constitutional mandate to audit the state public administration, this strategic goal is aimed to ensure that the audit of state public administration is performed in accordance with the audit standards and meet the quality control system at the audit engagement and institutional levels.

## STRATEGIC OBJECTIVES

Two strategic goals specified above are achieved through the implementation of policies and strategies that will lead to the attainment of two strategic objectives to be achieved in the period of 2016—2020, which are as follows:

Figure 9. Translating Strategic Goals into Strategic Objectives

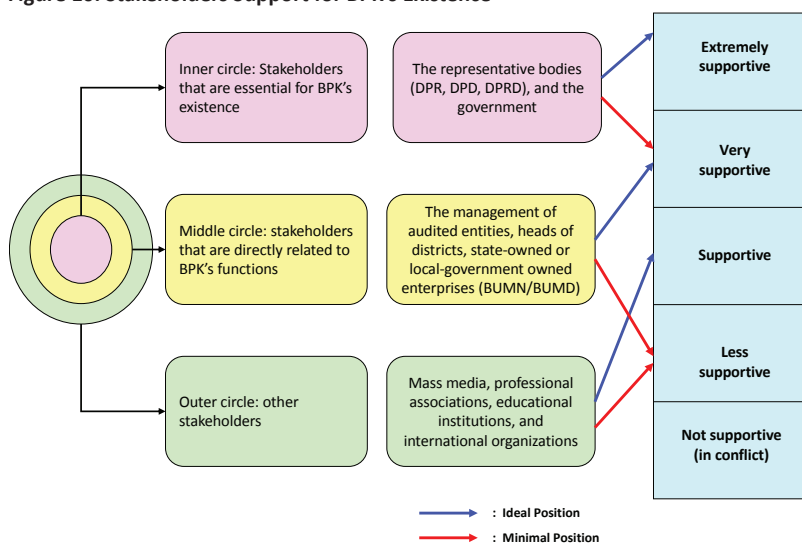


## Strategic Objective 1: Increased utilisation of audit results by stakeholders

BPK’s audit results are used by stakeholders for decision-making in line with their respective duties and authorities. In the 2016–2020 Strategic Plan, BPK’s audit results are used to support public administration in achieving state goals. The use of BPK audit results demonstrates the importance of BPK’s existence and functions for stakeholders. Figure 10 shows stakeholders support to BPK’s existence.

BPK’s stakeholders consist of representative bodies (DPR, DPD, DPRD), the government (audited government agencies and the competent authorities/law enforcement agencies, other statutory bodies), Indonesian citizens, etc. Each stakeholder has different duties and interests in using BPK’s audit results. The stakeholders can be categorized into three groups, namely: (1) stakeholders that directly affect BPK’s existence, (2) stakeholder that are directly related to the implementation of BPK’s main duties, and (3) other stakeholders.

**Figure 10. Stakeholders Support for BPK’s Existence**



It is through this strategic objective that BPK wishes to ensure that the stakeholders have used the audit results to improve the effectiveness and accountability of public finance management. To achieve this goal, areas of improvement over the next five years will be focused on the strategic audit planning and communication with stakeholders. The level of success in achieving this strategic objective shall be measured through a survey of stakeholder satisfaction index, as well as the percentage of audit recommendations that have been implemented by entities.-

## Strategic Objective 2: Improving the Quality Control System

As a state institution that is free and independent in auditing public administration, BPK improves its audit quality through the implementation of the quality control systems. It is critical for BPK to ensure that the audit results are trusted by stakeholders. In addition, BPK can also become a reference in improving the transparency and accountability of public administration. Improving the quality of the quality control system is a strategic objective of BPK in order to improve the quality of its audits. This includes improving the quality of quality control system during conducting of audits and at the institutional level. Improved quality is important to eliminate inaccuracies in the audit results that caused legal claims to be lodged by related party. In addition, quality improvement is also associated with the audited entity's level of satisfaction regarding the performance of the audit team and the organizational quality and corporate governance of BPK.

The priority business-process improvement in the audit is aimed at supporting the improvement of audit quality, while the focus of business-processes improvement in audit support and assistance is placed at the provision of software, as well as on BPK's operational activities' compliance with the prevailing laws and regulations and the availability of regulations that are needed to be the basis in implementing the organization's activities.

Success in achieving this strategic objective shall be measured by the following indicators: (a) percentage of audits legally challenged where BPK is found to be in error, (b) Level of client satisfaction with performance of BPK auditors, (c) Organizational Quality Index, (d) score achieved in annual self-assessment on Bureaucratic Reform Quality Assurance (QARB), (e) score achieved in annual performance review (AKIP). National Policy Direction and Strategies





# Chapter 3



## NATIONAL POLICY DIRECTION AND STRATEGIES

**N**ational Medium Term Development Plan (RPJMN) 2015—2019 is the third RPJMN of the Long Term Development Plan (RPJP) 2005—2025 stipulated by Law No. 17 of 2007. The 2015—2019 RPJMN outlines the course of the State’s development policies and strategies which stipulates that it will be implemented in three dimensions of development, which are: the human and societal development, the leading sectors development as well as equitable and regional development. It will also be supported by four development prerequisites or preconditions, which include legal certainty and law enforcement, security and order, politics and democracy, and good governance and bureaucratic reform.

Human development is the **first dimension** in RPJMN 2015—2019 and it is an essential element in national development. Through the human development approach, the Government seeks to bring the national development programs closer to the national goals as set forth in the 1945 Constitution, i.e. to provide social welfare for the people. This dimension is also the main source in establishing the core capitals of development. Four sub-dimensions in human development are education, health, housing, and mental/character. Human development is pivotal to the entire development process.

Development of the leading sectors is how a nation improves the life of citizens, solves its problems, and signify its identity. This **second dimension**, provides the power for a nation to live and survive. The Government has sets some priorities on this dimension by specifying four leading sectors as sub-dimensions, namely (1) food security; (2) energy and electrical power sovereignty; (3) maritime; and (4) tourism and industry. The definition of leading sector should be understood as a priority sectors that have a competitive advantage.

The outcomes of development, in line with the norms of development, are expected to withhold negative impacts or externalities that lead to disparities between regions and communities. Hence, the **third dimension** is the equitable and regional development. This dimension is strongly related with the implementation of regional autonomy (decentralization) and local governance, making it crucial for putting in place synchronized policies as well as coordination in the implementation of central and local development policies.

Further, the Government defines the necessary conditions to support the effectiveness of such development, namely legal certainty and enforcement of the law, security and order, politics and democracy, as well as governance and bureaucratic reform. It is apparent that the role of government and its apparatus is very crucial to create a climate and atmosphere that are conducive for development. An efficient climate of bureaucracy is a precondition for development. Quick-wins and follow-up programs should be at the heart of subsequent development policies.

Implementation of all three dimensions of development and the preconditions will take Indonesia to achieve the nine development agenda known as *Nawacita* and which will ultimately lead to the achievement of the **national development vision**, i.e. **Establishing a Sovereign and Independent**

**Indonesia that has Strong Identity on the Basis of Communal Works.** This will be the achievement for the Government's efforts in pursuing the nation goals, namely (1) to protect the entire people and national sovereignty Indonesia; (2) to promote public welfare; (3) to educate the life of the people; and (4) to participate toward the establishment of world order based on freedom, lasting peace and social justice.

BPK is a state institution that has a strategic role in pushing the Government to implement development policies and strategies that have been formulated in 2015—2019 RPJMN. Through its audits, BPK will oversee and ensure that national development priority programs are planned, implemented and reported in a transparent and accountable manner, as well as able to contribute to the welfare of Indonesians. In addition, BPK audits will give positive contribution in improving good governance and government's bureaucratic reform, so that the development priority targets on governance and bureaucratic reform at central and local governments can be realized.

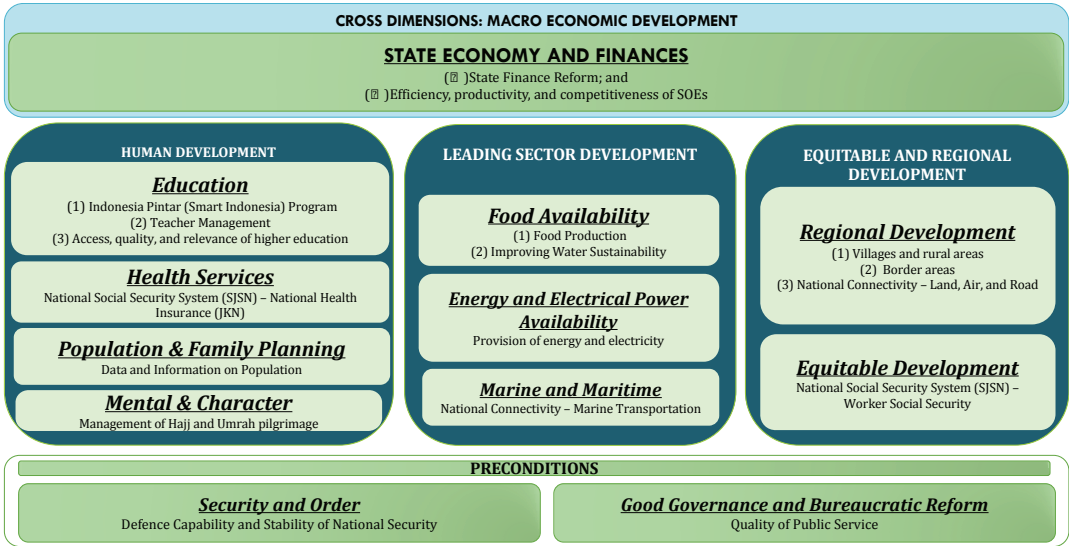
**Table 3. Priority Development Targets on Governance and Bureaucratic Reform**

No.	Development Target	Baseline 2014	Target 2019
1.	Unqualified audit opinion (WTP) on the Financial Statements of Government Ministries/Agencies	74 %	95 %
2.	National average of unqualified audit opinion (WTP) for Provincial Government	52 %	85 %
3.	National average of unqualified audit opinion (WTP) for Regency Government	30 %	60 %
4.	National average of unqualified audit opinion (WTP) for City/ Municipality Government	41 %	65 %

Audit on financial statements will ensure improvements will be made in terms of the quality of financial statements presented by the entities, as well as in the implementation of accrual accounting. In order to improve the effectiveness of audits, financial audits will be carried out jointly with Public Accounting Firms (KAP) that are registered in BPK as well as with the Government Internal Supervisory Body (APIP), including the Finance and Development Supervisory Agency (BPKP).

The themes for performance audits and special purpose audits (PDTT) will be specified based on 2015—2019 RPJMN. The themes for 2016—2020 audits include health services, education, mental and character building,

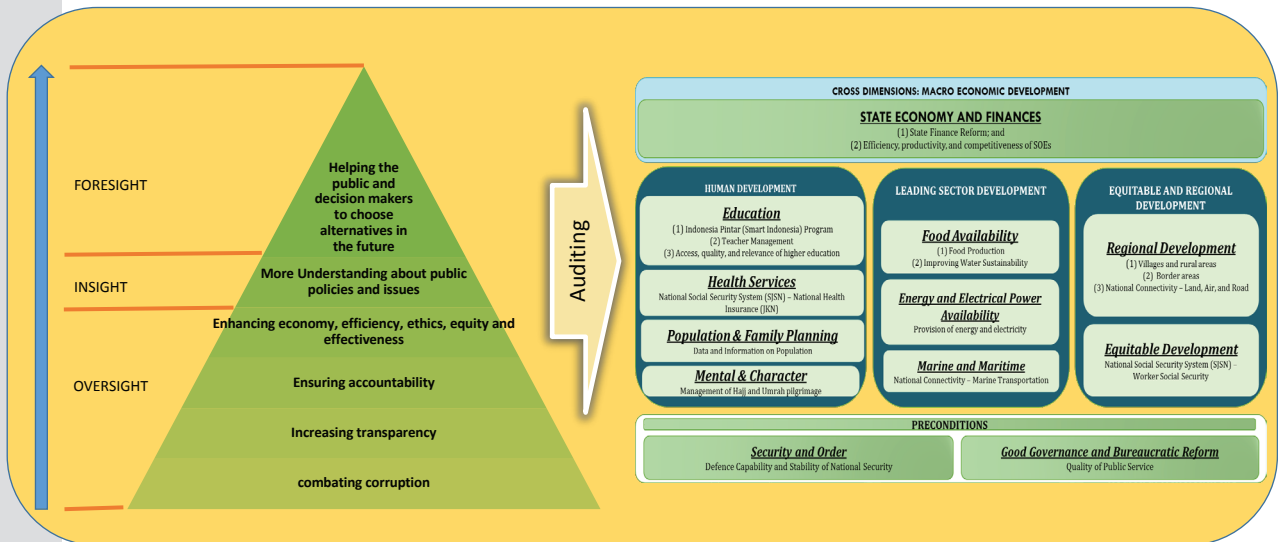
Figure 11. Audit Themes and Focus



population and family planning, food availability, energy availability, marine and maritime, regional development, equitable development, security and order, good governance and bureaucratic reform, and increasing the efficiency and effectiveness and competitiveness of SOEs. To operationalize the audits under those themes, selection of audit focus will be made based on strategic issues and/or national development priority programs.

