

General Conference

GC(63)/8

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Item 11 of the provisional agenda
(GC(63)/1 and Add.1)

Appointment of the External Auditor

Summary

1. The term of office of the Agency's current External Auditor — the Audit Board of the Republic of Indonesia — will expire upon the completion of the audit of the Agency's financial statements for 2019. It will therefore be necessary for the General Conference, at its forthcoming regular session, to appoint an External Auditor to audit the Agency's financial statements for the financial years 2020 and 2021.
2. In the Note by the Secretariat, 2018/Note 80, dated 16 November 2018 (Attachment 1), Member States were invited to nominate candidates for consideration by the General Conference at its 2019 regular session. The Note specified that nominations should include: a curriculum vitae of the nominee; details of the national and international activities of the office of the Auditor General of the Member State submitting the nomination; an indication of the range of the audit activities envisaged and of the audit specialities that could be of benefit to the Agency; a presentation of the approach to the audit; the number and level of staff to be involved in the audit; a proposed audit fee (expressed in Euros) and an estimate of the total number of auditor-months which would be devoted to the audit of the Agency's financial statements for 2020 and 2021.
3. As of 11 January 2019, the Secretariat had received two nominations. Subsequently, one of them was withdrawn, leaving one nomination, that of the Audit Board of the Republic of Indonesia (Attachment 2). Attachment 3 provides a summary of the details of the nomination.
4. On 11 June 2019, the Board of Governors considered this information and agreed to recommend to the General Conference the appointment of the Audit Board of the Republic of Indonesia as the External Auditor to audit the Agency's financial statements for the financial years 2020 and 2021.

Recommended Action

The General Conference may wish to endorse the recommendation of the Board as set out in paragraph 4 above and appoint, in accordance with Financial Regulation 12.01, the Audit Board of the Republic of Indonesia as the External Auditor to audit the Agency's financial statements for the financial years 2020 and 2021.



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International Atomic Energy Agency

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Международное агентство по атомной энергии

Organismo Internacional de Energía Atómica

GC(63)/8
Attachment1

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2018/Note 80

NOTE BY THE SECRETARIAT

Appointment of the External Auditor

The Secretariat has the honour to notify Member States that the present term of office of the Agency's External Auditor (Audit Board of the Republic of Indonesia) expires with the completion of the audit of the financial statements for the financial year 2019. It will be necessary for the General Conference at its sixty-third regular session, in September 2019, to appoint an External Auditor to audit the financial statements for the financial years 2020 and 2021. The appointment is traditionally made for a period of two years.

In this regard, Member States are reminded of document GC(61)/DEC/14, *Term of Office of the External Auditor*, in which the General Conference decided that “*the appointment of the Agency's External Auditor shall be made through a competitive selection process for a non-renewable six-year term starting from the audit of the financial statements for the financial year 2022, with another appointment possible only after a break of at least one term.*”

Member States are invited to nominate candidates whom they wish the General Conference to consider at its sixty-third regular session for appointment as the External Auditor of the Agency. The full text of Article XII of the Agency's Financial Regulations and the additional terms of reference governing audits of the Agency's financial statements are enclosed herewith.

The nominations should include the following:

- a) a curriculum vitae of the nominee and details of the national and international activities of the Auditor-General's office, with an indication of the range of audit activities envisaged and of the audit specialities that could be of benefit to the Agency;
- b) a presentation of the approach to the audit and the number and level of staff to be involved in the audit; and
- c) a proposed audit fee (expressed in Euros) and an estimate of the total number of auditor-months which would be devoted to the audit of the financial statements for 2020 and 2021.

The proposed audit fee should cover the audit related salaries, secretarial and other support costs, travel costs and living expenses of the External Auditor and his/her staff. Travel costs should cover travel between the Auditor-General's office and the Agency's Headquarters in Vienna and – if deemed necessary for audit purposes – other Agency offices.

Nominations should reach the Director General as early as possible, and in any case not later than 11 January 2019, in order to allow sufficient time for further inquiries and subsequent forwarding of a proposal by the Board of Governors for consideration by the General Conference in September 2019. The Agency's Division of Budget and Finance would be pleased to provide any further information or clarification that may be required.



16 November 2018

To all IAEA Member States

ARTICLE XII. EXTERNAL AUDIT

APPOINTMENT OF EXTERNAL AUDITOR

Regulation 12.01

An External Auditor, who shall be Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed by the General Conference for a period determined by it.

TENURE OF OFFICE OF EXTERNAL AUDITOR

Regulation 12.02

If the External Auditor ceases to hold office as Auditor-General (or equivalent function) in his/her own country, his/her tenure of office as External Auditor shall thereupon be terminated and he/she shall be succeeded as External Auditor by his/her successor as Auditor-General. The External Auditor may not otherwise be removed during his/her tenure of office, except by the General Conference.

CONDUCT OF AUDIT

Regulation 12.03

Subject to any special direction of the General Conference or the Board, each audit which the External Auditor is required to make shall be conducted in accordance with the Additional Terms of Reference set out in the Annex to these Regulations.

RESPONSIBILITY OF EXTERNAL AUDITOR

Regulation 12.04

The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

SPECIFIC EXAMINATIONS

Regulation 12.05

The General Conference and the Board may request the External Auditor to perform certain specific examinations and to issue separate reports on the results.

PROVISION OF FACILITIES TO EXTERNAL AUDITOR

Regulation 12.06

The Director General shall provide the External Auditor with the facilities required for the performance of the audit.

USE OF LOCAL AUDITORS

Regulation 12.07

Whenever it is necessary to make a local or special examination the External Auditor may arrange for the services of any national Auditor-General who is eligible to be appointed as External Auditor or of commercial public auditors of known repute.

TRANSMISSION OF AUDIT REPORT

Regulation 12.08

The report of the External Auditor shall be transmitted to the Board for its observations and the Board shall transmit the report to the General Conference in accordance with Regulation 11.03. A representative of the External Auditor shall be present when his/her report is first under consideration by the Board or by a subsidiary body of the Board. In addition, the Director General shall arrange for such representation during subsequent consideration by the Board or during consideration by the General Conference, if so requested by a Member State, if the Director General considers it desirable or if the External Auditor considers it essential.

