

## Preface

A well managed and effective state financial system is crucial to improving the welfare, prosperity, and development of the Indonesian people and the nation.

Recent changes in BPK's leadership have happened at the same time as a number of changes are occurring in our external environment related to state financial management. These external changes are driven by people's desire to have a government that is more clean and accountable and transparent in the management of state finances.

The second external change is that each central and local government agency is now required to prepare financial statements as a reflection of accountability of state and local financial management. In accordance with the Constitution of Indonesian Republic Year 1945, BPK has the obligation and mandate to audit these statements.

The third change relates to the autonomy given to the propinsi, kabupaten, and kota to manage their own finances; the management of state finances that was previously centralized in the capital city has now been distributed widely to the propinsi, kabupaten, and kota across our country.

These changes in our State Management all have a significant impact on BPK's position as the only institution responsible for auditing state finances. For that reason, BPK has developed this Strategic Plan 2006-2010, in order to be able to adopt to these changes and fulfill our tasks and functions.

Finally, let me express my gratitude to USAID, ADB, and the many members of our staff who have contributed to the development of this BPK Strategic Plan for 2006-2010. Thank you.

Chairman

Dr. Anwar Nasution

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## **Introduction**

The Indonesian State Audit Board (BPK) was founded based on the mandate of the Constitution of 1945 to audit state financial management and accountability. BPK is headquartered in Jakarta and is committed to having representative offices in all provinces.

## **Vision**

To become a state financial audit institution which *is* independent, and professional, and which plays an active role in improving the accountability and transparency of state finances.

## **Mission**

To audit state financial management and accountability in order to improve the accountability and transparency of state finances and to play an active role in achieving good, clean, and transparent governance.

## **Strategic Goals**

### **Goal 1:**

**To establish BPK as an independent and professional state financial audit institution**

BPK will emphasize the values of independence and professionalism in all aspects of its efforts to improve the accountability and transparency of state financial management.

### **Goal 2:**

**To meet the needs and expectations of stakeholders**

BPK strives to meet the needs and the expectations of its stakeholders, including the Dewan Perwakilan Rakyat (Central Parliament), Dewan Perwakilan Daerah (Regional Representative Board), Dewan Perwakilan Rakyat Daerah (Regional Parliament), and

the public in general, by providing accurate and timely information on the use, management, effectiveness, and accountability of state finances.

**Goal 3:**

**To establish BPK as the central regulator in the field of auditing state financial management and accountability**

BPK will aim to become the central regulator in the field of auditing the management and accountability of state finances in accordance with its legal and legislative mandates.

**Goal 4 :**

**To encourage the achievement of good *governance of state financial management and accountability***

BPK will encourage the improvement of state financial management by defining effective standards, identifying fraud and irregularities, improving internal control systems, reporting findings and recommendations to stakeholders, and evaluating the effectiveness of audit follow-up activities.

**Core Values**

**Independence**

BPK operates as an independent state institution with regard to matters of organization, legislation, and budget, and is free from inappropriate influence from the other state institutions.

**Integrity**

BPK emphasizes high integrity in all aspects of auditing by requiring that each auditor performs at the highest levels of ethical conduct, standards of behavior, and professionalism.

## **Professionalism**

BPK conducts its work in accordance with state financial audit standards, ethical guidelines, and the core values of our organization.

## **Scope of Work**

BPK audits all components of state finances, at both the central and regional levels, including National Budget (APBN), Regional Budgets (APBD), State Owned Enterprises (BUMN), Regional Owned Enterprises (BUMD), the Bank of Indonesia (BI), the State Owned Legal Board (BHMN), the Public Service Board (BLU), and other institutions as necessary. In accordance with the mandate of the constitution concerning state financial management and accountability, BPK conducts three types of audits:

- **Financial Audits**, which provide the basis for an opinion on the fairness of financial information presented in state financial reports.
- **Performance Audits**, which assess the economy and efficiency of state financial resources and effectiveness of government programs and report findings to the DPR, DPD, and DPRD.
- **Special Purpose Audits**, which address specific areas of concern outside of the scope of financial and performance audits such as financially related audits, investigative audits, and audits of internal control systems

## **BPK Environment**

BPK recognizes that many complex changes are reshaping its internal and external environment at all levels, and is committed to developing the management systems and capacity to respond accordingly and turn challenges into opportunities for excellence.