Audits in 2016–2020 will be aligned with the abovementioned focus and themes, as shown in the illustration above. However, BPK may perform its audits in consideration of any urgent circumstances and request/demand from the stakeholders. In preparing the annual audit plan, adjustments to the priority focus will be made to reflect any developments.

Figure 12. The Link between Organizational Maturity and Audit Themes and Focus



The audits are directed to support BPK to improve its maturity from oversight audits to audits that can bring insights and foresights. By performing these audits, it is expected that BPK can provide a more comprehensive assessment on state financial management to achieve nation goals.

The themes and focus of the audits will set the course for BPK audit policy in 2016-2020. By performing audits that follow the themes and focus, BPK audit results may be useful to support better state financial management in achieving nation goals. The themes and focus of BPK audits will include audits on government development programs across dimensions, and in the dimensions as well as preconditions as outlined above, which can be further explained as follows.

## Audit on Macro Economic Development

Economic development is intended to drive the Indonesian economy towards a more advanced level, one that is able to improve people's welfare. This must be supported by a number of essential conditions including: (1) relatively high and sustainable economic growth; (2) the creation of strong economic sectors; and (3) the implementation of inclusive and equitable economic development. Within the framework of economic development, policy direction and development strategies include developments in the following sectors: (1) **state finance**; (2) monetary; (3) financial services; (4) industry; (5) **state-owned enterprises**; (6) Small and Medium Enterprises (SME) and cooperatives; (7) tourism; (8) creative economy; (9) intensified investment; (10) domestic trade; (11) international trade; (12) employment; (13) protection of migrant workers, (14) implementation of the National Social Security System (SJSN); (15) international economic cooperation; and (16) data and statistical information.

---

### DIRECTION OF ECONOMIC DEVELOPMENT IN 2015—2019 RPJMN:

- (1) **state finance**;
  - (2) monetary;
  - (3) financial services;
  - (4) industry;
  - (5) **state-owned enterprises**;
  - (6) SMEs and cooperatives;
  - (7) tourism;
  - (8) creative economy;
  - (9) intensified investment;
  - (10) domestic trade;
  - (11) international trade;
  - (12) employment;
  - (13) protection of migrant workers,
  - (14) National Social Security System (SJSN);
  - (15) international economic cooperation; and
  - (16) data and statistical information
-

State finance as manifested in the state budget (APBN) is regarded to have quite a significant role in promoting national economy and national development. The high number of development programs funded through the state budget is a reflection of the importance of state budget in national development. In addition, another agent of economy that is also considered significant to national development is the SOEs, bearing in mind their business scope and scale in particular sectors that are quite substantive and contribute to the increase of state's asset, as well as their role as public service providers in areas that may not be covered by the private sector.

Realizing the lack of optimal management in public finance as manifested in the state budget and state-owned enterprises, 2015-2019 RPJMN established policies and strategies to address these issues. As an audit institution that makes an integral part in state's institutions that also contributes to the success of national development, BPK seeks to oversee the implementation of policies and strategies within the next 5 years by assessing the Government's achievement under the main topic of **Economy and State Finance**. With regards to audit themes, the audits will be focused on two priority government programs, which are:

**d. Implementation of the State Financial Reform**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in state financial management.

Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the systems, design, planning, budgeting, implementation, and accountability of tax collection, Non-Tax State Revenue (PNBP) and grants;
2. to assess the systems, design, planning, budgeting, implementation, and accountability of state/regional expenditure and subsidies;
3. to assess the systems, design, planning, budgeting, implementation and accountability of state/regional asset management;
4. to assess the systems, design, planning, budgeting, implementation, and accountability for debt management.

**b. Improved Efficiency, Productivity and Competitiveness of SOEs**

The focus of BPK audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government and SOEs in creating SOEs that are efficient, productive, and competitive. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the effect of government policies on the productivity, efficiency, effectiveness of SOEs management;
2. to assess good corporate governance (GCG) in the SOEs;
3. to assess the restructuring of state-owned enterprises (establishment of SOE holding companies, specialized groups, optimizing public participation/ sales of SOE shares);
4. to assess the capability of SOEs in generating revenue and profit (profitability) and as agents of development;
5. to assess the synergy among SOEs.

---

### MAIN SECTORS OF STATE-OWNED ENTERPRISES:

- 1) Energy, Mining, Printing and Tourism;
  - 2) Agriculture, Fisheries, and Various Industries;
  - 3) Transportation Facilities and Infrastructures; and
  - 4) Banking and Insurance
- 

The assessment will focus on four sectors where SOEs operate, namely:

- a) Energy, Mining, Printing and Tourism;
- b) Agriculture, Fisheries, and Various Industries;
- c) Transportation Facilities and Infrastructures; and
- d) Banking and Insurance.

## Audit on Human and Societal Development

The human and societal dimension in national development is viewed as a highly significant and strategic effort to change a nation towards betterment. People as individuals and community groups who reside in a country are the main capital in national development. Therefore, human resources quality must continue to be upgraded so as to provide the country with high level of competitiveness. Increased quality of human resources is characterized by improvements in indicators, such as Human Development Index (HDI), Gender-related Development Index (GDI), Gender

## PERFORMANCE INDICATORS OF HUMAN DEVELOPMENT:

Empowerment Measure (GEM), Public Welfare Index (IKRAR), and National Public Welfare Indicators (IKRN) which can be achieved through population control, increased level of education, and improved level of public health and nutrition.

1. Human Development Index (HDI);
2. Gender-related Development Index (GDI);
3. Gender Empowerment Measure (GEM);
4. Public Welfare Index (IKRAR);
5. National Public Welfare Indicators (IKRN)

In the human and societal development, within the next five years (2015—2019) the Government will focus on the development of health services, education, mental and character building, as well as family planning and population. Development will be aimed at addressing strategic issues or problems of the nation to create competitive Indonesians.

In an effort to assess the Government's success in human and societal development, four audit themes are specified, i.e. **health services, education, mental and character building, as well as family planning and population**. Audits under those themes will focus on particular priority programs that are deemed to provide the highest leverage to creating people's welfare and are relevant to BPK's roles and responsibilities.

### Health Services

Development of public health and nutrition in 2015—2019 is directed to support the *Indonesia Sehat* (Healthy Indonesia) Program by improving the public health and nutritional status in all cycles of life, at the individual, family, and community level, through measures in health and community empowerment that are supported by financial protection and equitable distribution of health services. Reforms are mainly focused on strengthening primary health care to attain high quality, especially through improved health insurance and improved access and quality of primary health care and referral facilities, supported by health systems strengthening and better health financing. *Kartu Indonesia Sehat* (Indonesia Health Service Card) is one of the main facilities to support health sector reform in achieving optimal health care, including strengthening both the promotive and preventive measures.



The policy directive on public health and nutrition in 2015—2019 are as follows: (1) accelerate the fulfilment of access to quality health care for women, children, adolescents, and the elderly; (2) accelerate on improved public nutrition; (3) improve disease control and environmental hygiene; (4) increase access to quality primary health care; (5) improve access to quality referral health care facilities; (6) increase the availability, affordability, equal distribution, and quality of pharmaceuticals and medical equipment; (7) increase food and drugs control; (8) improve health human resources; (9) improve health promotion and community empowerment; (10) strengthen management, research and development, and health information systems; (11) strengthen the implementation of the National Social Security System (SJSN) in health services; and (12) develop and improve the effectiveness of health service financing.

---

## DIRECTION OF PUBLIC HEALTH AND NUTRITIONAL DEVELOPMENT IN 2015—2019 RPJMN:

1. access to health care for women, children, adolescents, and the elderly;
  2. access to primary health care;
  3. access to referral health care facilities;
  4. improved public nutrition;
  5. improve disease control and environmental hygiene;
  6. provision of pharmaceuticals and medical equipment;
  7. food and drugs control;
  8. health human resources;
  9. health promotion and community empowerment;
  10. management, research and development, and health information systems;
  11. **National Social Security System (SJSN) in Health Services;**
  12. effectiveness of health service financing.
- 

In terms of government's efforts in increasing the level of public health and nutrition, audits in 2016—2020 will focus on the implementation of National Social Security System (SJSN) – Health Services. Therefore, the audit **focus in health services theme** would be as follows.

**Improved implementation of the National Social Security System (SJSN) which includes the National Health Insurance (JKN) for Beneficiaries With Contribution-Subsidies (PBI) through *Kartu Indonesia Sehat* (KIS Card), and as well as for Beneficiaries Without Contribution-Subsidies (Non-PBI).**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in implementing the Social Security scheme that includes National Health Insurance

(JKN) to improve financial protection and equitable distribution of health services for the population, either for subsidized-beneficiaries (PBI) who are provided with *Kartu Indonesia Sehat* (KIS Card) and non-subsidized beneficiaries (Non-PBI). Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in improving the implementation of SJSN which include JKN to improve financial protection and equitable distribution of health services for the public;
2. to assess the quality of universal health services coverage of JKN within SJSN, both for PBI who are provided with KIS and Non-PBI;
3. to assess the optimization of public access, availability, equal distribution and quality of service in pharmaceuticals, food and environmental hygiene as well as adequate health resources;
4. to assess the quality of coordination, management improvement and utilization of health service resources in JKN under SJSN among implementing organizations, both in government and private sectors;
5. to assess harmonization between the existing and the formulated public policies as well as improving coordination among policy makers with regards to JKN under SJSN;
6. to assess the impact and success in the implementation of JKN under SJSN within the next five years as well as its sustainability for financial protection and equitable distribution in health services for the public.

## Education

The development of education sector in Indonesia in 2015—2019 is designed to address the strategic issues faced by Indonesia, as follows: 1) quality compulsory 12 years education; 2) improving the quality of

learning; 3) improving the management of teachers, teacher training, and reform of Training Institution for Educational Personnel (LPTK); 4) improving access, quality and relevance of higher education; 5) improving access to and quality of early childhood education; 6) improving employment skills and strengthening adult education; 7) improving the efficiency of education financing; and 8) strengthening good governance in education.

In terms of government efforts in the development of education sector, audits in 2016—2020 will focus on the improvement of access as well as quality and service of primary, secondary, and tertiary education. Therefore, the audit **focus** in **education theme** would be as follows.

**a. Implementation of *Indonesia Pintar* (Smart Indonesia) Program for Quality Compulsory 12 Years Education**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in implementing *Indonesia Pintar* Program for Quality Compulsory 12 Years Education. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in improving the implementation of *Indonesia Pintar* Program for Quality Compulsory 12 Years Education;

---

## DIRECTION OF EDUCATION DEVELOPMENT IN 2015—2019 RPJMN:

- 1) compulsory 12 years education;
  - 2) the quality of learning;
  - 3) management of teachers, teachers training, and reform of Training Institution for Educational Personnel (LPTK);
  - 4) access, quality and relevance of higher education;
  - 5) access to and quality of early childhood education;
  - 6) employment skills and adult education;
  - 7) education financing;
  - 8) good governance in education
- 



2. to assess the provision of quality primary education;
3. to assess improvements in access, extension and equitable distribution of quality secondary education;
4. to assess the performance of relevant ministries and agencies in implementing *Indonesia Pintar* Program towards Quality Compulsory 12 years Education.

**b. Improved Management of Teachers, Teacher Training, and Reform of Training Institution for Education Personnel (LPTK)**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in implementing improving the management of teachers, teacher training, and reform of LPTK. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in improving teacher management, teacher education, and reform of LPTK;
2. to assess the distribution of qualified education personnel and a balanced student-teacher ratio;
3. to assess the improvement of teachers quality, competence and professionalism;
4. to assess teacher certification program in improving teachers competence;
5. to assess the capacity and quality of Education Quality Assurance Unit (LPMP) and the Centre for Education Quality Assurance (PPMP) in supporting the provision of qualified teachers;
6. to assess the performance of relevant ministries and agencies in improving the management of teachers, teachers training, and reform of LPTK.

### c. Improving Access, Quality and Relevance of Higher Education

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in improving access, quality, and relevance of higher education. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in improving access, quality and relevance of higher education;
2. to assess the provision of operational costs of universities in order to improve equitable access to higher education;
3. to assess government efforts in ensuring equitable distribution of higher education through increased effectiveness of affirmative policy;
4. to assess the management of research budget and the quality of incentive system to support research activities in order to improve the quality of higher education;
5. to assess the improvement of quality in the process of university and study program accreditations in order to strengthen the quality assurance system of higher education;
6. to assess the consolidated collaboration between universities and industries in research and development activities to improve relevance and competitiveness of higher education;
7. to assess the performance of government in improving access, quality and relevance of higher education.



## Mental and Character Building

### DIRECTION OF MENTAL AND CHARACTER BUILDING DEVELOPMENT IN 2015-2019 RPJMN:

- 1) civic and religious education in schools;
- 2) encouraging the culture of production and a climate that is conducive to innovation;
- 3) teaching about diversity and creating rooms for dialogue among citizens;
- 4) the role of social institutions;
- 5) **the understanding, appreciation, practice and development of religious values;**
- 6) religious harmony;
- 7) others.

Not only human development is necessary to produce highly superior Indonesians by improving the level of intelligence and physical health through education, health, and nutrition; priority should also be given towards characters and mentality. The development of characters and mentality in 2015-2019 is aimed at: a) developing civic and religious education in schools; b) encouraging the culture of production and a climate that is conducive to innovation; c) teaching about diversity and creating rooms for dialogue among citizens; d) enhancing the role of social institutions; e) increasing the understanding, appreciation, practice and development of religious values; f) improving the harmony among religions; and g) others.