**ADDITIONAL TERMS OF REFERENCE GOVERNING THE AUDIT OF THE
INTERNATIONAL ATOMIC ENERGY AGENCY**

1. The External Auditor shall perform an audit of the accounts of the Agency, including all Trust and Special Funds as he/she may deem necessary in order to satisfy himself/herself:
 - (a) That the financial statements are in accord with the books and records of the Agency;
 - (b) That the financial transactions reflected in the statements have been in accordance with the Financial Rules and Regulations, the budgetary provisions, and other applicable directives;
 - (c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Agency's depositories or by actual count.
2. Subject to the provisions of the Financial Regulations, the External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications by or on behalf of the Director General and may proceed to such detailed examination and verification he/she chooses of all financial records, including those relating to supplies and equipment and materials of the Agency or for which the Agency is responsible.
3. The External Auditor may affirm by test the reliability of the internal audit, and may make such reports with respect thereto, as he/she may deem necessary, to the Board or to the Director General for transmission, where appropriate, to the General Conference.
4. The External Auditor and staff working under his/her direction shall subscribe to such oath as may be approved by the Board. Thereupon he/she shall have free access, at all convenient times, to all books of account and records which are, in his/her opinion, necessary for the performance of the audit. Information classified as confidential in the records of the Secretariat, and which is required by the External Auditor for the purposes of the audit, shall be made available on application to the Director General. In the event that the External Auditor is of the opinion that a duty rests on him/her to draw to the attention of the Board or of the General Conference any matter respecting which all or part of the documentation is classified as confidential, direct quotation shall be avoided.
5. The External Auditor, in addition to auditing the accounts, may make such observations as he/she may deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and, in general, the financial consequences of administrative practices.
6. In no case, however, shall the External Auditor include criticism in his/her audit report without first affording the Director General an opportunity of explanation of the matter under observation. Audit objections to any items arising during the examination of the accounts shall be immediately communicated to the Director General or the Director, Division of Budget and Finance.
7. The External Auditor shall prepare a report on the accounts which shall include:
 - (a) The extent and character of his/her examination and of any important changes in the extent and character of such examination, including whether he/she has obtained all the information and explanations he/she has required;
 - (b) Matters affecting the completeness or accuracy of the accounts, such as:
 - (i) Information necessary to the correct interpretation of the audit;
 - (ii) Any amounts which ought to have been received but which have not been brought to account; and
 - (iii) Expenditures not properly substantiated.

Financial Regulations

- (c) Other matters which should be brought to the notice of the Board and, where appropriate, of the General Conference, such as:
- (i) Cases of fraud or presumptive fraud;
 - (ii) Wasteful or improper expenditure of the Agency's money or other assets (notwithstanding that the accounting for the transactions may be correct);
 - (iii) Expenditures likely to commit the Agency to further outlay on a large scale;
 - (iv) Any defect in the general system or detailed regulations governing the control of receipts and expenditure or of supplies, equipment and materials of the Agency or for which the Agency is responsible;
 - (v) Expenditure not in accordance with the purpose of the appropriation concerned, after making allowance for duly authorized transfers between appropriation sections.
 - (vi) Expenditure in excess of appropriations, as amended by duly authorized transfers between appropriation sections; and
 - (vii) Expenditure not in conformity with the authority which governs it.
- (d) The accuracy or otherwise, as determined by stocktaking and examination of the quantitative records relating to supplies, equipment and materials of the Agency or for which the Agency is responsible; and
- (e) Transactions accounted for in a previous financial year, concerning which further information has been obtained, or transaction in a later financial year concerning which it seems desirable that the Board or the General Conference should have early knowledge.
8. The External Auditor, or such officers as he/she may designate, shall express and sign an opinion on the financial statements which shall:
- identify the financial statements examined; and
 - describe the scope and extent of audit procedures; and
- which shall address, as appropriate, whether:
- (a) The financial statements present fairly the financial position of the International Atomic Energy Agency as at the end of the financial year and the results of its operations in that year;
 - (b) The financial statements were prepared in accordance with the stated accounting principles;
 - (c) The accounting principles were applied on a basis consistent with that of the preceding financial year;
 - (d) Transactions were in accordance with the Financial Regulations and legislative authority.
9. The External Auditor shall have no power to disallow items in the accounts, but shall draw to the attention of the Director General for appropriate action any transaction concerning which he/she entertains doubt as to legality or propriety.



**PERMANENT MISSION OF THE REPUBLIC OF INDONESIA
TO THE UNITED NATIONS AND OTHER
INTERNATIONAL ORGANIZATIONS IN VIENNA**

No.: 01030/PI/12/2018/Pol

The Permanent Mission of the Republic of Indonesia to the United Nations and Other International Organizations in Vienna presents its compliments to the Secretariat of the International Atomic Energy Agency (IAEA) in Vienna and with reference to the latter's note No. 2018/Note 80 dated 16 November 2018, has the honour to present the nomination of the Supreme Audit Board of the Republic of Indonesia to be an External Auditor to audit the financial statements of the IAEA for the financial years 2020 and 2021.

In this regard, the Permanent Mission kindly submits the attached letter from Chairman of the Supreme Audit Board of the Republic of Indonesia to the Director General of the IAEA, presenting a proposal to provide financial audit for the IAEA's financial statements for the financial years 2020 and 2021.

The Permanent Mission of the Republic of Indonesia to the United Nations and Other International Organizations in Vienna avails itself of this opportunity to renew to the Secretariat of the International Atomic Energy Agency in Vienna the assurances of its highest consideration.

Vienna, ²⁷ December 2018

A handwritten signature in black ink, appearing to be 'K. S.', written over a faint circular stamp or watermark.

Secretariat
International Atomic Energy Agency
in Vienna



Number : 166 /S/I/12/2018

December 21, 2018

Mr. Yukiya Amano
IAEA Director General
Vienna International Centre
PO Box 100
1400 Vienna, Austria
Ph. (+43 1) 2600-0
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Dear Mr. Amano,

With regard to the the appointment of the External Auditor of the International Atomic Energy Agency (IAEA) for the financial years 2020 and 2021, we are pleased to intimate to you that Audit Board of the Republic of Indonesia (BPK) is very much interested to put forward our candidacy for the appointment.

BPK wishes to re-nominate for candidacy in the appointment selection process in view of the fact that it has been our intention to continue our strong commitment to contribute the achievement of the IAEA's vision and mission. In addition, we are also sincerely desire to strengthen our capacity in auditing institutions particularly organizations administered under the United Nations Organization and to transform BPK to the status of Supreme Audit Institution (SAI) operating at the highest level of integrity, accountability and transparency as well as applying international best practices.

In this regard, we humbly present the following proposal for the upcoming External Auditor of the IAEA for financial years 2020-2021.