## **BPK Organization**

In carrying out its authorities, responsibilities, and its function, BPK is supported by secretary general who administratively coordinates all BPK's staff.

## **BPK Human Resources**

BPK employs over 3,000 persons with a wide array of academic backgrounds including accounting, economics, law, information technology, statistics, etc. BPK supports the ongoing development of its workforce by providing training and professional development opportunities both locally and through a network of international partners and stakeholders including universities and other Supreme Audit Institutions.

## **BPK Stakeholders**

BPK serves a variety of stakeholders including:

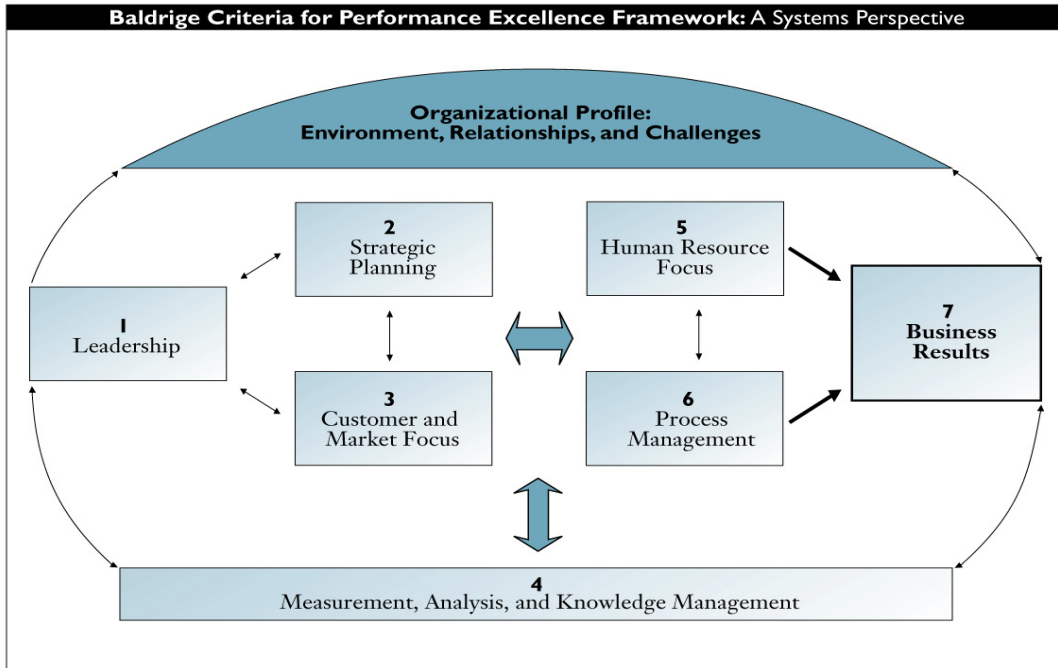
- Representative legislative bodies: DPR, DPRD, DPD
- Government agencies including auditees and law enforcers
- Other institutions as stipulated by law
- Citizens of the Republic of Indonesia
- International institutions

## **Audit Reports**

BPK produces reports on financial audits, performance audits, and special purpose audits. Audit results are compiled and submitted to parliament and government in accordance with our statutory obligations.

## **Strategic Objectives and Action Plans**

BPK is committed to implementing an integrated management system and audit practices that will deliver outstanding audit products and services to stakeholders. To guide this implementation, BPK has adopted the following international best practice criteria and framework.