With regards to government efforts to create good character and mentality of Indonesians, audits in 2016—2020 will focus on increasing the understanding, appreciation, practice and development of religious values. Therefore, the audit **focus in mental and character building theme** would be as follows.

#### **Improving the Quality of Religious Worship Management: Hajj and Umrah Pilgrimage**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in improving the quality of service during Hajj and Umrah pilgrimage. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of planning and budgeting in organizing Hajj and Umrah pilgrimage;
2. to assess the management of Hajj registration and Hajj-quota in a transparent and accountable manner;

3. to assess the financial management related to the organization of Hajj (including the use of initial deposit, investment of the Hajj fund, and non-tax revenues from the use of Hajj boarding facilities outside the Hajj season);
4. to assess the quality of guidance, protection and services to Hajj pilgrims in Indonesia and in Saudi Arabia (services starting from departure, worship activities in Saudi Arabia, up to return to the Indonesia, which includes health, lodging, food, insurance, etc. that are relevant to the practice);
5. to assess the effectiveness of Hajj supervision by Indonesian Hajj Supervisory Commission (KPHI);
6. to assess the performance of relevant ministries and agencies in the organization of Hajj and Small-Hajj.

## Population Control and Family Planning

The human and societal development in population control and family planning in 2015—2019 will be to control the number of births, the increase of population, and the rate of population growth through family planning and family development. The population and family planning development is aimed at: a) strengthening advocacy and communication, information, and education (CIE) on population control and family planning programs; b) strengthening equitable and quality access to family planning and reproductive health services; c) increasing the level of understanding among adolescents on family planning and reproductive health; d) enhancing the role and function of family in family development; e) strengthening

---

### DIRECTION OF POPULATION CONTROL AND FAMILY PLANNING PROGRAM IN 2015—2019 RPJMN

- 1) advocacy and communication, information, education (CIE) on population control and family planning programs;
  - 2) access to family planning and reproductive health services;
  - 3) understanding among adolescents on family planning and reproductive health; 4) family development;
  - 5) the legal basis and policies in population control and family planning development;
  - 6) Institutional capacity of population control and family planning development institutions at central and local levels;
  - 7) the quality of population data and information.**
-

the legal basis and aligning policies in population control and family planning development; f) capacity building for institutions working on population and family planning development at central and local levels; and g) improving the quality of population data and information as a basis for development policies and programs and implementation of basic population services.

With regards to government efforts to have quality development of population control and family planning, audits in 2016—2020 will focus on improving the quality of population data and information. Therefore, the audit **focus** in **population control and family planning theme** would be as follows.

**Strengthening Data and Information on Population Development**The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in improving the quality of population data and information so it can be used to plan and evaluate development outcomes. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of planning and budgeting in strengthening of data and information on population development;
2. to assess the development of data and information on population development (which covers the integrated vital registration, population registration services, and preparation of supporting facilities);
3. to assess the provision of population data and information;
4. to assess coordination, dissemination, accessibility, and use of population data and information by the stakeholders, including the private sector and academics, for planning, implementation, and evaluation of development (including the use of NIK (citizen identity number), electronic ID cards by public agencies and residents);
5. to assess the performance of relevant ministries and agencies in the development of data and information on population development.

## Audits on Leading Sectors Development

To become a developed nation, a country should build the sectors that have competitive advantages. In RPJMN 2015—2019, the development of leading sector is directed at four priority areas, namely food security, energy and electrical power sovereignty, marine and maritime, as well as tourism and industry.

In an effort to assess the Government's success in developing the leading sectors in 2016—2020, BPK has specified three sub-dimensions of development in the dimension of leading sectors, namely **food availability, energy and electrical power availability, as well as marine and maritime** as the **audit themes** of BPK. Audits under those topics will not be performed on the overall priority development programs as planned by the Government, but rather be focused on specific priority programs which are deemed to provide the highest leverage to create people welfare and are relevant to the roles and responsibilities of BPK.

### Food Availability

Population growth requires an ever-increasing provision of food yet at the same time the availability of and public access to food and its consumption should be secured, both in terms of quantity and quality of balanced nutrition. In line with the direction of Law No. 17 of 2007 on RPJPN 2005—2025, Law No. 18 of 2012 on Food, and Law No. 19 of 2013 on the Protection and Empowerment of Farmers, policy directions on food security in RPJMN 2015—2019 are as follows: 1) strengthening food security towards self-sufficiency in food, by increasing staple food production; 2) stabilizing food prices; 3) improving the quality of public food consumption and nutrition; 4) mitigating any disruptions to food security; and 5) improving the welfare of actors in the food sector, especially farmers, fishers and fish farmers.

---

### DIRECTION OF FOOD SOVEREIGNTY DEVELOPMENT IN 2015— 2019 RPJMN:

---

- 1) **strengthening food security;**
  - 2) stabilizing food prices;
  - 3) the quality of public food consumption and nutrition;
  - 4) **mitigating any disruptions to food security;**
  - 5) the welfare of actors in the food sector (especially farmers, fishers and fish farmers)
-



In addition, the Government will also work on the development of water security to support food security, with these policy directions as follows: a) maintaining and restoring water sources and ecosystems; b) meeting the needs and ensuring the quality of water for public daily life; c) meeting the needs for water for social and productive economy; d) improving community resilience in reducing the risk of water-related damages, including climate change; e) improving institutional capacity, management, and integration in an integrated, effective, efficient and sustainable management of water sources.

With regards to government efforts to achieve national food security, audits in 2016—2020 will focus on increasing food production for food self-sufficiency and meeting water needs for productive economy, especially the irrigation network/marshes to support national food security. Therefore, the audit **focus in food availability theme** would be as follows.

#### a. Securing Food Production for Food Self-sufficiency and Diversification

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in securing food production both in quantity and quality for self-sufficiency and diversification. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in securing food production for self-sufficiency and diversification;
2. to assess the increase in the provision and use of land to secure food production;
3. to assess the provision of agricultural tools and machines and application of technology;
4. to assess the provision and distribution of seeds and fertilizers to increase food productivity;

5. to assess the management of irrigation water for agriculture to secure food production;
6. to assess the performance of relevant ministries and agencies in securing food production for self-sufficiency and diversification.

**b. Improvement of Water Supply to Support National Security**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in meeting the needs for water for agricultural irrigation purposes. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in order to meet the needs of water for agricultural irrigation;
2. to assess the development and improvement of irrigation networks;
3. to assess the development, improvement, rehabilitation, containment of water to meet irrigation needs;
4. to assess government efforts to manage the upstream watershed on an ongoing basis;
5. to assess the performance of relevant ministries and agencies in meeting the needs for water for agricultural irrigation.

### Energy and Electrical Power Availability

National development to achieve energy and electrical power sovereignty is directed towards improvements in: 1) primary energy production, especially of oil and gas; 2) buffer reserves and operational energy; 3) the role of renewable energy in the energy mix; 4) accessibility of energy; 5) efficiency in the use of energy and electricity; 6) more transparent and better targeted management of fuel subsidies; and 7) the use of water resources for hydropower.

## DIRECTION OF ENERGY AND ELECTRICAL POWER SOVEREIGNTY IN 2015—2019 RPJMN:

- 1) primary energy production;
- 2) buffer reserves and operational energy;
- 3) **renewable energy in the energy mix;**
- 4) accessibility of energy;
- 5) efficiency in the use of energy and electricity;
- 6) fuel subsidies; and
- 7) the use of water resources for hydropower

With regards to government efforts to achieve national food security, audits in 2016—2020 will focus on increasing energy and electricity supply in residential areas including for households, fishers, commercial sector and transportation. Therefore, the audit **focus in availability of energy and electricity theme** would be as follows.

### Provision of Energy and Electricity in Residential Area

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in ensuring energy and electricity availability to increase access to electricity as well as oil and natural gas in residential areas (including households, fishers, commercial sector, and transportation). Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in providing energy and electrical supply;
2. to assess the provision of infrastructure and electricity services;
3. to assess the management of gas and oil in the context of the availability of gas and fuel for domestic energy needs;



4. to assess the management of new and renewable energy as well as energy conservation to meet the needs of electrical power;
5. to assess the performance of relevant ministries and agencies in ensuring the availability of energy and electricity to increase access to electricity services and oil and gas in residential areas.

## Marine and Maritime

Maritime development in RPJMN 2015—2019 is carried out by putting forward the role of maritime economy and synergy of national maritime development, where the main goals are as follows: 1) utilization of marine resources for economic development and fishermen welfare; 2) availability of integrated data and information on marine resources; 3) establishment of maritime highway to increase connectivity in the sea; 4) environmental conservation and marine resources, and 5) the establishment of qualified human resources and science and technology in maritime sector and increased maritime culture and insights.

---

### **DIRECTION OF MARINE AND MARITIME DEVELOPMENT IN 2015—2019 RPJMN:**

---

- 1) marine resources for economic development and fishermen welfare;
  - 2) integrated data and information on marine resources;
  - 3) maritime highway to increase connectivity in the sea;
  - 4) environmental conservation and marine resources,
  - 5) the qualified human resources and science and technology in maritime sector and increased maritime culture and insights.
- 





With regards to government efforts to develop the marine and maritime sector, audits in 2016—2020 will focus on the development of maritime highway to improve connectivity in the sea. Therefore, the audit **focus in marine and maritime theme** would be as follows.

#### **Strengthening National Connectivity: Management and Operation of Marine Transportation**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in improving the management and operations of marine transportation to strengthen connectivity in order to support

marine and maritime development. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in improving the management and operations of marine transportation and in establishing local, national, and global connectivity;
2. to assess the provision of marine transportation for passengers and logistics, ports and harbours, as well as supporting facilities and infrastructure of marine transportation;
3. to assess the Government's efforts in enhancing the safety, security and service as well as facilities and infrastructure of shipping/marine transportation;
4. to assess the quality of management and services in the supporting facilities and infrastructure of marine transportation (compliance with technical standards and operational standards of marine facilities and transportation);

5. to assess the quality of the provision of maritime transportation services in the border areas, the outer islands and other non-commercial areas.
6. to assess the Government's efforts in empowering the local governments, state-owned enterprises, the private sector and the national shipping industry in their roles in providing the infrastructure and strengthening connectivity as well as improving efficiency in delivering transportation;
7. to assess the Government's efforts in improving community's access to facilities and infrastructure of marine transportation services in order to support inter-regional connectivity;
8. to assess the Government's efforts in promoting the development of efficient and environmentally-friendly transportation technology;
9. to assess the performance of relevant ministries and agencies in supporting marine transportation to achieve national connectivity.

## Audit on Equitable and Regional Development

One characteristic of a quality economic growth in the national development process is the ability to create equal income distribution, alleviate poverty and reduce inequality (Prasad, 2008). Development in Indonesia in the last decade has not been able to optimally address the problems of unequitable development. World Bank study (2014) shows that the degree of inequality in Indonesia is one of the highest in Asia, as reflected in the rise of Gini coefficient, from 0.32 in 1999 to 0.41 in 2012. Income inequality is followed by gaps in development between regions that contribute to the widespread problem of poverty and social injustice.



2015—2019 RPJMN explains that inequality and inequity is one of the main problems to be addressed in order to realize the vision of national development, i.e. an independent, progressive, just and prosperous Indonesia. Therefore, 2015—2019 RPJMN outlines various policies and strategies for the Government in addressing the strategic issues pertaining to equitable and regional development.

In assessing government efforts in equitable and regional development, audits in 2016—2020 will focus on the Government's efforts to build Indonesia from the periphery by empowering local areas and villages as well as to establish social welfare for the poor and the non-productive (retired people). Therefore, the audit theme in this dimension is **Regional Development and Equitable Development**.

### Regional Development

#### DIRECTION OF REGIONAL DEVELOPMENT IN 2015—2019 RPJMN:

- (1) the border areas and outer islands;
- (2) underdeveloped and remote areas;
- (3) underdeveloped villages;
- (4) areas where government do not have enough capability to provide public services

Regional development is a development where the foundations of asymmetric decentralization policy are laid down by setting affirmative policies that are in favour to the subnational regions that are still lagging behind, as follows: (1) the border areas and outer islands; (2) underdeveloped and remote areas; (3) underdeveloped villages; (4) areas where government do not have enough capability to provide public services.

With regards to regional development policy, audits in 2016—2020 will focus on village and rural development, border areas and connectivity between regions. Therefore, the audit **focus in regional development theme** would be as follows.

#### a. Village and rural development

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in village and rural development. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in developing villages and rural areas;
2. to assess the Government's efforts in improving the capacity of village government and Village Consultative Body (BPD);

3. to assess efforts to reform public service delivery by rural villages, urban villages and sub-districts;
4. to assess efforts to improve the availability of facilities and infrastructure of village government;
5. to assess the performance of relevant ministries and agencies in developing villages and rural areas.