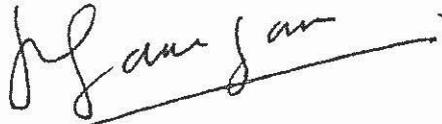
With the balanced combination of resources, competencies, and four-year-experiences as the External Auditor of the IAEA, we do believe that BPK is able to deliver the quality auditing process and results as a role of the External Auditor. In relation to this, we would like to take this opportunity to highlight some of our achievements and activities as follows:

1. an appointment of one of our auditors as an External Auditor of the International Anti Corruption Academy (IACA) for a three-year term 2019, 2020, and 2021;
2. as a Supreme Audit Institution of the Government of Indonesia, BPK annually generates almost 1800 audit reports which consist of the Financial, Performance, and Special Purpose Audit;
3. being a well-established SAI's performance evaluation through periodic international peer review conducted by other SAIs (SAI New Zealand, SAI Netherland, SAI Poland); and
4. high qualified auditors with many international certifications, such as CA, CPA, CIA, CFE and CISA.

BPK is committed to perform the audit function to the best we can serve as the External Auditor in terms of quality, timeliness, and accuracy. BPK has what it takes to be the External Auditor of the IAEA for the financial years 2020-2021.

We highly appreciate your attention to this letter and look forward to your approval in our candidacy. Should you have any inquiries and further information, we are pleased to provide it to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Moermahadi Soerja Djanegara". The signature is written in a cursive style and is positioned above a horizontal line that extends across the width of the signature.

Prof. Dr. Moermahadi Soerja Djanegara, CA, CPA. 

PROPOSAL

**FOR THE RENEWAL OF PROVISION OF EXTERNAL
AUDITOR SERVICES TO THE INTERNATIONAL ATOMIC
ENERGY AGENCY (IAEA)
FOR FINANCIAL YEAR 2020-2021**



AUDIT BOARD OF THE REPUBLIC OF INDONESIA

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FOREWORD

As the current External Auditor of the International Atomic Energy Agency (IAEA) for the financial year 2016-2019, I would like to continue our contribution by presenting the proposal in respect of the appointment of External Auditor for the financial year 2020-2021 for IAEA's consideration. This proposal contains all the essential information requested by IAEA Secretariat through its Note Ref.: N3.00/030405 dated 16 November 2018 regarding Appointment of the External Auditor.

This proposal also elaborates our commitment, expertise and plan to meet requirement as stated in the Article XII of the Agency's Financial Regulations and the additional term of reference governing the audits of the Agency's financial statement to provide reasonable assurance on the audit opinion we render.

Based on our current experience as the external auditor of IAEA, we do believe that our qualified, professional, and experienced auditors will perform efficiently and effectively the audit engagement. I assure high quality of audit as well as good communication and cooperation with IAEA management and other relevant parties so that during our tenure, we can promote a high degree of fairness and reliability of financial statements, thus maintaining stakeholder trust on IAEA organization.

I am looking forward to providing our services to you.

Yours sincerely,
Prof. Dr. Moermahadi Soerja Djanegara
Chairman

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CURRICULUM VITAE OF BOARD MEMBERS

AUDIT BOARD OF THE REPUBLIC OF INDONESIA

The Audit Board of the Republic of Indonesia (BPK) is a Supreme Audit Institution (SAI) that adopts Board System. It consists of a Chairman, a Vice Chairman and seven board members. Here are their profiles:



Chairman, Prof. Dr. Moermahadi Soerja Djanegara, CA., CPA.

Prof. Soerja Djanegara was appointed as the Chairman of BPK in April 2017. He confirmed as a professor of accounting science in December 2017 from School of Economics Kesatuan Bogor and obtained a Doctoral degree in Accounting from Padjadjaran University in 2005. Before appointed as Chairman, Prof. Soerja Djanegara has been BPK Board Member I in 2009–2014 and Board Member V in 2014–2017.



Vice Chairman, Prof. Dr. Bahrullah Akbar, M.B.A., C.M.P.M.

Prof. Akbar was appointed as the Vice Chairman of BPK in April 2017. Previously, he was Board Member VII in 2011-2014 and Board Member VI in 2014-2017. He holds a Master Degree in Public Sector Management, University of Leicester, United Kingdom in 2000 and a Doctoral Degree in Government Sector from Padjajaran University in 2013. He also holds an Honorary Research Fellow School of Management from University of Leicester in 2014.



Board Member I, Dr. Agung Firman Sampurna, SE, MSi.

Dr. Sampurna holds a doctoral degree in Public Administration and Policy from University of Indonesia. His expertise and broad knowledge in public sector has led to his career as the Board Member of BPK since 2011. Dr. Sampurna is responsible for auditing Defence, Security, Law and Politic Affairs, such as the Indonesian Armed Forces, Police Department, Ministry of Defence, and Ministry of Foreign Affairs.



Board Member II, Dr. Agus Joko Pramono, M.Acc., Ak., CA.

Dr. Pramono was appointed as Board Member of BPK in October 2014. He holds a Doctoral Degree in Government Studies from Padjadjaran University. He is also a member of Advisory Board of Institute of Indonesia Chartered Accountant (IAI) and Director of Study Center of Investment and Finance Education. Dr. Pramono is responsible for auditing Central Bank, Ministry of Finance, and other Financial Institution.



Board Member III, Dr. Achsanul Qosasi

Dr. Qosasi was appointed as Board Member in October 2014. He holds his Master Degree in Economics from Jose Rizal University, Philippines and Doctoral Degree in Business Administration from Padjadjaran University. Before joining BPK, he was a Parliament Member responsible for Finance and Economic Affairs. Dr. Qosasi is currently responsible for audit on State Institutions, Public Welfare, Secretary of State, and Research and Technology.



Board Member IV, Prof. Dr H. Rizal Djalil

Prof. Djalil was appointed for a second five-year term as a Board Member in October 2014. Before joining BPK, he was a Parliament Member responsible for Finance and Economic Affairs. He holds a doctoral degree from Padjadjaran University in 2008. Prof. Djalil is responsible for audit on Environment, Natural Resources, Maritime and Fisheries, Forestry and Agriculture, and Infrastructures.



Board Member V, Ir. Isma Yatun, M.T.

Ir. Isma Yatun, M.T. was appointed as a Board Member in April 2017. She obtained a Master degree in Chemical Engineering from University of Indonesia in 2005. She is responsible for audit on Ministry of Religion Affairs, Ministry of Internal Affairs, Regional and Local Governments in Region I covering Sumatra and Java.



Board Member VI, Prof. Dr. H. Harry Azhar Azis, M.A.

Prof. Azis was appointed as Board Member VI in April 2017. He was a prominent parliament member (2004-2014) such as Chairman of budget commission as well as Vice Chairman of the finance and economy commission. His education background was Master Degree in Public Economic Policy, University of Oregon, USA, in 1990 and Doctoral Degree in Economics of the Oklahoma State University in Stillwater, Oklahoma, USA in 2000.



