BEST PRACTICES IN INTERNAL AUDITING

ExampleS FROM THE IndonesiaN Public Sector

Cebu City, October 8-11, 2019

BEA REJEKI TIRTADEWI
Dra. Bea Rejeki Tirtadewi, Ak, MM, CRMP, CA, CFrA, QIA

- Current Position: Director of Local Government Governance Supervisory of Financial and Development Supervisory Board (BPKP)
- Current Rank: Pembina Utama Madya / IV d
- Have 32 years experience in BPKP
ASSIGNMENTS

• **1986-1988** – first posting as a Team Leader in South Central Kalimantan Representative Office
• **1988 - 2000** – Became Team Leader then Section Head in Deputy of State-Owned-Enterprise Supervisory
• **2000 - 2010** – Became Technical Controller then Sub Directorate Head in Deputy for Economics and Maritime Supervisory
• **2010 - 2017** – Became Sub-Directorate Head then Director in Deputy for Politics, Law, Security, and Human Development and Culture Supervisory
• **2017 – now** - Director of Local Government Governance Supervisory in Deputy for Local Government Supervisory
SHORT COURSES

• **2007** - Factory Inspection Suramadu Bridge, Shanghai and Beijing, China
• **2010** - COSO Training in IIA Global Head Quarter Altamonte Springs Orlando, Florida, USA
• **2010** – Toll Road Equipment Benchmark of Cikopo Palimanan Toll Road in PT PLUS Kualalumpur Malaysia
• **2011** - GICS Implementation in Indonesian Representative Office in Melbourne, Australia
• **2012** - HLC (High Level Committee) Participants in Airbus Military Spain, GROB Jerman Training Aircraft, and Nexter (Caesar) Perancis
• **2012** - BPKP Customized Risk and Controls Training, Washington DC, USA
• **2013** – GICS Implementation in Indonesian Consulate General in Jeddah and in South Korean Embassy in Seoul
SHORT COURSES

• 2013 - HLC (High Level Committee) Participant to Bell Helicopter Textron Inc and Pratt & Whitney Montreal Canada
• 2014 - HLC (High Level Committee) Participant in Missile Inspection to Sao Paolo, Rio De Janeiro, Brasilia, Brazil
• 2014 - GICS Implementation in Indonesian Representative Office in Cape Town and Pretoria, South Africa
• 2015 - Benchmarking Innovation in Manila, Philippines
• 2015 – Broadcaster Factory Inspection in Paris
• 2016 - GICS Implementation in Indonesian Representative Office in Tashkent, Uzbekistan
• 2015 – Antenna Factory Inspection in Melbourne
• 2018 - Organizational Integrity Overseas Training, The Hague, Holland
AGENDA

• INTRODUCTION
• BEST PRACTICES
• ACHIEVEMENT
INTRODUCTION
Population (2018)  
267 million

GDP (2018)  
USD 1,040.50 billion

Economic Growth  
(average 2014-2018)  
5.03%

National Budget (2019)  
USD 170.91 billion

Subnational Budget (2018)  
USD 86.11 billion

Total SOEs (2018)  
115

Total asset of SOEs (2018)  
USD 603.88 billion

Government Agencies  
86 Ministries & Agencies  
34 Provinces  
508 municipalities and cities

INDONESIA  
a brief introduction
SUMATRA

KAIN TAPIS
LAMPUNG

NASI
PADANG

DANAU
TOBA

INDONESIA
a brief introduction
INDONESIA
a brief introduction

JAVA

BATIK
JAWA

GUDEG
YOGYA

GUNUNG
BROMO
INDONESIA
a brief introduction

KALIMANTAN

BATIK KALIMANTAN

SOTO BANJAR

ISTANA KADRIAH PONTIANAK

www.idngrafis.com
INDONESIA
a brief introduction
AUDIT AGENCIES IN INDONESIAN PUBLIC SECTOR

- Legislature
- Supreme Audit Board
- President

Ministries

Agencies

Ministry/Agency Inspectorates
86 UNITS

Governors

Heads of Municipality

Mayors

Provincial Inspectorates
34 UNITS

Municipal/City Inspectorates
508 UNITS

INTERNAL AUDIT AGENCIES

- Cross Sectoral Programs and Activities
- Activities Directly Funded by The State Treasury
- Other Activities by Assignment from The President

SUBNATIONAL GOVERNMENTS

Audit Reporting Lines
THREE PHASES OF

Assurance Phase 1983-2000

Audit activities as the main assignment. An independent position enables the practice of objective and effective assurance

Strategic Business Partner Phase 2001-2013

Supervisory activities were focused on preventive and assistive approach including Government Internal Control System (GiCS) assistance