**b. The development of border areas**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in the development of border areas. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of the planning and budgeting in developing the border areas;
2. to assess improvements in diplomatic infrastructure (supporting capacity and facilities), coordination, and security in the border areas (including the standardization of the quantity and quality of security and defense facilities and infrastructure);
3. to assess the Government's efforts in the management and utilization of economic and cultural potentials and cross-border security;
4. to assess development in the border areas (including construction of strategic activities centres, provision of basic regional infrastructure, access and quality of education, health and housing, infrastructures supporting economic activities in the border, trade and investment, and other relevant areas);
5. to assess institutional strengthening of the development in state borders and border areas;



6. to assess cross-border activities that are conducive and mutually beneficial;
7. to assess the performance of relevant ministries and agencies in implementing development of border areas.

**c. Strengthening National Connectivity: Land, Air and Road**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in strengthening national connectivity, especially related to roads facilities. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting to effectively and efficiently establish an improved national connectivity;
2. to assess the increase in capacity of transport facilities and infrastructure and the integration of multimodal and intermodal transportation system;
3. to assess the improvement in service performance and the national transportation industry;
4. to assess the increase in road capacity;
5. to assess the improvement in national roads stability;
6. to assess the performance of relevant ministries and agencies in strengthening national connectivity effectively and efficiently.

### Equitable Development

In addition to regional development as described in the previous section, equitable development is also focused on efforts to reduce disparities between income groups and to alleviate poverty. In this regard, in order to increase per capita consumption more quickly and to restore the income distribution, government's policy direction in 2015—2019 includes: (1) building a firm foundation for the economy to continue to grow and to produce quality employment opportunities,

---

## DIRECTION OF EQUITABLE DEVELOPMENT IN 2015—2019 RPJMN:

- (1) creating quality employment opportunities,
  - (2) increasing the economic productivity,
  - (3) implementing a comprehensive social protection,**
  - (4) improving the delivery of basic services,
  - (5) developing sustainable livelihoods.
- 

(2) increasing the productivity of economic sector/subsectors, (3) implementing a comprehensive social protection, (4) expanding and improving the delivery of basic services, (5) developing sustainable livelihoods.

With regards to government efforts to achieve equitable development, audits in 2016—2020 will focus on the implementation of social protection in order to reduce

income inequality and to reduce the burden of the poor. Therefore, BPK's audit **focus in equitable development theme** would be as follows.

### **Improved Implementation of the National Social Security System (SJSN) which includes Workers' Social Security**

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in implementing workers' social security. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in improving the implementation of Employee-Annuity SJSN Plan(Workers Social Security);
2. to assess participation in Employee-Annuity BPJS Plan;
3. to assess the availability, equal distribution and service quality of BPJS for workers;
4. to assess the improvement of coordination and improvement of the implementation of Employee-Annuity BPJS Plan with relevant ministries;

5. to assess the improvement of coordination and harmonization of policy formulation of Employee-Annuity BPJS Plan;
6. to assess the impact and the success of Social Security (SJSN) for the protection of workers through Employee-Annuity BPJS Plan.

## Audits on Development Preconditions

The development process in a country is strongly influenced by the dynamics of the environment and the institutional presence in the country. Experience in development in various countries, including Indonesia, shows the importance of understanding the social and political context and the institutions that continue to follow the process of such development, especially when studies show a positive correlation between the quality of institutions in the country and the achievement in development (Acemoglu & Robinson, 2012; North, Wallis, Weingast, 2012; Baland, et. al., 2009; North, 2005). Being aware about this, RPJMN 2015—2019 puts social, political, legal, and security stability as preconditions to quality development. Specifically, the preconditions include legal certainty and law enforcement, security and order, politics and democracy, and good governance and bureaucratic reform.

It is important to put some measures to firmly establish those preconditions, given the fact about low capability of national defense; lack of optimum stability in national security; and poor quality of public service delivery

---

### **DIRECTION OF SECURITY AND PUBLIC ORDER DEVELOPMENT IN 2015—2019 RPJMN:**

Improved defence capability and the stability of national security

---

in Indonesia. Indonesia's development directives as outlined in RPJMN 2015—2019 elaborate the Government's policies and strategies in addressing the strategic issues on development preconditions. Further, as an audit institution that makes an integral part in state institutions that also contributes to the achievement of national development, BPK seeks to oversee the implementation of policies and strategies. Therefore, audits in 2016—2020 will focus on to assess the Government's achievement in

establishing the necessary preconditions to development, particularly related to the Security and Public Order, and Good Governance and Reforms.

## Security and Public Order

With regards to strengthening the development preconditions, especially related to Security and Public Order, audits will be focused on the main strategic issues i.e. improving the capability of national defense and security stability. Therefore, the audit **focus in security and public order theme** would be as follows.

### Improving defense capability and stability of national security

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in establishing a favourable national defense and security. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in improving defense capability and maintaining the stability of national security;
2. to assess the improved readiness of the Indonesian military's primary weapons defense system (*alutsista*) in 2015—2019;
3. to assess efforts to increase collaborative research and development and engineering between the R&D Department of the Ministry of Defense/TNI (Indonesian military) and Indonesian National Police - Universities - Industries – other relevant ministries/institutions (BPPT, LIPI, LAPAN and BMKG);



4. to assess the improved role of the domestic defense industry in the fulfilment and maintenance of the defense system primary tools of the Indonesian military and police;
5. to assess procurement in the military, police, and intelligence and cryptographic agencies in the provision of primary weapons defence system/defense equipment and instruments and of the military (*alutsista/alpalhan*) and security equipment and instruments/special material tools (*alpalkam/almatsus*) of the police and in modernizing coding and intelligence equipment;
6. to assess government efforts to improve the facilities, health care (hospitals), infrastructure and supporting facilities of official housings/dormitory/barracks for military and police personnel;
7. to assess government efforts in improving the quality and quantity of military and police personnel training and education;
8. to assess the implementation of P4GN (National Plan of Action in Combating Drug Abuse and Illicit Drug Trafficking) in strengthening drug abuse prevention and control in the regions;
9. to assess government efforts to empower rehabilitation institutions for drug addicts and victims of drug abuse;
10. to assess the performance of relevant ministries and agencies in improving the national defense capability and maintaining the stability of national security.

### Good Governance and Bureaucratic Reform

Government efforts to create good governance and bureaucratic reform in achieving priority development objectives would be as follows: a) creating a clean and accountable bureaucracy, b) establishing effective and efficient bureaucracy, and c) establishing bureaucracy that provides quality service. With regards to good governance and bureaucratic reform, audits will be focused on assessing the improvements in the quality of public services. Therefore, the audit **focus in good governance and bureaucratic reform theme** would be as follows.

### Improving the Quality of Public Services

The focus of the audits will be directed at key areas (key leverage) where BPK can produce conclusions and recommendations that would support the Government to bring in success in creating quality public service by all government institutions and apparatus. Therefore, in line with the audit focus, the **tentative strategic audit objective of BPK**, will be as follows:

1. to assess the design of government planning and budgeting in creating a bureaucracy that delivers quality public service;
2. to assess government's efforts in improving the quality of one-stop service for investment and business licensing in order to strengthen the organization and management of public service;
3. to assess government's efforts to accelerate the adoption of ICT (e-government) in order to strengthen the organization and management of public service;
4. to assess government efforts to strengthen public complaint handling system that is effective and integrated at the national level to strengthen the capability in managing public service delivery;
5. to assess the quality of public services (health, education, road management, etc.) by government agencies (including the implementation of service standards, [elimination of] illegal fees, and easy access for service users);
6. to assess the performance of relevant ministries and agencies in creating a bureaucracy that delivers quality public service.

---

## DIRECTION OF GOOD GOVERNANCE AND BUREAUCRATIC REFORM IN 2015—2019 RPJMN:

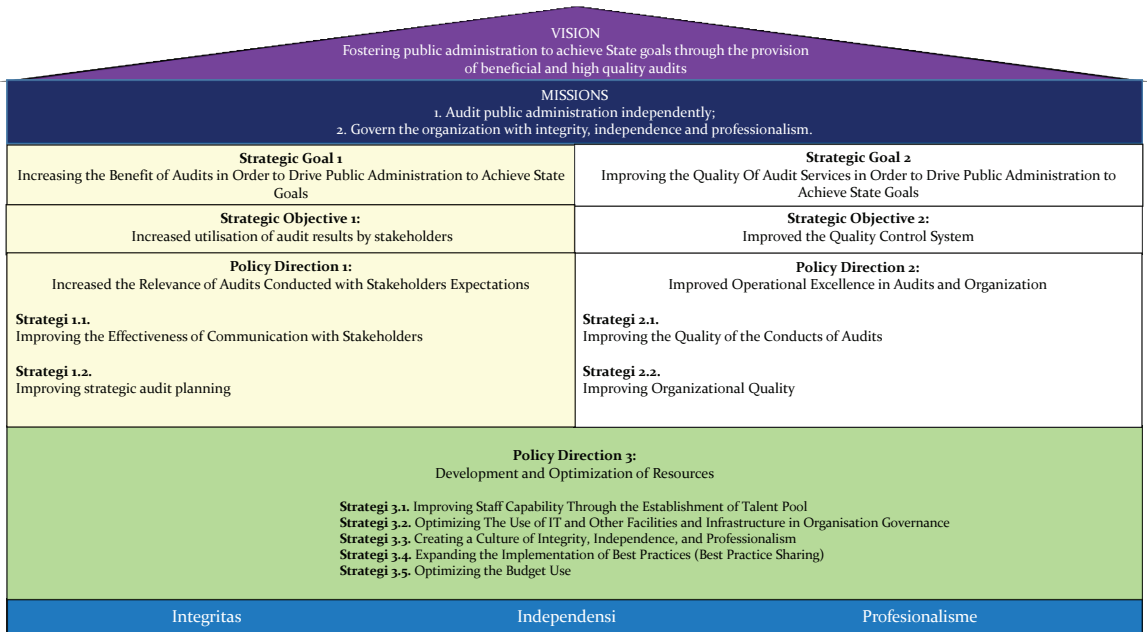
---

- 1) a clean and accountable bureaucracy,
  - 2) effective and efficient bureaucracy
  - 3) **bureaucracy that provides quality service**
-

The theme and focus of audits in 2016—2020 Strategic Plan will be evaluated periodically and will be adjusted with the developments. Therefore, in performing annual audits, any addition, changes or reduction of audit focus is likely to happen, bearing in mind the benefits of audit for the stakeholders.

## BPK POLICY DIRECTION AND STRATEGIES

Figure 13. Framework of BPK Strategic Plan 2016—2020



BPK policy direction and strategies in 2016—2020 are aimed at supporting the accomplishment of strategic goals and objectives that are described as follows.

Policy direction will be followed to achieve the strategic objectives, in order to achieve the strategic goals. There are three policy directions in Strategic Plan 2016—2020, which are as follows.



## Policy Direction 1: Increased the Relevance of Audits Conducted with Stakeholders Expectations

BPK is aware that achieving a vision would require the contribution and involvement of the stakeholders. Each stakeholder has different duties, authorities, needs, and role in contributing the achievement of nation goals. In addition, BPK audit results will not be meaningful if none of the stakeholders actually use them. Therefore, BPK will ensure that all of its products are relevant to the expectations and needs of stakeholders because BPK's existence and the implementation of its mandate are strongly influenced by the stakeholders.

In this regard, the policy direction of Strategic Plan 2016—2020 is to improve the relevance of audit focus to the needs and expectations of stakeholders. This means that BPK will actively respond to issues that are relevant or fit to the challenges faced by the public, the different stakeholders' expectations, and responsive to emerging risks and changes that occur in the audit environment by continuing to maintain BPK independence. To

be able to voice out better changes in the national level and to increase the impact of the works of BPK to national development, in this Strategic Plan period, BPK will enhance its understanding of developments in the public sector or public administration environment through effective communication with stakeholders, as well as through innovations in formulating the audit strategies. Therefore, the strategies to support this policy direction are to improve the effectiveness of communication with BPK stakeholders and strategic audit planning.

### Strategy 1.1. Improving the Effectiveness of Communication with Stakeholders

This strategy is focused on improving the communication process of BPK as an organization, in meeting the needs and expectations of its stakeholders. As stated in Law No. 15 of 2006, the needs and expectations of stakeholders can be fulfilled by providing opinions, calculating state losses, providing advice/consideration for government accounting standards, providing advice/consideration upon settlement of state (national/regional) losses, as well as providing expert testimony.

To build a more effective communication, the process must run in two ways, namely (1) the communication should increase understanding and knowledge of stakeholders on BPK roles and responsibilities as an audit institution; (2) the communication should answer the needs and expectations of stakeholders through the implementation of BPK roles and responsibilities.



For that matter, the effectiveness of communication with stakeholders who are familiar with the BPK roles and responsibilities is demonstrated from BPK's ability to manage the needs and expectations of its stakeholders. In addition, to have optimum implementation of its authorities, BPK will improve the quality of the process in issuing BPK Opinion to show the audit relevance to the emerging issues in the society, as this reflects the expectations and needs of stakeholders. The output of this strategy will become an input for the implementation of **Strategy 1.2**, i.e.: improving strategic audit planning.

### Strategy 1.2. Improving strategic audit planning

Planning a quality audit is realistic planning that reflects the organization's capability, is relevant or appropriate to the expectations and needs of stakeholders, and include the selection of audit topics that immediately support the 2016—2020 vision.

---

Strategic audit planning means setting the audit theme and focus as well as the key areas that help provide assessment on government development programs over five years.