Board Member VII, Prof. Dr. Eddy Mulyadi Soepardi, CFrA, CA

Prof. Soepardi was appointed as the Board Member on October 2014. He is also a member of Institute of Indonesia Chartered Accountant (IAI). He obtained his doctoral degree in Accounting from Padjajaran University in 2005. Prof. Soepardi is responsible for audit on State Owned Enterprises, including Banking Sector, Oil and Gas Sector, Forestry Sector, Transportation Sector and other strategics.

CHAPTER I

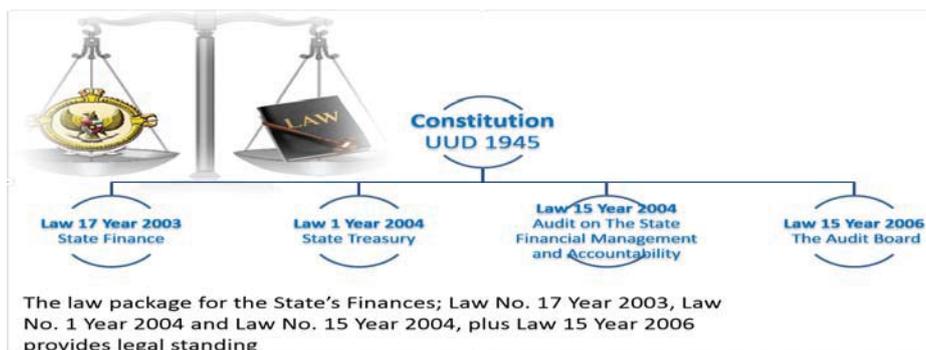
BPK'S STRENGTHS

I. Institutional Strengths

A. Strong Institutional Capacity

As a call of Lima Declaration for having an independent auditing institution, The Audit Board of the Republic of Indonesia, literally known as BPK: *Badan Pemeriksa Keuangan*, was established in 1947 as mandated by Indonesian Constitution 1945. It stipulates in article 23 E that “to audit the management and accountability of state finances, there shall be a single Supreme Audit Board which shall be free and independent”.

The board is a collegial body consisting of 9 members in which they select among themselves a Chairman and Vice Chairman. The board members serve a 5-year term and can be re-elected for another 5 year with a retirement age at 67 years.



The audit function of BPK stipulated by the Indonesian Constitution is to audit the management and accountability of state finance at all government levels – central, provincial and local governments, including state and local owned companies.

The Constitution establishes a high standing position to BPK in Indonesian administration system and structure. BPK is not part of executive, legislature nor judicial branch and therefore, they have a same level of position under the Constitution.

The Constitution, Audit Act and BPK Act assure the independence at both operational and financial aspects, as well as autonomy of BPK to perform audits. None can interfere and direct BPK's audit work and results. Government, Parliament and public at large may request BPK to conduct an audit but the decision may rest at BPK's disposal.

BPK does not report but renders its audit results to Government and Parliament at national and sub-national levels for a follow up action in accordance to law. Once tabled at Parliament, the audit reports become a public domain and thus people at

large may participate in controlling BPK's product as well as government work in managing and using public money.

BPK's independency and autonomy are indeed in line with the desired independence and autonomy of the state audit institutions as envisaged by the Lima and Mexico Declaration of INTOSAI.

B. Giving an assurance for improving the performance

The increased demand and expectation from the Member States have been the challenging issues encountered by the Agency to be solved. The efforts to be taken could be part of the oversight function carried out by the External Auditor. It has been shown by the fact that all previous auditors delivered the recommendation to improve the performance of Agency.

BPK as the current external auditor through the auditing helps to create suitable conditions and reinforce the expectation that the Agency will perform their functions effectively, efficiently, ethically and in accordance with the applicable laws and regulations.

Both financial and performance auditing are essential as they provide Member States with information, and independent as well as objective assessments concerning the stewardship and performance of the Agency policies, programmes or operations.

BPK serves these aims as important pillars of the Agency business process and governance mechanisms and plays an important role in enhancing the principles of transparency, accountability, governance and performance, which emphasize on:

- providing Member States with independent, objective and reliable information, conclusions or opinions based on sufficient and appropriate evidence relating to the Agency;
- enhancing accountability and transparency, encouraging continuous improvement and sustained confidence in the appropriate use of Member States' funds and assets and the performance of public administration;
- creating incentives for change by providing knowledge, comprehensive analysis and well-founded recommendations for improvement.

To enable an accountable assurance realized, BPK has already had capacities to concretize a constructive and valuable audit recommendation for improving the Agency in delivering services to all related stakeholders. Those capacities consist of the institutional capacities and organizational capacities, as well as the professional capacities.

C. Prerequisite for functioning a robust audit

1. The existence of an effective legal framework

In strengthening the power and role of BPK as stated in the Constitution, the implementation of audit function is supported by a series of clear legal framework. It includes the Law 17 Year 2003 of State Finance, the Law 1 Year 2004 of State

Treasury, the Law 15 Year 2004 of Audit of the State Financial Management and Accountability, as well as the Law 15 Year 2006 of the Audit Board. By having those laws, BPK has an effective foundation in performing public-sector audit function in which they cover the definition and scope of state finance; the process of state financial management, and the mechanism of the audit process, as well as the board itself. As a result, BPK could effectively exercise its function to generate a valuable and beneficial audit results to improve the quality of state finance management.

2. Comprehensive and integrated audit strategy

The ability of SAI in determining the audit strategy in term of the content, timing, human capital development and budget has to be in place to ensure the direction of audit will come to the accomplishment of the public expectation with the manageable audit resources. It can be realized by having a soundness strategic plan as the main reference for SAI in running the audit process.

BPK has realized the existence of a well-established strategic plan must be able to cope with the growing demand from stakeholders. The efforts to have well-structured strategic plan have been escalated since 2006 with focused strategic plans for 2006-2010, 2011-2015, and 2016 – 2020.

2006—2010	2011—2015	2016—2020
<p>Institution</p> <ul style="list-style-type: none"> Developing organizational capacity - developing regulations, systems and procedures, and representative offices <p>Public Administration</p> <ul style="list-style-type: none"> Establishing the foundations for good governance in the implementation of 3 Laws on state finance <p>Audit</p> <ul style="list-style-type: none"> Starting financial audits and investigative audits Laying the foundations for performance audits 	<p>Institution</p> <ul style="list-style-type: none"> Continuing the development of systems and procedures and human resources <p>Public Administration</p> <ul style="list-style-type: none"> Improving public finance management through, among others: bureaucratic reform program, Performance-based Budgeting (PBK), Integrity Zone, etc <p>Audit</p> <ul style="list-style-type: none"> Improving the quality and quantity of financial audits, special purpose audits (PDTT), and investigative audits Improving the capacity of performance audits through: thematic audits, improvement of operational and technical guidelines 	<p>Institution</p> <ul style="list-style-type: none"> Strengthening organizational capacity Aligning the development of audits and organization with RPJMN (National Medium Term Development Plan) <p>Public Administration</p> <ul style="list-style-type: none"> Improving public policy and quality of spending for public welfare <p>Audit</p> <ul style="list-style-type: none"> Strengthening accrual accounting in financial audits and using Public Accounting Firms (KAP) Conducting performance audits based on government's priority programs in national development (RPJMN) Focusing special purpose audits (PDTT) on actual issues and request from stakeholders Synergizing three types of audits to enhance the quality of public administration in improving public welfare
<p>Visi 2006—2010</p> <p>Becoming a state audit institution that is free, independent and professional, as well as playing an active role in creating accountable and transparent state financial management</p>	<p>Visi 2011—2015</p> <p>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 finance management</p>	<p>Visi 2016—2020</p> <p>Fostering public administration to achieve State goals through the provision of beneficial and high quality audits</p>

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.