Trusted Advisor Phase 2014 - Now

Strategic role in safeguarding finance and development accountability. Demanded to provide faster, relevant, on time, excellent, comprehensive, and reliable supervisory report for decision making
ROLES

• Formulate National Supervisory Policy
• Conduct Audit, Review, Evaluation, Monitoring, and Other Supervision of Planning, Implementing, and Accountability of Financial and Development
• Internal Audit of Government Asset Planning and Utilization
• Provide Consulting Services on Risk Management, GICS, and Good Governance
• Perform Escalation, Claim, and Investigative Audit
• Coordinate Implementation of Government Internal Audit
• Review Government Financial and Performance Report
• Perform Special Assignments based on Government Request
• Develop Competency, Career, and Performance of Government Internal Auditor
BEST PRACTICES
FRAMEWORK

GOVERNMENT INTERNAL CONTROL SYSTEM (GICS)

Maturity Level 3

Integrated Financial Management System (Simda)

Village Financial Management System (Siskeudes)

Monitoring Of Budget Absorption And Procurement

Poverty Eradication Program Audit

SAFEGUARDING

POLICY OF GOVERNMENT CYCLE PROCESS

Planning, Budgeting, Implementing, Reporting, and Monitoring

GOVERNMENT ACCOUNTABILITY

Financial and Performance

PEOPLE WELFARE

STRENGTHEN

Risk Management

APIP

Risk Based Internal Audit

GOVERNMENT INTERNAL AUDITOR (GIA)

GIA TRAINING CENTRE

GIA DEVELOPMENT CENTRE

SUPPORT

Risk Culture

SPIP

Risk Management

GOVERNMENT INTERNAL CONTROL SYSTEM (GICS)

Risk Culture

Risk Based Internal Audit

SAFEGUARDING

Siskeudes

Integrated Financial Management System (Simda)
GIA TRAINING CENTRE

- **Vision** (To be a pioneer and accountable Internal Auditor Training Centre) → GIA CORPU
- **Mission** (To Improve Professionalism & to enhance Human Resource Capability)
- **Roles & Services** (Implementing, Coaching, & Coordinating)
- **Infrastructure** (Classroom, Green Park, Meeting Room, e-Learning, etc.)
- **Accreditation & Quality Assurance** (LAN, ISO 9001:2015, Procurement Acc, & Corruption Free Area)

GIA DEVELOPMENT CENTRE

- **Mandate** (BPKP should develop competency, career, and performance of GIA to be professional Civil Servant)
- **Vision** (Professional government internal auditors to improve government internal audit capabilities)
- **Mission** (To Improve Professionalism & to provide Excellent Services)
- **Roles & Services** (Competency Development, Performance Development, & Career Development)
- **IT – Based Service by Developing Information System - SIBIJAK**
Involvement in cabinet meetings

• President instructs the attendance of the Chairman in Cabinet Meetings.
• **Strategic National Issues**: infrastructure projects, poverty eradication programs, food security program, state-owned enterprises, etc.
• Emphasis on **prevention mechanism**, to mitigate risks, prevent fraud, and ensure program/policy effectiveness.
• Implications: **wider involvement** of BPKP in national policy cycle and **better contextual understanding** of BPKP to improve the quality of internal audit activities.
• **Results**: recommendation on strategic national issues.
GICS MATURITY

Based on Government Regulation 60/2008 on GICS

Elements of GICS

1. Monitoring and Evaluation
2. Information and Communication
3. Control Activities
4. Risk Assessment
5. Control Environment

Internal control maturity level indicates the ability to perform and achieve targeted outcomes with transparency and accountability.

LEVEL 1 - INITIAL
Adhoc, unorganized, uninstitutionalized

LEVEL 2 - DEVELOPING
Undocumented and depended on individuals. Non-existent internal control effectiveness evaluation

LEVEL 3 - DEFINED
Documented, effectiveness evaluation is done but undocumented

LEVEL 4 - MANAGED
Effective, effectiveness evaluation is done, documented and conducted regularly

LEVEL 5 - OPTIMUM
Continuous, integrated, and utilize IT

LEVEL 0
No Policies and Procedures
GIA CAPABILITY

Adapted from Internal Audit Capability Model from IIA

Elements of GIA Capability

1. Governance Structures
2. Organizational Relationship and Culture
3. Performance Management and Accountability
4. Professional Practices
5. People Management
6. Services And Roles

Capability Level

LEVEL 1 - INITIAL
Unstructured activities, dependent on individuals, uninstitutionalized

LEVEL 2 - INFRASTRUCTURE
Ability to provide assurance on compliance. Regular activities

LEVEL 3 - integrated
Ability to provide advisory services and assurance on performance. Activities conform to professional framework