---

Audit strategies are an inseparable part of the five-year and annual audit planning, which includes audit focus and **tentative strategic audit objective** to sum up cross-programs in the RPJMN. Management of audit strategies for each type of audit will be carried out by:

- a. considering the hiring of accounting firms, APIP and external auditors and/or experts to work for and on behalf of BPK;
- b. creating five-yearly audit plan by setting the audit theme and audit focus based on the national medium term development plan (RPJMN) 2015—2019;

- c. setting five-yearly tentative strategic audit objectives, hereinafter referred to as TSAO, and five-yearly audit expectations for each audit focus that would support the accomplishment of BPK's 2016—2020 vision;
- d. formulating audit strategies for every audit focus by taking into account the strategic plans of ministries/agencies and subnational medium-term development plan (RPJMD);
- e. developing annual audit planning (RKP) by taking into account developments in the environment, demand/request from stakeholders to undertake a required audit, government work plan that includes the development priorities of the year, work plans of the audited entities as well as work performance reports of the ministries/agencies as referred to by Law No. 17 of 2003 Article 30 and Article 31;
- f. improving communication and coordination among working units by coordination meetings, working meetings and technical meetings;
- g. improving the quality of information that would support audit planning, such as the entity's profile, e-audit data centres, and other database that are relevant for the audit.

Strategic audit planning that are set forth for different period, i.e. five-yearly and annually, are expected to improve audit quality. Well-coordinated audits are expected to improve the usefulness of BPK audit results, as assessment of a national strategic issue will be made more comprehensively, which in turn will improve the quality of audit recommendations.

Inter-linkages between audits across Indonesia will allow BPK to have a deeper understanding on public affairs and policies to be able to provide recommendations and opinions either on macro or national level. Thus, the organizational maturity will improve along with the shift in the role, from providing oversight to providing insight.

## Policy Direction 2: Improved Operational Excellence in Audits and Organization

Quality control in BPK as a supreme audit institution is specified in its Quality Control System (SPM), while the quality of the implementation of this system will be assessed through the Quality Assurance System (SPKM). Quality control system is applied to ensure that the audits have complied with provisions in the legislation and audit standards and guidelines as specified by BPK. The audit guidelines include code of conducts, audit management, as well as implementation guidelines (*juklak*) and technical guidelines (*juknis*) in performing the audits.

Quality Assurance System will provide reasonable assurance for BPK and the managers in its operational work units as well as other stakeholders that the audits and the work of BPK have reasonable quality. The Quality Assurance System has nine pillars, namely Independence and Mandate, Leadership and Internal Governance, Human Resource Management, Standards and Audit Methodology, Institutional Support, BPK Relationships with Stakeholders, Continuous Improvement, and Audit Results and Audit Performance.

The policy direction in Strategic Plan 2016—2020 is to increase operational excellence in audits that will refer to the Quality Assurance System. The focus in strengthening the operational side of the audits is on improving the quality of the conducts of audits and improving the operational side in organizing audit support and assistance with a focus on review and control processes as well as in improving enhanced legal certainty that underlies each operational activity of the organization.



## Strategy 2.1 Improving the Quality of the Conducts of Audits

Audit quality can be viewed in different levels, namely quality in the audit team or during the conducts of audits, quality in the organizational level and quality at the national level, or the interaction between BPK and other institutions in Indonesia.

Improving the quality of audit during the conducts of audits will be focused on the most important aspect that affect the performance of audit teams, namely the distribution of work among the structured personnel in an audit team, monitoring and review process at the team level to ensure that the audit has rendered quality results, managing the relationship between the audit team and the relevant parties in the audited entity during the audit, review in the audit team and in the organization.

Programs and activities to be implemented in the period 2016—2020 include:

- a. improvements in the mechanism of work distribution in the audit team so that each part of the team understands their duties and responsibilities in accordance with their role and competence;
- b. improvements in monitoring and review procedures and implementation within an audit team and peer review from other teams to ensure that audits are performed efficiently, effectively, and that the whole process is well documented using IT;
- c. management in communication between audit team and the audited entity for the purpose of improving the quality of audit results and recommendations by upholding the core values of integrity, independence and professionalism;



- d. monitoring the quality of interactions between the audit team and the audited entity to ensure objectivity and fairness as well as excellent performance of the audit team;
- e. monitoring the level of use of audit results by each stakeholder;
- f. monitoring of the impact of BPK audits towards performance improvement at the audited entity and nationally.

The exercise of quality control and quality assurance in every conducting an audit will have an impact on improved quality of audit reports so that improvements will be achieved in:

- a. compliance with quality control and quality assurance requirements;
- b. Implementation of QA recommendations; and
- c. the extent of evaluation conducted by EPP.

### Strategy 2.2. Improving Organizational Quality

Good governance shows how BPK governs the implementation of its roles and responsibilities in an effective organizational structure supported by organizational staffs that are required for the operation of the organization. Ideal governance will create a more efficient and effective relationship between working units, eliminate overlapping duties and functions, provide clarity on the quality of work and services, and ensure that all problems that arise in the operational activities of the organization can be resolved in a timely manner by the responsible units.

Strategies to improve the organizational quality will be directed at fulfilment of the needs for support and assistance to achieve quality audits, through:

- a. peer review, and ensuring the follow up of recommendations from the peer review;
- b. implementing the Principal Inspectorate (Itama)' recommendations on organizational development;

- c. ensuring compliance with laws and regulations by the staffs and the organization;
- d. preparing the legislation to serve as the legal basis for all activities, particularly audits;
- e. synchronizing and harmonizing legislation, particularly on the ones limiting the roles and responsibilities of BPK.

### Policy Direction 3: Development and Optimization of Resources



An ‘adequate resources’ is a precondition for a successful transformation. The 2016—2020 Strategic Plan outlines an agenda to develop and optimize the management of organizational resources which consists of human capital, information capital, organization capital, and management of financial resources.

Human resource management focuses on the establishment of talent pool; information management focuses on increasing integrated IT support; and organization management focuses on the establishment of organizational culture and best practice sharing.

Policy direction on the development and optimization of resources is based on the accomplishments of the previous Strategic Plan (2011—2015), particularly in human resources management, management and utilization of IT, especially e-audit, implementation of bureaucratic reform programs as well as the organizational and governance structure that was issued in 2014 (SOTK 2014). The strategies to support this policy direction are as follows.



### Strategy 3.1. Improving Staff Capability through the Establishment of Talent Pool

The credibility of an organization is highly determined by the skills and capability of its employees. Measures to improve employees' capability through the creation of a talent pool takes place by setting up the mechanism for identifying the skills required by BPK, attracting potential employees, developing the potentials of those employees, and ensuring that the selected employees would want to build a career in BPK.

Development of this talent pool will begin from developing the capabilities to produce employees who have the required expertise in each line of work in BPK. Employees' expertise is the starting point of fostering professionalism. Having all the experts in different fields of work are a prerequisite in selecting the future leadership of BPK; is a condition for applying a better and more equitable career management and succession management; and eventually capability-based human resource management will be in place. It is expected that by the end of the Strategic

---

Talent pool, or **talent development centre**, is a group of employees who have expertise in specific areas that are required to implement BPK's strategies. Talent pool is developed to ensure that BPK would have the experts in each type of audit, experts in specific audit area, and experts in other organizational activities in BPK.

---

Plan period BPK will have a set of employees who are experts in the fields that are critical for BPK's success.

Identification of which talents will be developed will be based on the skills required to carry out a planning process as well as the skills required in performing audits. Since BPK audits are directed to assess the success of government's development programs (RPJMN 2015—2019), the talent pool will be prepared based on the type of audits as well as areas that correspond with audit priority themes. To support better use of audit results by stakeholders, the talent pool will have personnel that are required in the exercise of BPK authorities and who have the expertise in communicating with all stakeholders on behalf of the organization. To support Strategic Objective 2, the talent pool will have personnel who have the required expertise in conducting an that in line with the audit type, in organizational capacity building as well as in implementing the priority business processes in 2016—2020.

The development of this talent pool is intended to increase effectiveness in enhancing employees' capability as well as to provide the employees with some skills that match their potential so that they can choose their career path in accordance with their respective talents. By giving control to the employees to set their career path, BPK hopes to retain the best talents to remain working in BPK.

### Strategy 3.2. Optimizing the Use of IT and Other Facilities and Infrastructure in Organisation Governance

Strategic Plan 2016—2020 will optimize the use of information technology (IT) in combination with the infrastructure and its respective support, to assist the efficiency and effectiveness in implementing all activities as outlined within the strategic plan. Work facilities and infrastructures can provide direct and indirect supports for the employees in carrying out their work and improving their performance in accordance with their duties and responsibilities.

Today the IT applications have been developed to facilitate the organization's operations. Some of the IT application has been well utilized while some others still require some fine-tuning, especially to make them more user-friendly.

IT support in ensuring successful implementation of the 2016—2020 Strategic Plan will be provided within the following scope:

- a. preparation of IT grand design on how IT would support operational activities and its governance with reference to the strategic objectives, strategies, and key performance indicators as outlined in the Strategic Plan 2016—2020;
- b. implementation of the action plan as specified in the IT grand design;
- c. the use of IT in accordance with IT governance;
- d. user involvement in the development of IT applications;
- e. ensuring the use of IT applications by users.

The use of IT supports provision of information and knowledge that are necessary to achieve organizational goals. Measures to increase IT support will be undertaken by integrating systems, databases and IT networks that are prioritized to support all process in each strategies as outlined in the 2016—2020 Strategic Plan, by promoting the benefits such as efficiency and effectiveness in performing the activities, ease of operation, consistency in service delivery, as well as security.

To support good governance, facilities and infrastructure must be fully provided and used optimally. In 2011—2015, measures have been made to provide for the facilities and infrastructure in accordance with prescribed standards. Therefore, in 2016—2020, the existing facilities and infrastructure should be used more optimally. Measures to improve the use of facilities and infrastructure are as follows:

- a. preparing the grand design of the use of facilities and infrastructure to support of operational activities and good governance;
- b. ensuring availability of the necessary facilities and infrastructure;
- c. ensuring that the facilities and infrastructure are used by users.

### Strategy 3.3. Creating a Culture of Integrity, Independence, and Professionalism

Organizational culture is one of the important elements required in maintaining and improving employees' productivity and in maintaining employees' retention.

Measures to create an organizational culture that is conducive will be undertaken by:

- a. identifying how integrity, independence and professionalism are manifested in the implementation of operational activities;
- b. preparing a transformation program to internalize the vision, missions, and core values as well as the action plan;
- c. developing guidelines in managing BPK's organizational culture;
- d. preparing the facilities and infrastructure required to create such culture;
- e. implementing transformational activities through sponsorship, communications, trainings, mentoring and management of resistance;
- f. conducting periodical evaluations to assess the success in creating a culture of integrity, independence and professionalism;
- g. integrating and enforcing the existing regulations concerning the management of employee behaviour.

Being inspired by the vision, missions, and values of BPK would foster the right characters among BPK employees to maintaining BPK's credibility in the eyes of its stakeholders.

### Strategy 3.4. Expanding the Implementation of Best Practices (Best Practice Sharing)

Organizational knowledge is a collection of knowledge of its employees.

The 2014 Organizational Structure and Work Procedure (SOTK) has set a process of knowledge management, and by the time this Strategic Plan was prepared, the development of its technical implementation document was just started. The best practices sharing strategy is aimed to support and to complement the implementation of knowledge management.

Measures to expand the implementation of best practices are carried out by capitalizing on the knowledge gained from the implementation of each strategy in the 2016—2020 Strategic Plan and to continue the transformational programs undertaken in the Strategic Plan 2011—2015. In addition, measures are also made to support benchlearning<sup>3</sup> between one work unit and another. The scope of the Strategic Plan 2016—2020 encompass:

- a. identifying the available best practices. Best practice is a practice that is ongoing in a work unit and has been proven to provide benefits for the work unit, the operators, and is potentially useful for other work units;
- b. documenting the best practices to be shared to other work units;
- c. encouraging implementation of best practices to other work units or other organizations to the fullest extent possible;
- d. improving business processes, regulations or other machineries to ensure the best practices can be sustained.

### Strategy 3.5. Optimizing the Budget Use

BPK is well informed that the implementation of all its activities and the implementation of the 2016—2020 Strategic Plan is supported by state financial resources. Therefore, the budget for programs implementation must be optimally utilized with due regard to applicable laws and regulations. Measures to optimize budget use are undertaken by applying performance-based budgeting so as to ensure that the generated outputs will benefit the organization.

---

<sup>3</sup> Bench-learning is a process to learn "from the best in the class".



## REGULATORY FRAMEWORK

Regulatory frameworks are developed to support the implementation of the 2016—2020 Strategic Plan through the identification and assessment of regulations or laws that are required to achieve the vision, missions, goals and objectives as outlined in the Strategic Plan. At the moment, there is already a series of laws and regulations that can support BPK in implementing its roles and responsibilities.

The highest legal basis for the implementation BPK roles and responsibilities is the 1945 Constitution. At the level of national legislation, BPK roles and responsibilities are set forth in the package legislation of public finance consisting of Law No. 17 of 2003, Law No. 1 of 2004, Law No. 15 of 2004 and Law No. 15 of 2006. In addition to the legislation, BPK carries out the mandate from Law No. 15 of 2006 to be the central regulator for audits on the management and accountability of state finance through the issuance of BPK regulations that bind the relevant parties to the roles and responsibilities, both externally and internally. When the 2016—2020 Strategic Plan was prepared, 15 BPK regulations have been published to support its duties and authority.