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 utilization of BPK audit results will bring a greater impact for the life of the nation, particularly 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 the National Development Plan; to focus the special purpose audits 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 the utilization of BPK's resources which include human resources, facilities, information technology, knowledge management and organizational culture, as well as financial resources.

BPK's Vision 2016—2020

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

To meet its vision and mission conveyed in the Strategic Plan 2016-2020, BPK keeps its high standing profile by exercising three organizational core values namely Integrity, Independence, and Professionalism. They can be elaborated 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.

BPK establishes a panel of code of ethics to safeguard the implementation of code of ethics by all auditors. This independent panel comprises representatives of academicians, professionals and Board Members.

3. Well-structured Internal Governance

BPK's main role is to promote transparency and accountability of state finance by conducting audits, providing recommendations and opinions, and exercising a quasi-judicial roles.

a. Audit Coverage

BPK conducts audits on state finance at national and sub-national levels covering more than 2,400 central and local entities including state and local-owned enterprises. BPK, furthermore, conducts three types of audit namely financial audit, performance audit and special purpose audit, including compliance and investigative audits.

b. Recommendation

Based on audit results, BPK provides strategic and national recommendations on management and accountability of state finance, including providing considerations to the development of Government Accounting Standards (GAS) and the design of Internal Control System (ICS) at all levels of governments.

c. Quasi-Judicial function

BPK assesses and/or determines the amount of state losses due to unlawful actions committed by treasurers and government officials. In addition, BPK also provides considerations to settlements of state/local losses and expert statements in court proceedings regarding state/local losses.

d. Dealing with State Loss and Criminal Offense

BPK may conduct an investigative audit if there is an indication of state loss and or criminal offense. Should an audit discloses matters which give rise to suspicion that a criminal offence or an act detrimental to the State Finance has been committed, BPK shall present such a case to law enforcement institutions such as the National Police, the Attorney General and the Corruption Eradication Commission.

e. Human Resources

People are the valuable investment in BPK and we prioritize the capacity development of our auditors and supporting staff through various programs such as scholarship for master, doctoral degree and professional certification.

We also engage bilateral cooperation with 18 Supreme Audit Institutions (SAIs) for the capacity building in both financial and performance audit. Cooperation with the Australian National Audit Office (ANAO), for example, aims to share knowledge, skills and practices in performance audit and accrual based financial audit. In addition, similar cooperation has been conducted with the

Office of the Controller and Auditor-General of New Zealand (OAG NZ) through secondment program on accrual based financial audit practice.

As per December 2018, the total number of BPK's employees is 6.478 people. Among those, there are of total number of 3.263 auditors. The background education including:

- 24 Ph.D.,
- 1.728 Master degrees.

The rest of staffs are majority holding bachelor and diploma.

BPK is also continuously providing opportunity for its staffs to pursue other international certifications and contribute to the development of international public sector auditing. There are many employees with international audit certifications, as follows:

- 836 Chartered Accountants (CA);
- 25 Certified Public Accountants (CPA);
- 17 Certified Internal Auditors (CIA);
- 185 Certified Fraud Examiners (CFE);
- 14 Certified Government Auditing Professionals (CGAP);
- 35 Certified Information System Auditors (CISA);
- 135 Certified Forensic and Audit Analysts (CFrA);
- 13 Certified IPSAS and Certified IA (CertIPSAS and CertIA);
- 16 Certified Sustainability Reporting Specialists (CSRS); and
- 67 Certified Legal Auditors (CLA).

Currently, we also have:

- Eight Certified INTOSAI Development Initiatives (IDI)-ASOSAI Audit Training and Capacity Building;
- Seven INTOSAI Standard of Supreme Audit Institutions (ISSAI) Facilitators;
- Two IDI Certified IntoSAINT Trainers;
- Two Certified Knowledge Managers (CKM); and
- Two IDI Certified E-learning Specialists

f. Capacity Building and Training Facility

BPK employs staffs with a wide array of academic backgrounds including accounting, economics, law, and information technology. BPK also supports the ongoing development of its workforce by providing training and professional development opportunities both locally and internationally through a network of international partners and stakeholders, including universities and other SAIs. In addition, BPK adopts the Capacity Building Model developed by the INTOSAI Capacity Building Committee (CBC) and the INTOSAI Development Initiatives (IDI).

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

BPK's Training Centre runs excellent learning centre and knowledge management to facilitate and sustain the dissemination of knowledge gained from the certification programs and secondment programs hosted by counterpart SAIs. The forms of knowledge management programs are workshop, training and seminar named Knowledge Transfer Forum (KTF).

The Training Centre has conducted a number of trainings for internal, such as leadership and managerial training for managers at different levels and positions, functional audit training for auditors at all levels or roles and technical audit training on specific topics depending on the needs, also for and external stakeholders, namely training in public sector audit for public accountants, government procurement for government officers; as well as finance and asset management for government officers.

International Trainings are also conducted under BPK's own programs as well as in cooperation with INTOSAI bodies and concerned SAIs. The following topics are provided in our training programs:

- Forensic accounting;
- Performance audit;
- Environmental audit;
- Forestry audit; and
- Investigative audit.

All trainings are conducted internally in BPK's Training Centre. They are equipped with training rooms and halls supported with modern facilities, laboratory, and dormitory.

II. Audit Strengths

A. National Audit Activities

BPK's audit on state finance covers all state finances in national and sub-national governments as well as state and local-owned companies.

BPK assesses the appropriateness of financial operation, the fairness of financial statements, the soundness of administration, the compliance to laws and regulations, and the appropriateness of funds utilization.

In accordance to Audit Act 2004 and BPK Act 2006, BPK conducts three types of audits as follows:

1. Financial Audit

It provides the basis for an opinion on the fairness of financial information presented in the state financial reports.