To achieve its vision, mission and organization goals, BPK has developed strategic objectives and action plans in six key performance areas: Leadership, Strategic Planning, Stakeholder Focus, Measurement, Analysis, and Knowledge Management, Human Resource Focus, and Process Management. These objectives and action plans are shown in **Attachment I**.

### Key Performance Indicators

To measure and track progress toward achieving its strategic objectives, BPK has developed a number of Key Performance Indicators. These indicators will address results in terms of employee and public perception, financial results, quality, timeliness, and cost, and are shown in **Attachment II**.

### Strategic Objectives and Action Plans

#### Leadership

##### Strategic Objectives

1. To promote a clear, achievable and compelling organizational vision and a guiding set of values in compliance with regulatory and legal requirements.
2. To create and foster an independent environment that produces the highest levels of legal and ethical behavior and leadership accountability.
3. To build a sustainable organization with the agility and strategic management to prepare successfully for all future contingencies.
4. To promote an environment conducive to organizational and employee learning.
5. To provide hands-on development and support of future organizational leaders.
6. To promote a culture of frank, transparent, and empowering communication throughout the organization.
7. To focus on client and stakeholder needs and to recognize and reward employees who contribute toward this objective.
8. To promote an action orientation throughout the organization aimed at accomplishing strategic objectives, improving performance, and attaining the organizational vision.
9. To review organizational performance and provide feedback and guidance as necessary to ensure high performance.
10. To educate the communities in which we operate on the role of the supreme audit institution in improving the life of all Indonesians.

##### Action Plans

1. Formally adopt this strategic plan as the basis for the direction of organizational reform, management and governance over the next five years.
2. Develop and deploy a systematic method of monitoring and improving these implementation strategies.
3. Implement a systematic process of providing inputs to the DPR, DPD, and DPRD in the development of Indonesian laws that are related to the BPK mission and responsibilities.
4. Clearly task the Legal and Constitutional Bureau and Echelon 1 leaders to refine the vision, mission, and values of this organization and make recommendations to the Board accordingly.

5. Review the Code of Ethical Conduct and develop a system to measure the performance of each and every BPK employee against these standards.
6. Initiate a systematic process of gaining independent control over personnel and budgetary matters.
7. Review laws and regulations of BPK and related institutions for conformity with this strategic plan, and draft Memoranda of Understanding to reflect the proper scope and nature of these institutional relationships.
8. Establish a subcommittee of the BPK Board that is empowered to define, foster and measure legal and ethical behavior within BPK.
9. Strengthen the public relations unit within BPK to communicate a consistent understanding of BPK's strategic objectives, direction, functions, and responsibilities to all citizens of Indonesia.
10. Involve Board and senior executives more directly in succession management and in developing the next generation of BPK leaders.
11. Design and implement a management information system capable of providing information on the performance of employees operating at all levels of the organization.
12. Establish clear demarcation lines between the roles and responsibilities of the Board and executive management and instill this understanding throughout the entire organization.
13. Establish a systematic process of collecting regular feedback from employees at all levels for input into policy and operating decisions.

## **Strategic Planning**

### **Strategic Objectives**

1. To develop and deploy a systematic five-year strategic planning process that will guide BPK through its ongoing transformation to the status of supreme audit institution operating at the highest levels of probity, accountability, and transparency.
2. To optimize the utilization of all available resources in pursuit of these strategic objectives.
3. To establish clear Board ownership of all aspects of strategic planning at BPK.
4. To disseminate objectives and strategies to BPK employees at all levels.
5. To collect and integrate inputs from employees, the DPR, DPD, DPRD, and other stakeholders to increase the focus on BPK's task and functions.
6. To establish a monitoring and evaluation mechanism for assessing the impact of action plans, using international benchmarks when possible.
7. To ensure a flexible strategic planning process capable of responding to rapidly changing political, social, economic, and operational environments.