In addition to legal products in the form of BPK regulations, there are also internally- binding rules in the form of BPK Decree. Currently there are 47 BPK Decrees. In terms of the substantives, the decrees regulate procedures, mechanism, implementation guidelines, technical guidelines and manuals on the audits of public administration. In addition, BPK Decrees also outline

annual work plans, audit policies, and organizational structure and working procedures.

All of the legislation provides a regulatory framework to support the implementation of BPK roles and responsibilities as well as to contribute positively to the implementation of the 2016—2020 Strategic Plan and provide the legal basis for various development agenda over the next five years.

Furthermore, the development of regulatory framework is also aimed to address the needs for BPK audits, in particular the thematic performance audit. There needs to be legal reviews to assess regulations that have relevance to the theme of the performance audit in order to determine: (1) suitability between the legislation that governs the audited entity or audit objects and the regulations issued by BPK; and (2) the suitability between the legislation that governs the linkages between the audited entity or audit objects. The main purpose of this process is to harmonize legislation on state financial management and audits as well as other relevant regulations to be aligned with BPK's authority and avoid overlapping.

## INSTITUTIONAL FRAMEWORK

Institutional framework describes the organizational tools required by BPK in implementing the 2016—2020 Strategic Plan. The institutional framework includes the organization and integration of the Strategic Plan implementation and the bureaucratic reform programs implementation.

### Organization

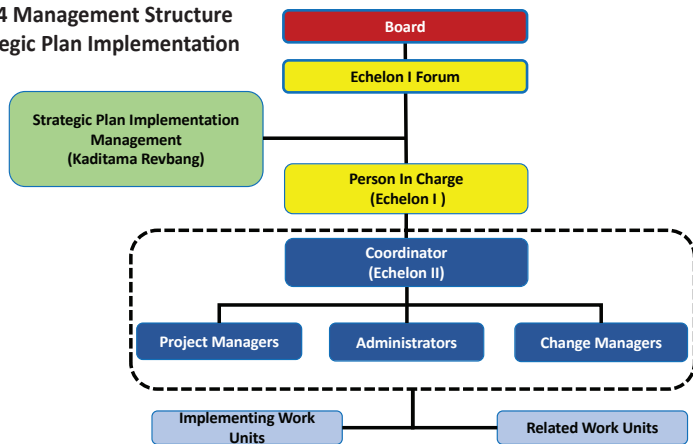
BPK organizational structure consists of three major groups: (1) the technical unit, tasked to carry out the main duties and functions of BPK in auditing state finance, (2) the supporting unit, tasked to provide direct support for audit activities, and (3) the secretariat general as the work unit tasked to provide support, facilities, infrastructures so that all activities of the organization can be well implemented.

The duties and functions of each unit is set in BPK's Organizational Structure and Work Procedure (SOTK) and the activity planning and budgeting are developed based on the organizational structure as outlined

in BPK Decree (SK BPK) No. 3/K/I-XIII.2/7/2014. Every echelon II work unit will carry out strategic/non-routine activities that arise due to the Strategic Plan as well as the routine activities. The strategic activities would usually be rolled out as projects that will have clear objectives and particular duration.

The organization of strategic activities implementation are laid out in the Strategic Initiatives or the non-routine activities are outlined in a special organizational structure while maintaining the duties and functions of the work units in accordance with the SOTK. The Strategic Initiative implementation structure is outlined in Secretary General Decree (SK Sekjen) No. 298/K/X-XIII.2/6/2012 on Guidelines for the Management of Strategic Initiatives. Its management structure is as follows:

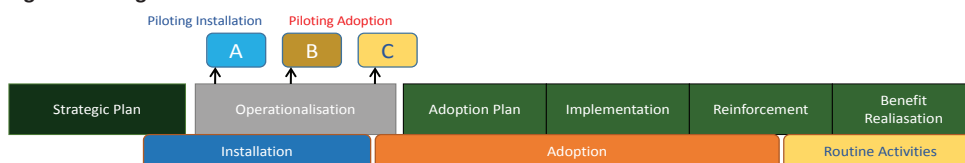
**Figure 14 Management Structure for Strategic Plan Implementation**



The Strategic Plan is implemented by all work units in BPK. The roles of each work unit can be divided into three, namely (1) the coordinator in charge of the management of a strategic initiative, (2) operational work unit, i.e. the work unit tasked or responsible to perform one or more activities in the strategic initiative, and (3) related work unit, i.e. the work unit which will be the end-user from the strategic initiative results.

Implementation of the Strategic Plan is expected to provide concrete benefits to the organization or as outlined in the performance-based budgeting policy and bureaucratic reform program targets in changing the mindset and culture set. Bearing this in mind, the implementation of the 2016—2020 Strategic Plan must ensure that the benefits for the organization could be measured and achieved. The accomplishment of the Strategic Plan targets is conducted and managed through the implementation of programs/activities that can be divided into three stages: installation, adoption and the final stage when the results of the initiative has become part of the daily routine of the employees in the organization.

**Figure 15. Stages of Benefits Realization**



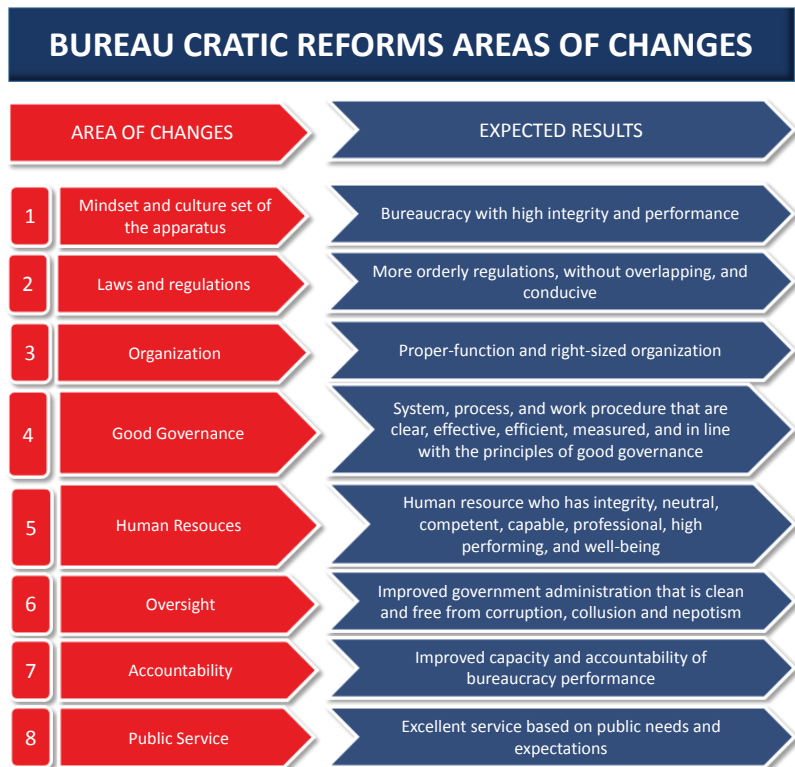
Installation is the phase of developing the tools such as policy, technical guidance, and mechanism of action, application programs or other tools required for the transformation to be adopted by the employees. Adoption is the phase of preparing the employees who will utilize the output generated at the time of installation. The purpose of this phase is to ensure that employees are ready to accept the new changes with minimal resistance. By the time an employee is able to carry out the work using a new method or a new mechanism of action, reinforcement is due so that the changes would continue. When the changes become routine, it is expected that all parties can receive the desired benefits.

To ensure efficiency in the management of activities under complex and high-risk initiatives, a piloting is required during the instalment phase. For example, in the development of an application, prior to introducing the application to end users, piloting or testing would be required. The first piloting (piloting installation) is to check whether the application actually meets the needs of end users. This is to avoid any resistance from end users. Similarly to a highly complex adoption process, piloting is also required to ensure that there will be no more issues when the program is finally introduced to end users.

## Integration of Strategic Plan Implementation and Bureaucratic Reforms

BPK has started to implement bureaucratic reform programs since 2007 as one of the five pilot ministries/agencies. The micro program of bureaucratic reform consists of eight areas of change, namely change management to change the mind set and culture set of staffs, laws and regulations, organization, good governance, human resources, oversight, accountability and public services.

Figure 16. Bureaucratic Reforms Areas of Change



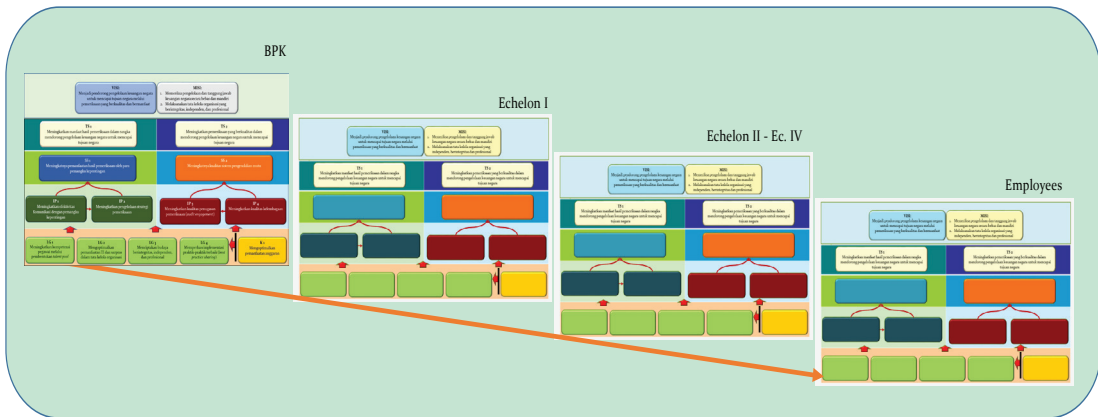
In general, areas of change in the bureaucratic reform programs are similar to that in BPK Strategic Plan which includes transformation of organizational capacity, professionalism of employees and capacity in dealing with stakeholders. Bureaucratic reform program implementation by all work units in BPK is similar to the way the strategic initiatives are implemented under the Strategic Plan, namely by appointing a coordinating work unit for each area in accordance with the duties and functions as set forth in 2014 SOTK.

In 2011—2015, the bureaucratic reform program was implemented by the Bureaucratic Reform Program Management Office. In the 2016-2020 Strategic Plan, an organizational structure will be established to be integrated with the structure of strategic initiatives implementation.

## IMPLEMENTATION FRAMEWORK

Implementation framework explains the management of Strategic Plan implementation by work units and employees. The implementation framework describes how BPK strategic objectives will be achieved, by setting a strategy map, key performance indicators, and translating both the strategy map and KPIs of BPK for smaller units down to employee level, as well as a mechanism for evaluation.

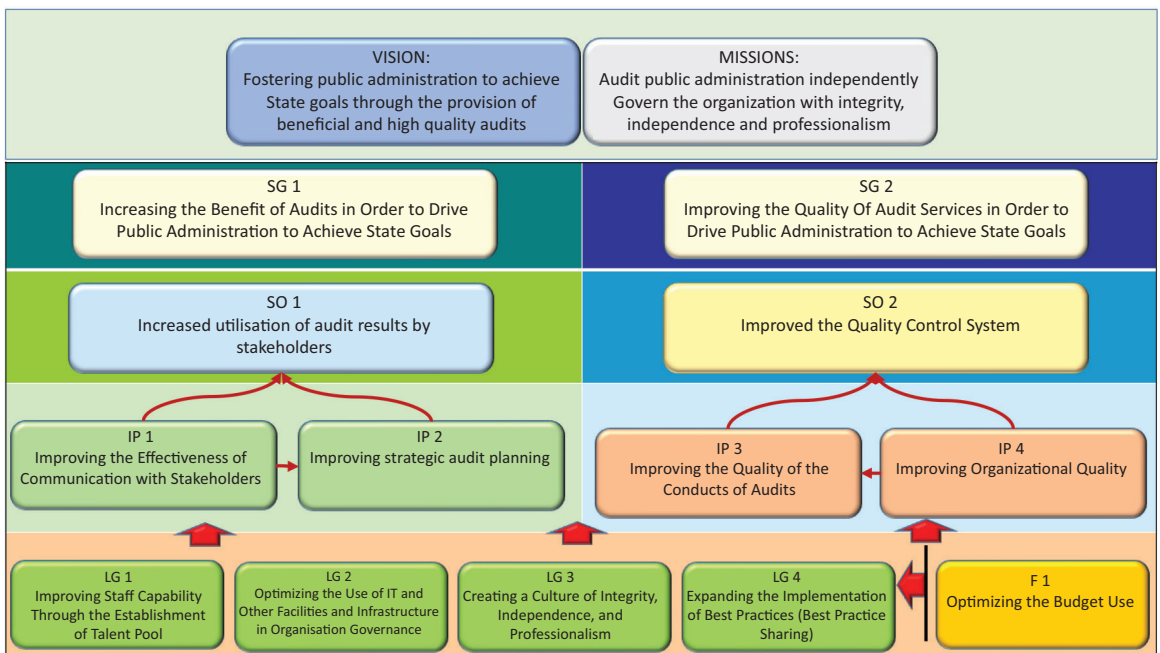
Figure 17. Cascading of BPK-Wide Strategic Plan to the Employees



## Strategy Map

The management of BPK Strategic Plan is illustrated in a strategy map that comes with the Key Performance Indicators (KPI). The strategy map describes the accomplishment of strategic goals through strategic objectives. In achieving its strategic objectives, the internal processes in BPK that are significant in leveraging the accomplishment of strategic objectives are identified. To ensure that these processes can be run well, it is necessary to provide organizational capital support, learning and growth (LG), which consists of human resources, information technology, organizational culture and knowledge management.