LEVEL 4 - MANAGED
Ability to provide complete assurance on governance, risk management and internal control. Activities use integrated information across organization

LEVEL 5 - OPTIMIZING
Agent of change. Activities utilized learning from inside and outside organization
SIMDA

Refining Business Processes
• Embedding internal control into financial management information system
• Simpler business process

Reaching more than 80% subnational government units
• Implemented in provinces, municipalities, and cities
• Processes involve financial planning, budgeting, treasury, and reporting

Enhancing the quality of financial management
• Information system helps subnational governments to enhance the quality of their financial reporting

SISKEUDES

Enhance Financial Reporting Performance
• Provide an IT system to help villages to report their finance
• Simple and easy to use application
• Free

Introducing Internal Control to Village Financial Report
• Built in internal control in the applications
VILLAGE FUND REVIEW

New collaborative approach
• Involving more than 400 internal audit agencies at subnational level

Nation wide implementation
• Provision of guidance to work in national context

Evidence for future funding policy
• Provide analysis on village fund disbursement in 74,954 villages.

SOE MERGER REVIEW

Analysing value creation
• Using financial ratios and estimates, and potential value for development programs

Implemented before Merger
• Providing assurance for value creation after Merger

Accounting and development perspectives
• Wider consideration regarding Merger of SOEs; linking to national priorities
**MONITORING OF BUDGET ABSORPTION AND PROCUREMENT**

Collaborative engagement to provide national view
- Opportunities to identify bottlenecks and structural problems in the procurement system
- Continuous monitoring of budget absorption

Continuous update to enable timely response
- Implemented by internal audit agencies across different levels

Provide evidence for debottlenecking and policy updates
- Enable analysis of policy that influence speed of budget absorption
- Identify weakness in the business process

**POVERTY ERRADICATION PROGRAM AUDIT**

Critically analyse poverty eradication program
- Involving different business processes in different ministries and agencies

Implemented in the intervention period
- Providing assurance in the effectiveness of business processes

Finding inclusion and exclusion errors
- Providing evidence in different poverty eradication activities and their complementarities
ACHIEVEMENT
# GICS MATURITY

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<th>No</th>
<th>Institutions</th>
<th>Population</th>
<th>Target</th>
<th>Real.</th>
<th><strong>Percentage</strong></th>
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<td>Of Target</td>
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<td><strong>628</strong></td>
<td><strong>459</strong></td>
<td><strong>277</strong></td>
<td><strong>60.35%</strong></td>
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*by September 13, 2019*
Vision
To be a pioneer and accountable Internal Auditor Training Centre

GICS MATURITY MAP

Aceh
1 of 24
4,17%

Sumut
4 of 34
11,76%

Riau
7 of 13
53,85%

Kep. Riau
5 of 8
62,50%

Kalbar
9 of 15
60%

Kaltara
2 of 6
33,33%

Kaltim
9 of 11
81,82%

Gorontalo
5 of 7
71,43%

Sulut
8 of 16
50%

Malut
0 of 11
0%

Jambi
0 of 12
0%

Bengkulu
1 of 11
9,09%

Lampung
10 of 16
62,5%

Babel
2 of 8
25%

Kalsel
6 of 14
42,86%

Sumsel
10 of 18
55,56%

DIY
11 of 12
91,66%

Jateng
25 of 30
83,33%

Jatim
27 of 39
69,23%

NTB
7 of 11
63,64%

NTT
0 of 23
0%

Bali
10 of 10
100%

DKI
1 of 1
100%

Banten
8 of 9
88,89%

Jabar
12 of 28
42,86%

Sulsel
9 of 25
36%

Jambi
0 of 12
0%

Sultra
3 of 18
16,67%

Sulbar
6 of 7
85,71%

Sumbar
14 of 20
70%

Babel
2 of 8
25%

NTB
1 of 1
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Sulsel
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36%

Papbar
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*by September 13, 2019*
SIMDA MAP (by September 2019)

National Implementation Total:
- All SIMDA 444 of 542 (81.92%)
- SIMDA Finance 393 of 542 Local Government (72.51%)

National Implementation Total:
- SIMDA Planning 253 of 542 Local Government (46.68%)
- SIMDA Planning Implementation on Institution that Implemented SIMDA Finance: 253 dari 393 pemda (64.38%)
National Total:
- Assistance 73,534 of 74,954 Villages (98,11%)
- Implementation 68.88% of 74,954 Villages (91.90%)
Lessons Learned

• Opportunities for evolving the role of GIA basically driven from top management (i.e. President).
• Head of GIA should continuously develops GIA capabilities to face with more challenging role.
• Innovations can gain more traction if they are aligned with the problems/issues encountered both at policy making and operational level.
• Community of Practice is needed to exchange best practices of GIA.