## **Action Plans**

1. Establish a subcommittee of the Board of BPK empowered to oversee strategic objectives and actions and ensure that adequate resources are available and properly directed to the strategic planning process.
2. Identify and clarify a structure within BPK to develop the strategic objectives and action plans.
3. Allocate responsibility for an annual review process that is capable of identifying and responding to rapidly changing political, social, economic, and operational environments.
4. Implement a systematic process for collecting and including inputs from employees, the DPR, DPD, DPRD, and other stakeholders in the strategic planning process.
5. Develop and deploy tactical (i.e., annual) audit work plans that are aligned with this strategic plan in terms of priorities, resources, and desired outcomes.
6. Establish a performance monitoring mechanism to assess the effectiveness of each action strategy.
7. Disseminate information about the strategic planning process to all BPK employees and key stakeholders.

## **Stakeholder Focus**

### **Strategic Objectives**

1. To instill in all BPK staff a commitment to client service.
2. To instill in all BPK staff a dedication to providing products and services that meet international standards of professionalism, timeliness, and quality.
3. To identify and categorize our clients and their needs and requirements.
4. To deliver products and services tailored to the specific needs and requirements of each targeted client and stakeholder group.
5. To improve ease of access to BPK and our products and services.
6. To respond to future changes in key client requirements and expectations.
7. To identify and measure key elements of client and stakeholder satisfaction.
8. To identify and increase the number of key client and stakeholder relationships.

## **Action Plans**

1. Implement a comprehensive process to embed a culture of client service throughout BPK.
2. Identify the international standards to which BPK will hold itself accountable.

3. Determine deficiencies in current products and services and initiate remedial actions.
4. Identify current and potential BPK clients.
5. Implement a systematic process for determining needs and requirements of current and potential BPK clients.
6. Ensure that work processes and outputs are able to respond to the changing needs and requirements of targeted client and stakeholder groups.
7. Establish a public outreach office charged with improving access to BPK and our products and services.
8. Implement a formal client and stakeholder satisfaction measurement and monitoring system.
9. Establish a client and stakeholder contact office within an existing or new organizational unit.

## **Measurement, Analysis and Knowledge Management**

### **Strategic Objectives**

1. To identify BPK's information requirements and sources.
2. To develop a reliable and secure information technology infrastructure that is aligned with organizational needs and direction.
3. To collect, collate, and process internal and external key information.
4. To develop meaningful internal and external performance indicators.
5. To build an integrated, real-time performance measurement and management capability.
6. To use comparative and benchmark data to improve decision making and innovation.
7. To ensure the continuous availability, relevance, and utility of performance indicators in a changing environment.
8. To ensure that BPK has an ongoing capacity to review organizational performance.
9. To use information effectively to improve processes, performance, and results.
10. To disseminate the results of performance reviews and recommendations for improvement to key internal and external stakeholders.
11. To ensure effective deployment and implementation of recommendations resulting from performance reviews.
12. To develop a systematic process for sharing knowledge and best practices across the organization.

## **Action Plans**

1. Survey external and internal stakeholders to identify BPK's information requirements and sources.
2. Define key performance indicators aligned with strategic objectives.
3. Establish comparative benchmarks for BPK's key performance indicators.
4. Develop an information technology strategy aligned with key performance indicators and organizational needs and requirements.
5. Deploy the integrated performance measurement and analysis system.
6. Establish a subcommittee of the Board to review performance indicators and benchmarks periodically for relevance and usefulness.
7. Integrate outputs from the performance measurement and analysis systems into organizational policies, procedures, and operations.
8. Develop and deploy reporting and communication mechanisms to disseminate key performance indicators and recommendations to internal and external clients and stakeholders.
9. Design and deploy a post-implementation review process to ensure effective deployment and implementation of performance-based recommendations.
10. Appoint a knowledge management executive to facilitate improved sharing of corporate knowledge and information across BPK.