Figure 18. BPK-Wide Strategy Map



In order to ensure that the Strategic Plan provides benefits for BPK and its stakeholders, the document will include a Strategic Plan Implementation Plan (RIR). The document explains in more detail the activities, budgets, implementing work units, performance targets, etc.

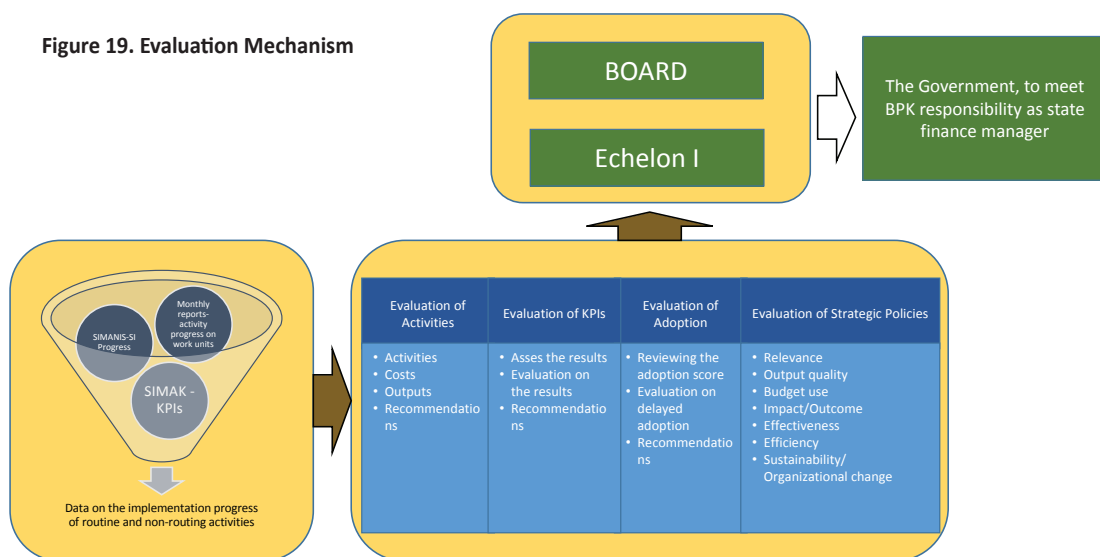
## Evaluation

Evaluation of activities in Strategic Plan implementation will be carried out periodically and in a phased manner, from work units and up to the organization. The purposes of the evaluation are:

- a. identifying the accomplishment of Strategic Plan implementation i.e.: KPI, activities, output adoption<sup>4</sup> by employees, identification of problems, identification of alternative solutions to the problems to improve implementation in the following year or in the next period of development;
- b. accurate evaluation results can be used to prepare baseline data and to properly set the targets for the subsequent period, including monitoring of the Strategic Plan and its implementation plan;
- c. identify lessons learned in organizational development.

The evaluation mechanism is described in the following scheme. Information about the progress of Strategic Plan implementation was derived from processed data in the application system that monitors progress in the implementation of non-routine activities, monthly report of the work units, and accomplishment of key indicators.

Figure 19. Evaluation Mechanism



Evaluation on the implementation of organizational development will be carried out in accordance with the corresponding level i.e. monthly evaluation for Echelon II and Echelon I work units; quarterly, semesterly and annually at the BPK level. Data for evaluation is derived from monthly report from the work units and strategic initiatives managers, survey results, scoring on KPIs, results from training evaluation and review from Principal Inspectorate (Itama).

The evaluation is made against the accomplishment of activities with a focus on monitoring of progress in timeliness, budget accuracy and outputs. Evaluation was also made against the achievement of KPIs, evaluation on the rate of adoption by employees as well as evaluation on strategic policies to ensure relevance between activities and the Strategic Plan, the quality of the outputs, impacts or benefits that can be realized, effectiveness and efficiency in implementing activities and ensuring that the transformation can be sustained in line with the agenda of the Strategic Plan.

Discussions on evaluation results are carried out through various meetings including the technical meetings, Echelon I Forum, BPK Coordination Meetings, BPK Executive Working Meetings, Technical Coordination Meetings at the Echelon I level. The evaluation as described herein is specifically aimed at evaluating the implementation of the Strategic Plan. In addition, every year BPK will conduct the reviews and evaluation on the substantives in the Strategic Plan to check the relevance of BPK Strategic Plan to the internal and external conditions to the organization. Results of the review on the Strategic Plan may change the formulated strategic goals, strategic objectives, policy directions, strategies or key performance indicators and the targets.





# Chapter 4



## PERFORMANCE TARGETS

**R**ealizing the 2016—2020 vision and missions, two strategic goals and two strategic objectives as well as their success indicators are specified as follows.

**Table 4. Target Key Performance Indicators (KPI)**

Strategic Goal	Strategic Objective	KPI	Target of Strategic Plan Implementation (RIR)				
			2016	2017	2018	2019	2020
Goal 1. Increasing the Benefit of Audits in Order to Drive Public Administration to Achieve State Goals	Objective 1. Increased utilisation of audit results by stakeholders	KPI 1.1 The extent to which audits meet stakeholder needs and expectations	3.50	3.70	3.90	4.00	4.20
		KPI 1.2 The percentage of audit recommendations that have been implemented by entities.	60%	65%	70%	75%	80%
Goal 2. Improving the Quality Of Audit Services Audits in Order to Drive Public Administration to Achieve State Goals	Objective 2. Improved the Quality Control Systems	KPI 2.1 Percentage of audits legally challenged where BPK is found to be in error	0%	0%	0%	0%	0%
		KPI 2.2 Level of client satisfaction with performance of BPK auditors	3,60	3,70	3,80	3,90	4,00
		KPI 2.3 Organizational Quality Index	3,50	3,60	3,70	3,80	3,90
		KPI 2.4 Score achieved in annual self-assessment on Bureaucratic Reform Quality Assurance (QARB)	A	A	AA	AA	AA
		KPI 2.5 Score achieved in annual performance review	A	A	A	AA	AA

To achieve those strategic objectives, there are 6 (six) programs which will be implemented. Each program consists of a number of activities. Programs and activities will reflect the duties and functions of BPK's operations within the organization, which are:

### Technical Program 1. Public Administration Audit

Technical Program 1 consists of a number of activities as follows:

1. Public Administration Audit.
2. Monitoring on the Settlement of State Financial Losses.
3. Monitoring the Audit Recommendations that have been implemented by Entities
4. Calculation of State Financial Losses.

## Technical Program 2. Enhancement of Quality of the Organization, Apparatus, and Public Administration Audit

Technical Program 2, consists of a number of activities as follows:

1. Strategic Plan and Performance Management.
2. Evaluation Results and the Reporting of Audit Results.
3. Results from Research and Development on Auditing, Organization and Governance.

## Technical Program 3. Register of the State Losses (National/Subnational), Legal Services and Development in State Financial Audit

Technical Program 3, consists of a number of activities as follows:

1. Legal Consulting Services and Register of State Financial Loss (National/Subnational).
2. Legislation Service, Legal Development and Legal Advocacy.

## Generic Program 1: Management Support and Implementation of Other Technical Duties

Generic Program 1, consists of a number of activities as follows:

1. Secretarial Service, Public Relations and International Cooperation.
2. Human Resource Management Service.
3. BPK Financial Management and Accountability Service.
4. Training and Education Services on State Finance

## Generic Program 2: Improvement of the Infrastructure and Facilities for BPK Apparatus

Generic Program 2, consists of a number of activities as follows:

1. Management of Infrastructure Facilities and Public Service Delivery.
2. Information Technology Service and Development.

## Generic Program 3: The monitoring and Increased Accountability of BPK Officials

Generic Program 3, consists of a number of activities as follows:

1. The monitoring activities.
2. Monitoring results that have been implemented by working units.
3. Public Accounting recommendations, including other external assurance, that have been implemented by BPK.
4. The follow-up of alleged violations of code of conducts and discipline among employees.
5. Consultation and information about employee monitoring.

## FUNDING FRAMEWORK

Implementation of policy directions and strategies in Strategic Plan 2016—2020 should be supported by the organisation's leadership, the commitment of all related parties as well as adequate funding. BPK's funding may be sourced from the state's budget (APBN) as well as from loans or grants which will be managed under six budgetary programs as follows:

- a. Technical Program 1: Public Administration Audit.
- b. Technical Program 2: Improvement of Quality of the Organization, Apparatus, and Public Administration Audit.
- c. Technical Program 3: Register of the State Financial Losses (National/ Subnational), Legal Services and Development in Public Administration Audit.
- d. Generic Program 1: Management Support and Implementation of Other Technical Duties.
- e. Generic Program 2: Improvement of the Infrastructures and Facilities for BPK Apparatus.
- f. Generic Program 3: The Monitoring and Increased Accountability of BPK Apparatus.

The indicative funding needs of BPK until 2020 are as follows.

**Table 5. Indicative Funding Needs, 2016-2020 (in thousands Rupiah)**

No	Program/Activity/Output	2016	2017	2018	2019	2020
1	Management Support and Implementation of Other Technical Duties	1,687,714,923	1,772,100,669	1,860,705,703	1,953,740,988	2,051,428,037
	Secretarial Service, Public Relations and International Cooperation	288,228,858	302,640,301	317,772,316	333,660,932	350,343,978
	Human Resource Management Service	1,258,083,229	1,320,987,390	1,387,036,760	1,456,388,598	1,529,208,028
	Public Administration	77,633,319	81,514,985	85,590,734	89,870,271	94,363,784
	Training and Education Services on State Financial Audit	63,769,517	66,957,993	70,305,892	73,821,187	77,512,246
2	Improvement of the Infrastructures and Facilities for BPK Apparatus	1,005,103,393	1,055,358,563	1,108,126,491	1,163,532,815	1,221,709,456
	Management of infrastructures Facilities and Public Service Delivery	1,005,103,393	1,055,358,563	1,108,126,491	1,163,532,815	1,221,709,456
3	The Monitoring and Increased Accountability of BPK Apparatus	21,841,210	22,933,271	24,079,934	25,283,931	26,548,127
	Monitoring by Inspectorate	21,841,210	22,933,271	24,079,934	25,283,931	26,548,127
4	Register of the State Losses (National/Subnational), Legal Services and Development in State Financial Audit	19,187,386	20,146,755	21,154,093	22,211,798	23,322,388
	Legal Consulting Services and Register of State Loss (National/Subnational)	8,404,907	8,825,152	9,266,410	9,729,730	10,216,217
	Legislation Service, Legal Development and Legal Advocacy	10,782,479	11,321,603	11,887,683	12,482,067	13,106,171
5	Enhancement of Quality of the Organization, Officials, and State Financial Auditing	39,796,395	41,786,215	43,875,525	46,069,302	48,372,767
	Strategic Plan and Performance Management	17,173,115	18,031,771	18,933,359	19,880,027	20,874,029
	Evaluation Results and Reporting of Audit Results	9,925,316	10,421,582	10,942,661	11,489,794	12,064,284
	Research and Development on Auditing, Organization and Governance	12,697,964	13,332,862	13,999,505	14,699,481	15,434,455
6	State Financial Audit Program	827,220,766	868,581,804	912,010,895	957,611,439	1,005,492,011
	State Financial Audit and Monitoring on the Settlement of State Financial Loss	827,220,766	868,581,804	912,010,895	957,611,439	1,005,492,011
TOTAL		3,600,864,073	3,780,907,277	3,969,952,640	4,168,450,273	4,376,872,786



# Chapter 5



**B**PK Strategic Plan 2016—2020 outlines the vision, missions, strategic goals, strategic objectives, and implementation plan. Its implementation plan will form the basis for the development of BPK's (annual) operational plan of 2016—2020.

The Strategic Plan document is a living document that will be periodically reviewed in order to conform to changes and development in legislations, BPK's strategic environment and its policy direction. It is expected that BPK will have an updated and relevant development-planning document for medium-term (five-year periods).

As there should be a continuity between the 2016—2020 Strategic Plan and previous Strategic Plans, the accomplishments in terms of vision, missions, strategic goals and objectives, and targeted indicators from the implementation of the previous Strategic Plans should be considered in formulating the next five-year strategic plan. Therefore, a draft of BPK's technocratic Strategic Plan for subsequent period needs to be prepared before the Strategic Plan 2016—2020 is ended.

Active roles from all of BPK's working units and employees through the Strategic Plan 2016—2020 will enable BPK to encourage better public administration in achieving the State goals through a better public finance management that is supported by high quality and value added audits.