2. Performance Audit/Value for Money Audit (VFM)

It assesses the economy and efficiency of state financial resources and effectiveness of government programs and report findings to the stakeholders.

3. Special Purpose Audit

It addresses specific areas of concern outside the scope of financial and performance audits such as:

- Compliance audits;
- Financial related audits;
- Investigative audits;
- Audits of internal control systems; and
- Audit of information technology.

In five years (Period Semester II 2013 until Semester I 2018), BPK has issued 6,489 reports, consists of:

- 3,343 financial audit reports;
- 1,273 performance audit reports; and
- 1,873 special purpose audit reports.

Financial audit is the statutory audit Mandate to be performed annually on national and sub-national governments (provincial and districts), including state-owned and local owned companies. The latter is in majority conducted by public accounting firms in which their audit reports are submitted to BPK. In semester I 2018, BPK has issued 652 financial audit reports, consist of:

- 105 central government entities;
- 542 local government entities;
- 4 other agencies; and
- One consolidated state financial report which covers State Revenue and Grants amounted of USD114 billion and the State Expenditure amounted of USD136 billion in 2017.

As a professional institution, BPK is continuously improving its institutional, organizational and professional staffs' capacity in accordance to the development of the subject matters and audit practices to deliver high quality audit and zero error in reports. These are in line with the needs of stakeholders. In order to guarantee the quality of audits, BPK establishes quality control system to provide reasonable assurance that its audit work satisfies statutory provisions, audit standards and guidelines.

BPK's quality control system consists of quality control and quality assurance. Quality control process is implemented in the audit process hierarchically from the audit team to the high level audit manager before the report was published. While quality assurance is the process of monitoring and reporting BPK's compliance with applicable auditing standards to provide the high level audit manager with greater confidence in

the issued report.

BPK also actively participates in the corruption eradication. The law enforcement agencies like Police, Prosecutor's Office and the Corruption Eradication Commission (KPK) can propose audit to BPK. In the period of 2013 to 30 June 2017, BPK reported 447 criminal indications worth USD3,154 million to those agencies. Of the total reported findings, 425 findings worth USD3,043 million have been followed up.

Internally, BPK is pioneering in the design and implementation of Fraud Control Systems (FCS). It is a part of a comprehensive Internal Control Systems aiming to focus more on prevention and detection of internal as well as external fraud. As BPK leads on this initiative, it is expected that Government institutions will do the same initiatives.

B. Audit Experience in Nuclear Related Entities

BPK conducts annual financial audits on two major nuclear related agencies, namely National Nuclear Energy and Nuclear Energy Regulatory Agency. In addition to that, BPK also performs performance and special purpose audits as mandated by Laws.

1. Approach

BPK conducts risk-based audit approach to these entities. BPK reviews the organization risks, business risks as well as its audit risk. The review also includes an evaluation of fraud risks and IT assessment and review. By doing so, BPK can identify the number of resources allocated in the audit works.

Electronic Audit (e-Audit) approach is used to generate link-and-match data into physical and logical data relationship where the auditor may identify and analyze irregularities and anomalies of data/information.

Further interrogation of data is being conducted by Computer Assisted Audit Techniques, including the use of IDEA or Audit Command Language (ACL) Software.

2. Audit in National Nuclear Energy in Indonesia

One of the entities audited by BPK is the National Nuclear Energy Agency which was established in 1958 to conduct researches on the development and implementation of nuclear energy in Indonesia. The agency has received Unqualified Opinion for the past seven years for its financial statements reporting from BPK.

In 2014, BPK published an audit report of the performance audit on the agency about Agency's Research and Development Activities and the Utilization of Its Results within the year of 2013-2014.

There were three areas covered in this audit;

- research, development and utilization of nuclear science and technology;
- management of non-tax revenues; and
- nuclear waste management.

Based on this audit, BPK recommended the agency to, among other recommendations, review its policy especially in the research and development sector, the technology transfer mechanism and its relation to royalty patent and sanction mechanism.

3. Audit in Nuclear Energy Regulatory Agency

The Agency was established in 1998 aims to monitor all activities related to the implementation of nuclear energy in Indonesia.

BPK also conducts annual financial statement audits on the Nuclear Energy Regulatory Agency, where it received an unqualified opinion for the past four years.

A Performance audit on this agency was conducted to assess:

- institutional and human resource management;
- licensing service;
- inspection; and
- monitoring and evaluation of the radioactive facility and substance.

C. Standard Setting Body

1. Auditing Standards

BPK is a standard setter of the National Auditing Standards. The Standards adopt INTOSAI Auditing Standards as well as other related international auditing standards in combination with national contexts. A dedicate national committee on Auditing Standards is now working on the INTOSAI Standards of Supreme Audit Institutions (ISSAI) Framework adopted by INTOSAI in its 2010 International Congress.

Furthermore, to operationalize and ensure highly consistent implementation of the Auditing Standards, BPK has developed at least 48 audit and technical guidelines for all three types of audits. For example, its products in the field of financial audit includes National Financial Auditing Standards and guidelines for risk assessment, statistical sampling, and working papers.

2. Government Accounting Standards and Internal Control System

According to the Law, BPK is also mandated to provide considerations on the development of the Government Accounting Standard and the design of Internal Control System at national and sub national governments.

Starting in 2015, Government of Indonesia is implementing Full Accrual Accounting Basis after around 10-year-implementation of Cash toward Accrual Basis. BPK has been instrumental in providing advises to government on both types of accounting bases.

D. Peer Review

To acquire objective opinions on how BPK is functioning, every four years BPK is peer-reviewed by other Supreme Audit Institutions based on international standards. Peer review aims to examine whether BPK has designed and adequately implemented the quality control system that in line with National Auditing Standards, and to evaluate BPK's efforts in following up recommendations of the previous peer reviewer.

In 2009, BPK was reviewed by the Netherlands Court of Audit; whereas SAI of Poland carried out this task in 2014. Both SAIs concluded that BPK Quality Control System and Practices are in line with international standards and provide positive organizational and procedural capacity development. In 2019, the review will be conducted by joint reviewer from SAIs of Poland, Estonia, and Norway.

E. Public Acknowledgement

As one of the state institution, BPK has received numbers of acknowledgments from other institutions as well as the public for both its work and its existence. In 2018, the Obsession Media Group (OMG) awarded BPK as Best Achiever in State Institution because BPK has shown dedication and exemplary, inspirational and innovative.

Also, in February 2018 the Ministry of Finance (MoF) awarded BPK as one of the best offices in implementing e-procurement as an effort to realize development in the quality of government spending through modern, efficient and accountable procurement. MoF also awarded BPK best budget implementation performance in middle budget category for year 2017.