## **Human Resource Focus**

### **Strategic Objectives**

1. To optimize the work performance of all BPK staff.
2. To achieve independence from the conventional civil service constraints on managing human resources.
3. To become an employer of choice in the Indonesian professional services sector.
4. To provide a safe, secure, and pleasant work environment for all employees.
5. To achieve a stimulating and productive organizational culture that promotes staff satisfaction and high performance.
6. To achieve a transparent and effective promotion system that enhances professional advancement.
7. To ensure alignment of human resources with mission and job requirements.
8. To provide clear and unequivocal task allocations through the annual work program.
9. To design and deploy a work management system that tracks actual performance against plan and budget.

10. To design and deploy training and professional development systems that are aligned with the requirements of the strategic objectives and annual workplans.

### **Action Plans**

1. Initiate a systematic process to gain independence and flexibility with regard to civil service structures.
2. Study examples of other Indonesian government organizations that have achieved independence.
3. Conduct an organizational review to determine whether the current structure and resource allocation is optimal to achieve BPK's mission and business requirements.
4. Prepare the annual workplans so that the tasks and functions are realistically achievable and clearly assigned to the appropriate organizational components within BPK.
5. Design and deploy a performance monitoring system benchmarked against the annual workplans.
6. Implement a dynamic marketing and outreach program aimed at positioning BPK as an employer of choice among recent college graduates and mid-career financial professionals.
7. Clearly define opportunities and incentives for career development within BPK and initiate an open, transparent, and fair process for developing, promoting and rewarding staff.
8. Conduct a career planning workshop for new employees.
9. Conduct an ergonomic and safety survey of all central and regional BPK office accommodations and staff facilities. Identify situations requiring attention; assign priorities and resources and implement necessary changes over an appropriate timeframe.
10. Implement a systematic approach to identifying, measuring, and improving key attributes of employee well-being, satisfaction, motivation, and organizational culture.
11. Establish an open and effective two-way dialogue among employees and managers at all levels.
12. Implement a systematic process of evaluating training needs across the organization and designing educational programs and training modules targeted to the most important development areas.
13. Design and implement a modern and effective disciplinary system.

## **Process Management**

### **Strategic Objectives**

1. To conduct our core business functions and internal support functions ethically, effectively and efficiently.
2. To align the legislative and regulatory framework with BPK's vision, mission, and strategic goals.
3. To utilize a systematic process for focusing discretionary resources on areas of greatest concern within the public fiscal environment.
4. To issue audit reports that are meaningful and actionable.
5. To develop a collaborative process with the DPR to ensure that key recommendations are followed up in a timely manner.
6. To develop specific guidance for working with external entities including but not restricted to the Komisi Pemberantasan Korupsi (Corruption Eradication Commission), Kejaksaan Agung (Attorney General's Office), and Kepolisian Republik Indonesia (the National Police).
7. To provide expert guidance to the Government of Indonesia with respect to the development of government accounting standards and practices.
8. To strengthen the research and development function to better identify and address the key business needs of its internal customers.
9. To develop a process management information system that utilizes meaningful performance indicators.
10. To strengthen the internal audit function within BPK.
11. To incorporate input from clients and stakeholders when developing or redesigning audit processes.
12. To ensure that the structure of the internal support organizations aligns with the needs of core business processes.
13. To ensure that information technology resources are appropriate and integrated effectively.
14. To educate and inform all BPK staff on the purpose and operations of internal support processes.
15. To ensure that auditors are protected legally against improper lawsuits.
16. To promote the development of effective legislation in the areas of settlement of state/provincial losses, Treasurer reporting responsibilities, and reporting criminal activities.
17. To achieve substantive improvements in internal control systems within government institutions.