# Glossary

Term	Definition
Policy direction	Approach to solve urgent and critical matters to be immediately implemented to achieve strategic objectives.
Auditee	Audited entity.
Best practice	A practice that is ongoing in a work unit and has been proven to provide benefits for the work unit, the operators, and is potentially useful for other work units.
Organizational culture	A shared value system within an organization that serves as a reference on how employees perform their work to achieve the goals or aspirations of the organization. It is usually outlined as vision, mission, and core values of the organization.
Audited entity	Government work units audited by BPK.
Audit focus	Development programs to be concluded at the end of the Strategic Plan period and hence become audit priority.
<i>Relationship with stakeholders</i>	Quality relations with the stakeholders, with the hope that it would be lasting.
Program Performance Indicator (PPI)	Measure that indicate success in achieving the program.
Key Performance Indicator (KPI)	Measures used to identify the level of performance against the strategic objectives.
Strategic Initiative	One-shot activity that is generally implemented within a short/limited period of time with a specified resources. Strategic initiative aims to achieve performance as targeted in the Strategic Plan.
Activity	Activity or project is temporary effort to create product, service or unique outputs. The temporary nature of activity indicates that it has an ending and a beginning. Activity/project is usually intended to produce long term results.
Non-routine activity	Strategic initiative
Routine activity	Activities performed in accordance with the work unit's main duties and functions
Institutional framework	Organizational tools that are required by BPK to implement 2016-2020 Strategic Plan
Funding framework	Details of funding sources and needs to achieve strategic objectives
Regulatory framework	The planning to develop regulations to support the implementation of BPK roles and responsibilities
Operational excellence	Refinement of audits business process
Mission	A description of organizational goals and measures that will be undertaken to achieve the vision

# Glossary

Term	Definition
The accountability organization maturity model	A model developed by GAO to help SAIs in improving its effectiveness in the financial oversight, insight and foresight roles on the important emerging issues.
Special purpose audit	Audit that is intended to give conclusions about audited matter and can take the form of examination, review, or agreed upon procedure.
Financial audit	Audit that is intended to give reasonable assurance on whether a financial statement is fairly presented in all of its material aspects, in line with the generally acceptable accounting principles in Indonesia or comprehensive accounting basis other than the generally acceptable accounting principles in Indonesia.
Performance audit	Audit on state financial management which consists of economy, efficiency and effectiveness.
<i>On call audit</i>	Audit assignments other than those outlined in the work plan that are carried out by request from BPK stakeholders. On call audit can be either performance audit or special purpose audit.
Thematic audit	Audit other than financial audit that is carried out in line with the theme as prescribed in BPK audit policies and strategies on government programs in a field of work administered by some audited entity.
State financial management	All activities of state financial manager in line with their position and authorities, which include planning, implementation, monitoring and accountability.
Program	A group of interrelated projects to be coordinated to create benefits and allow controls that can not be exercised by individual project. Activities outside the scope of a project means, for example, supporting activities, which is included as part program element.
Generic program	Programs used by several Echelon I A units who share similar characteristics to support service from the officials and/or government administration (internal service)
Technical program	Programs that deliver services for target communities/group (external service)
Bureaucratic reform	One of the efforts of the government in good governance and in effecting reform and fundamental changes in government administration system, particularly in terms of institutional (organizational) aspects, management, and human resources.
Strategic Objective	Accurate and measurable results that support the achievement of strategic goals. Strategic objective describes how a strategic goal can be achieved.

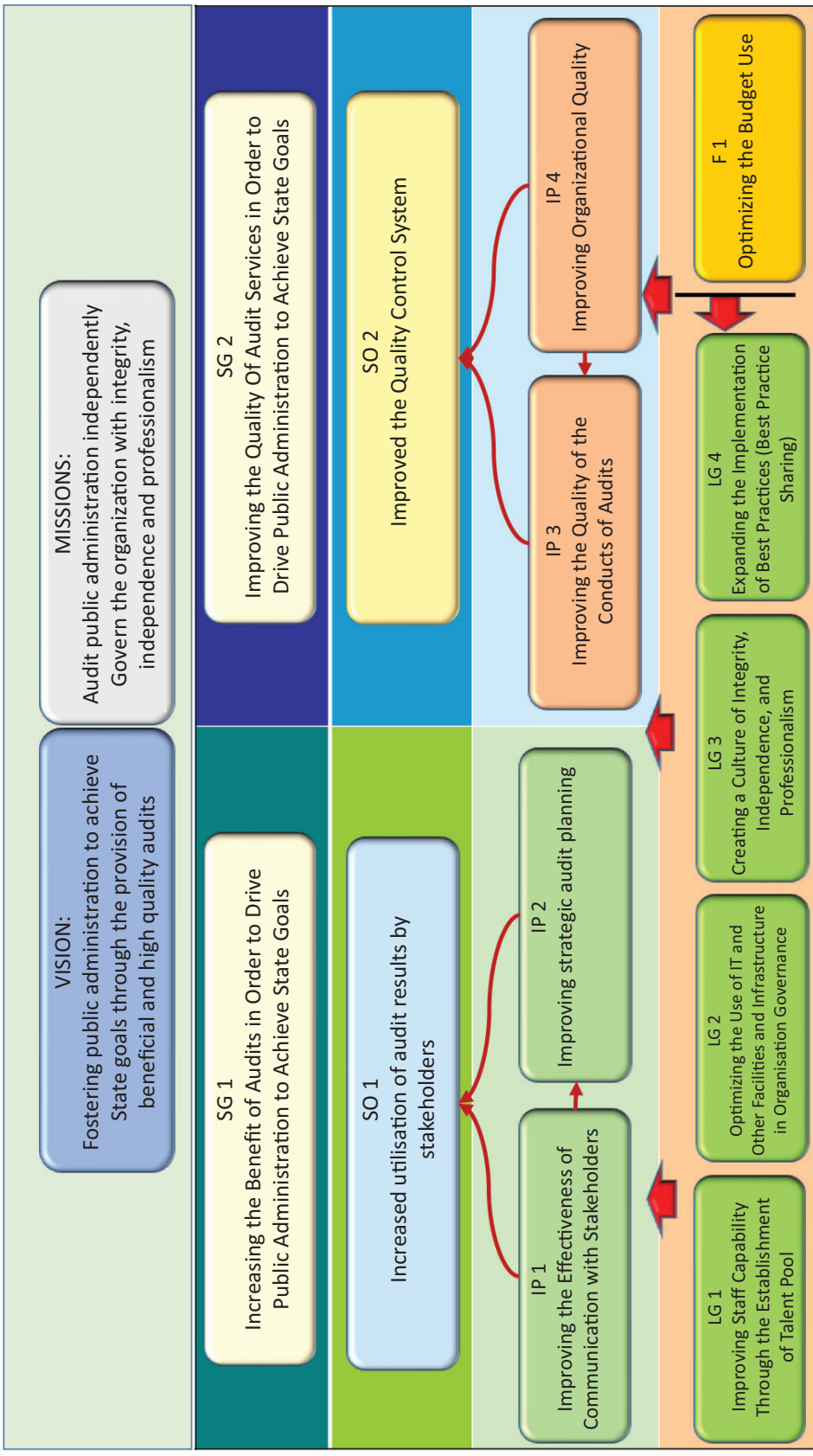
Term	Definition
Quality Assurance System (SPKM)	A system established to give reasonable assurance that the audit institution has an adequate quality control system in place and effectively implements it.
Quality Control System (SPM)	A system designed to obtain reasonable assurance that BPK and its operations have complied with the regulations, audit standards, and that the reports reflect the conditions on the ground.
Strategy	The steps in implementing policy direction to achieve strategic objectives
<i>Tentative Strategic Audit Objective</i>	Audit objective that is specified based on the basic elements of an audit focus that will be further elaborated in TAO during audit engagement.
Talent pool	A group of employees who have expertise in specific areas that are required to implement BPK strategies.
Target	Result and audit result to be achieved in each performance indicator.
Good governance	A set of business process and work mechanism applied in the organization.
Audit theme	Development sub-dimensions in RPJMN where the success of government development programs that are made as audit focus will be assessed.
Strategic goal	A group of mini-purposes used to achieve the ultimate purpose of the organization as outlined in the mission statements to achieve the vision of the organization.
Vision	The future ideal condition that the organization wishes to create and is the answer to the question, "what is success according to the organization?". Vision statement outlines the future state of the organization which contains the aspirations and desired image of the organization.

## Annex 1. Target and Accomplishment of Key Performance Indicator 2011-2015

Key Performance Indicator		2011			2012			2013			2014			2015		2011-2014
		Target	Realisation	Accomplishment	Target	Realisation	Accomplishment	Target	Realisation	Accomplishment	Target	Realisation	Accomplishment	Target	Realisation up to Smt 1	Accomplishment average
IKU 1.1.	Percentage of followed-up of audit recommendations	51%	58.99%	115.67%	55%	55.67%	101.22%	60%	53.86%	89.77%	60%	54.29%	90.48%	65%	55.14%	99.28%
IKU 1.2.	Percentage of criminal reports (in the management of public finance)	50%	11.54%	23.08%	55%	56.32%	102.40%	60%	63.54%	105.90%	65%	79.31%	122.02%	65%	74.47%	88.35%
IKU 1.3.	Satisfaction index of stakeholders regarding BPK's audit results	4	3.74	93.50%	4	3.86	96.50%	4	3.92	98.00%	4.1	4	97.56%	4.15	-	96.39%
IKU 2.1.	Number of published audit reports	1,384	1,434	103.61%	1,361	1,343	98.68%	1,857	1,788	96.28%	1,745	1,767	101.26%	1,770	832	99.96%
IKU 2.2.	Number of published performance audit reports	149	133	89.26%	214	193	90.19%	242	236	97.52%	235	234	99.57%	227	1	94.14%
IKU 2.3.	Timely audit field work and reporting processes	87%	84.05%	96.61%	95%	89.52%	94.23%	95%	91.95%	96.79%	95%	92.60%	97.47%	100%	98.14%	96.28%
IKU 2.4.	Percentage of compliance of audits with the quality assurance system	100%	96.51%	96.51%	100%	98.96%	98.96%	100%	99.37%	99.37%	100%	99.54%	99.54%	100%	93.07%	98.60%
IKU 3.1.	Number of published BPK's opinions	2	1	50.00%	2	1	50.00%	2	1	50.00%	2	1	50.00%	2	7	50.00%
IKU 4.1.	Percentage of the settlement of treasury claims	90%	93.68%	104.09%	35%	64.64%	184.69%	95%	71%	74.74%	75%	27.78%	37.04%	80%	27.78%	100.14%
IKU 4.2.	Number of published monitoring reports on the public loss indemnification	453	714	157.62%	1,112	1,144	102.88%	1,247	1,193	95.67%	1,231	1,222	99.27%	1,237	447	113.86%
IKU 5.1.	Percentage of followed-up peer review recommendations	50%	21.95%	43.90%	70%	47.62%	68.03%	80%	69.05%	86.31%	90%	78.57%	87.30%	60%	52.63%	71.39%
IKU 6.1.	Percentage of the fulfillment of BPK regulations	75%	50%	66.67%	80%	59.09%	73.86%	90%	60%	66.67%	95%	150%	157.89%	100%	100%	91.27%
IKU 7.1.	Percentage of the fulfillment of audit and non audit guidelines	75%	58.33%	77.77%	75%	50%	66.67%	75%	66.67%	88.89%	75%	100%	133.33%	75%	-	91.67%
IKU 8.1.	Percentage of staff meeting the required competency standard	60%	46.55%	77.58%	60%	62.90%	104.83%	65%	72.16%	111.02%	65%	79.77%	122.72%	75%	84.29%	104.04%

Key Performance Indicator		2011			2012			2013			2014			2015		2011-2014
		Target	Realisation	Accomplishment	Target	Realisation	Accomplishment	Target	Realisation	Accomplishment	Target	Realisation	Accomplishment	Target	Realisation up to Smt 1	Accomplishment average
IKU 8.2.	Percentage of auditors meeting the training hours standard	80%	84.74%	105.93%	85%	82.73%	97.33%	90%	76.65%	85.17%	90%	75.88%	84.31%	90%	36.54%	93.18%
IKU 8.3.	Employees' work satisfaction index	3.5	3.46	98.86%	3.5	3.36	96.00%	3.7	3.25	87.84%	3.7	3.46	93.51%	3.7	-	94.05%
IKU 9.1.	Percentage of the fulfillment of work facilities and infrastructures standards	70%	74.86%	106.94%	80%	78.70%	98.38%	90%	86.60%	96.22%	100%	90.12%	90.12%	95%	90.74%	97.92%
IKU 9.2.	Percentage of business processes using information and communication technology	70%	80%	114.29%	75%	81.25%	108.33%	85%	94.12%	110.73%	95%	100%	105.26%	100%	100%	109.65%
IKU 10.1.	Independent audit opinion on BPK financial statements	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP	-	WTP
IKU 10.2.	Percentage of budget utilization	90%	74.01%	82.23%	90%	83.59%	92.88%	90%	85.32%	94.80%	90%	89.83%	99.81%	90%	32.15%	92.43%

# BPK Strategic Plan 2016—2020





**THE AUDIT BOARD OF  
REPUBLIC OF INDONESIA**

**Head Office**

**Jl. Gatot Subroto Kav. 31, Central Jakarta 10210**

**Phone: (+62)21 2554 9000 Ext.3265, Fax: (+62)21 5795 3198**

**[www.bpk.go.id](http://www.bpk.go.id)**