Beside these awards, BPK has also received several other awards, namely:

- Public Information Disclosure Award Year 2018 for the category of State Institution and Non-Ministerial Government Institutions as a Public Institution which moves toward an Informative Institutions;
- Accountant Award 2017 from Indonesian Institute of Accountants;
- BPK's achievement in building a pilot service unit towards a Corruption-Free Region and Clean Serving Bureaucracy Region in 2017 and 2018;
- Award as the best Legal Information and Documentation Network manager in 2017;
- Award as the Most Popular State Institution in Media 2017 from the Public Relation Indonesia Award;
- Award on performance accountability ranked A for Year 2011-2014;
- Award on High Quality Financial Reporting for Financial Year 2011-2013; and
- Award Bureaucracy Reform ranked A from Ministry of State Apparatus Award.

In international level, BPK has received an award on best article in ASOSAI Journal in the 14th ASOSAI Assembly Meeting in September 2018. The article titled “*The role of SAIs to achieve more transparent, accountable and sustainable REDD+ scheme: the case of Indonesia*” wrote by BPK’s auditor Tri Darwata chose as the best article for period 2015-2018 by Board of ASOSAI Journal Auditor.

III. International Activities

BPK has engaged in international audit activities and cooperation to share knowledge as well as building capacity. These activities have positively generated pools of various expertise and professionals. They have been exposed to the international audit standards and practices.

A. International Audit Assignments

BPK is enjoying its cooperation with other Supreme Audit Institutions to contribute in international audits as well as building international audit capacity. Some of them are as follow:

- BPK is appointed as the external auditor for the International Atomic and Energy Agency (IAEA) for the Year 2016-2019. The Agency gives cordial appreciation to BPK on the audit engagement for the last two years;
- BPK is appointed as a part of the Independent External Auditor of the International Anti-Corruption Academy (IACA) for the Year 2015-2016 and 2018-2020;
- In cooperation with the France’s *Cour des Comptes*, BPK participated by sending its delegates for audits on UN audit missions in Kinshasa, Democratic Republic of Congo (UNHCR), Eritrea (UNMEE), Kosovo (UNMIK), Aceh (UNICEF, UNHCR, UNOCHA), and New York (UNICEF, UNOCHA, UNJSPF);
- In cooperation with the INTOSAI Development Initiatives (IDI), BPK conducted international cooperative audits and capacity building programs on several audit topics, such as Public Debt and Forestry Audit; and
- BPK is also experienced in managing foreign-funded projects under several international development agencies and international donor agencies in Indonesia, namely Asian Development Bank (ADB) and World Bank (WB).

B. INTOSAI (International Organization of Supreme Audit Institutions)

Currently, BPK is the Chair of INTOSAI Working Group on Environmental Auditing (WGEA). WGEA is the largest working group in INTOSAI by having 78 members in 2014. BPK has responsibility to manage and ensure that all projects are accomplished. With regards to WGEA projects, BPK is the project leader of two projects, namely development of audit guidance on delivering SDGs through environmental audit, and updating audit guidance on auditing bio-diversity.

Further, BPK also actively participates as a member and/or project leader on others INTOSAI Working Group (WG), such as:

- Working Group on Public Debt. BPK is involved in the annual meeting and project organized by the WG;
- Working Group on IT audit. BPK is an active participant in the IT Project Planning and Detailed Audit Procedures to Review IT Controls, and involved in the development of INTOSAI IT Audit Guideline Handbook;
- Working Group on Financial Modernization and Regulatory Reform (WGFMR). BPK contributed in the preparation of the TOR and work plan of WGFMR;
- Working Group on the Fight against Corruption and Money Laundering. BPK is an active participant on the development of the WG first guideline, Enhancing Integrity, Transparency, Accountability and Good Governance;
- Working Group on Key National Indicators. BPK contributes in designing concept and discussion on Key National Indicators; and
- Working Group on Big Data. BPK is an active participant since it is being established in 2016.

In addition to that, BPK also leads the INTOSAI Knowledge Sharing and Services Committee (KSC) Project on developing research project on emergency preparedness.

C. ASOSAI (Asian Organization of Supreme Audit Institution)

As a chartered member of the ASOSAI since 1979, BPK is still performing its best endeavours to enhance ASOSAI activities and cooperation among its members, such as:

- BPK is the Chairman of ASOSAI Governing Board (GB) for two periods;
- BPK is a GB member for seven periods, including the period of 2018-2021. As a member of ASOSAI Governing Board, BPK has a voice in determining ASOSAI's policies and regulations, strategic plans and action plans as well as the annual financial plan, appointing committees and nominating the next Chair/Secretary General and ASOSAI representatives on the INTOSAI Governing Board; and
- Auditor of ASOSAI Secretariat.

Further, in order to strengthen and implement the ISSAI, BPK involves actively in the program of ASOSAI ISSAI facilitators sponsored by IDI. There are many auditors who have been certified by the ISSAI facilitators.

D. ASEANSAI (ASEAN Supreme Audit Institution)

The establishment of ASEANSAI in 2011 as an association of 10 SAIs at the Southeast Asia region was firstly initiated by BPK. BPK was elected as the first Chair and Secretariat in 2011-2013. With this role, BPK took a lead in setting the organization structure, developing its organ and running the first Secretariat matter. Since 2013, BPK has become the Secretariat Function of ASEANSAI.

E. Other International Cooperation in Public Sector Audit

Within bilateral framework, BPK receives mutual benefits and cooperation with 23 SAIs, including the Australian National Audit Office (ANAO), NIK Poland, SAO

Czech Republic, Office of the Auditor General of New Zealand (OAG New Zealand) and Audit Office of Malaysia.

In the context of bilateral cooperation, several activities have been conducted, including parallel audits, secondment programs, trainings and workshops. Similar activities are already in the pipeline for 2018 and the following years.

CHAPTER II

BPK'S UNDERSTANDING ON IAEA

As one of the United Nations Related Organizations, IAEA has been playing active roles in response to the deep fears and expectations resulting from the discovery of nuclear energy since established in 1957. Its fortunes are uniquely geared to this controversial technology that can be used either as a weapon or as a practical and useful tool.

IAEA Statute states the obligation of the Agency to “seek to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world,” while ensuring, “so far as it is able,” that this does not “further any military purpose” (IAEA, 1956: Art. II). Balancing these two goals has presented the Agency with its greatest challenge.

Growing demands from Member States for requesting Agency's services in relating to nuclear energy and technologies proves the existence of IAEA is a fact that well-established management should be a highest priority. In 2017, 144 out of 170 Member States are participating in the Agency's technical cooperation programme.

The role of Agency in assisting Member States is performed through three pillars, namely promoting High Standards for Nuclear Safety and Security, promoting the use of nuclear energy for peaceful purposes, and applying safeguards to verify that nuclear energy is not used for military purposes.