## **Action Plans**

1. Review and revise the existing Government Auditing Standard as State Finance Audit Standards.
2. Review the legislative and regulatory framework to identify areas of inconsistency with BPK's vision, mission, and strategic goals.
3. Focus discretionary resources on prioritized audit targets for forensic, environmental, and conflict auditing.
4. Design and deploy audit report formats that will provide meaningful and actionable information to all stakeholders.
5. Develop a monitoring system to ensure timely follow up of key recommendations.
6. Revise audit management guidelines to give clear instruction on all aspects of coordinating with KPK, Kejaksaan and Polri.
7. Define the resources and processes necessary to provide accounting and auditing advice to the Government of Indonesia on matters relating to government auditing standards and financially related legislation and regulations.
8. Develop a systematic process for better aligning the work of the R&D unit with the needs of working units surrounding BPK.
9. Design and develop a management information system that is based on key performance indicators that are meaningful and can contribute to the future development of BPK.
10. Review and as necessary reform the internal audit function within BPK to enhance relevance, effectiveness and efficiency.
11. Identify key clients and stakeholders and establish two-way dialogue in order to better understand their needs and incorporate their perspectives into the design and deployment of audit processes.
12. Ensure that the internal support processes are included in the scope of the organizational reviews conducted as part of the BPK transformation effort.
13. Conduct IT user needs assessment and incorporate the results into comprehensive strategic and operational IT plans.
14. Develop a training module to educate and inform all BPK staff on the purpose and operations of internal support processes.
15. Establish a BPK law on the settlement for state/provincial loss should there be obstruction of law and/or treasurer negligence in carrying out their duties.
16. Establish a system of legal protections for auditors
17. Establish a BPK law for the settlement of state financial losses for companies owned 51% or more by the state.
18. Establish a BPK law on the submission of Treasurer Responsibility Reports
19. Establish a BPK law on reporting criminal activities to appropriate authorities.

20. Work proactively to strengthen internal control systems within government in advance of government decrees and mandates.

## **Attachment II**

### **Key Performance Indicators**

#### **Staff Results**

1. % of staff who report they clearly understand BPK's strategic objectives and reform agenda.
2. % of staff who report they are familiar with the code of ethics.
3. % of staff who believe they will be able to comply with the code of ethics.
4. % of staff who are satisfied with progress toward budget and human resource independence.
5. % of staff to whom the management information system provides enough information to adequately measure performance.
6. % of staff satisfied with career paths and career assistance.
7. % of staff satisfied with management/staff communication.
8. % of staff who are satisfied with current training levels and curriculum.
9. % of staff who understand the roles and responsibilities of the Board and management.
10. % of staff who are satisfied with BPK'S effectiveness in responding to external changes.
11. % of staff who consider themselves a part of the strategic planning process.
12. % of staff who consider the disciplinary system to be fair and effective.
13. % of staff who consider that management is concerned about their well being.
14. % of staff who consider that their work meets client expectations.
15. % of staff who consider that IT systems meet their work requirements.
16. % of staff who consider general support services adequate.
17. % of staff who are trained in their career development

#### **Stakeholder Results**

1. % of respondees that consider BPK is effective in its mission.
2. % of respondees that consider BPK adequately communicated its results to the public.

## **Audit Results**

1. Number of matters of significance reported to Parliament.
2. Number of financial audits.
3. Number of performance audits.
4. Number of special purpose and other audits.
5. Number of submissions to Parliament providing advice on legislative amendments or financial standards.
6. Number of findings referred to police or Attorney General.
7. Number of recommendations implemented by auditees.
8. Total value of State losses identified by BPK.
9. Value of savings identified versus BPK operating costs.
10. Number of out-reach programs conducted.
11. % of annual work plan achieved.

## **Quality Results**

1. % of stakeholders that are satisfied with BPK's audit result and consultation.
2. % of stakeholders satisfied that BPK communicated findings and recommendation effectively.
3. % of audit opinions consistent with standards.

## **Timeliness Results**

1. % of respondees that agree the matters of significance raised in reports are timely.
2. % of audit opinions issued within statutory deadlines.

## **Cost Results**

1. Average cost per matter of significance.
2. Average cost per major audit.
3. Average cost per special audit.
4. Number of hours expended on conducting audits.
5. Number of hours expended on the management of audits.
6. Number of hours expended on training and education.