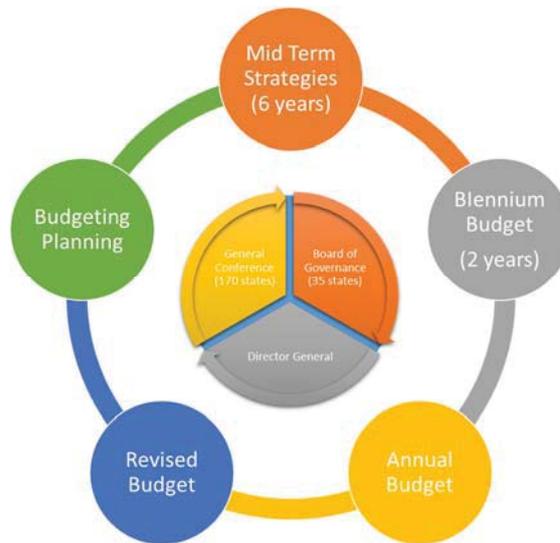
In carrying out those pillars, the Agency through related departments have already had well-prepared plans and mechanism coordination on relevant programs. Like three of IAEA's six Departments are principally charged with promoting the peaceful uses of nuclear energy.

I. Managing resources

In the midst of challenging environment and complexity of the issues to be taken, IAEA has already had a systematic and well-structure budgeting process. From the thematic and strategic views of the Mid Term Strategies which is for 6 years to the range of the Biennium Budget and Annual Budget, all level of governance structure in Agency refers to those hierarchy budgets.

The Medium Term Strategy (MTS) covers the period 2018–2023 and was developed through a process of interaction between the Secretariat and an open-ended Working Group established for this purpose by the Board of Governors.

The MTS 2018–2023 provides overarching guidance and serves as a “roadmap” for the Agency's activities during this period by identifying priorities among and within programmes based on such considerations as recent technological trends, emerging needs and the political, economic and social background.



It seems that the Agency faces the challenging tasks to assist Sustainable Development Goals (SDGs) adopted by world leaders at the UN Sustainable Development Summit in September 2015. The SDGs recognize the role of nuclear techniques to address many of development challenges, including those concerning poverty and hunger, human health, energy, and climate change.

II. Challenges

The Agency continues to rely on extra budgetary funds, mostly from Member States, to carry out some of its activities. For 2019, €78.5 million are expected to be implemented. The Agency has been experiencing limited growth in its Regular Budget for some time.

This situation reflects the overarching economic situation and the challenges Member States face. Simultaneously, the demand for the Agency's services continues to increase with the growing number of Member States, their desire to draw more benefits from the peaceful uses of nuclear technology, and the increasing verification activities.

This proposal was still prepared taking into account the fact that the global financial situation continues to affect the ability of Member States to fund the Agency's activities. Therefore, a strict prioritization effort was undertaken to identify activities that will be discontinued, reduced in scope or postponed and efficiency measures that will be pursued in the coming biennium.

The Secretariat continues to pursue further efficiency improvement initiatives and austerity measures. The following ongoing initiatives continue to be addressed: Stricter prioritization of travel, including that of senior managers; expanded use of standard equipment in all areas, in particular safeguards instrumentation, making use of economies of scale and lower maintenance costs; as well as review of computer assets in use with a view of reducing the number of software licenses paid.

The Agency recognizes the importance of internal and inter-organizational synergies to ensure efficient and effective programme deliveries. Major programmes will make a concerted effort to leverage interactions and cooperation within the Agency and with external counterparts. In doing so, the Agency will continue to take advantage of strategic directions, core competencies, and lessons learned, and to avoid duplication of programmatic effort.

III. Enhancing Accountability

Like other international organizations, IAEA has its own internal audit and review processes, including those conducted by the Office of Internal Oversight and Services, which cover not just financial matters, but also management and administration. The Agency is also subject to continuous external audit by a national auditor chosen for a two-year term by the GC from among its membership. States actively compete for the position. For the past years it has been Indonesia, with Germany, the United Kingdom and India among previous auditors. The Auditor is required to operate on the Single Audit Principle meaning that the audit is conducted according to the Agency's audit procedures, not those of the state conducting it.

CHAPTER III

REASONS TO APPOINT BPK

BPK highly considers the International Standards of Supreme Audit Institutions (ISSAI) 1260 vis-à-vis International Standards on Auditing (ISA) 260 that provide guidance on the importance of communication and cooperation between the auditors and those in charge of IAEA Governance in order to render high quality audit process and results.

I. Audit Scope

BPK complies with the audit scope as it is regulated in the Financial Regulations of IAEA, including those in the Additional Terms of Reference (Part V, Section 2, Annex 1).

In addition to conducting audit of IAEA Financial Statements, on the basis of risk as well as potential improvement to the financial system and procedures, BPK will consider the efficiency of the financial procedures, the accounting system, the internal controls and in general the financial consequences of administrative process.

Special purpose audit, particularly investigative audit will be consulted with IAEA management in the events that BPK finds an indication of fraud and corruption.

II. Audit Standards

Audit will be conducted in accordance with the audit approach of BPK which complies with ISA issued by the International Federation of Accountants (IFAC) and ISSAI.

III. Audit Methodology

BPK will conduct the audit based on IAEA's risk assessment (risk-based audit) and will focus on significant financial reporting and system within IAEA and the manner in which IAEA seeks to manage those risks. There are three key steps in performing this risk based audit, as described below.

1. Risk Assessment

In this phase, BPK performs risk assessment procedures to identify and assess the risk of material misstatement in the financial statements. This step consists of performing preliminary engagement activities, planning the audit, and performing risk assessment procedures.

In planning the audit, BPK develops an overall audit strategy and audit plan including materiality and audit team discussions. In performing risk assessments procedures, BPK prepares:

- an analysis of business, fraud and organization risks including significant risks;
- an evaluation of relevant internal control structure and the subsequent assessment of control risk including IT control risk; and

- an assessment of Risk of Material Misstatement (RMM), both at the financial statement and account balance/transaction levels.

In this step, BPK also evaluates management's responses to those risks and follow up of previous audit recommendations.

BPK will accept a level of risk that a material misstatement in the financial statement will not be detected by the audit procedures. This risk, which is assessed as low, is accepted because of the significant costs and impracticability of performing an audit that accepts no, or an extremely low, level of risk.

2. Risk Response

In this phase, BPK designs overall responses and further audit procedures based on consideration of the assessed RMM. The overall responses address assessed RMM at the financial statement level. Such responses would include the assignment and supervision of appropriate personnel, the need for professional scepticism, the audit procedures to be performed, and what documentation would be examined in support of material transactions.

Further audit procedures consist of substantive procedures (test of details and analytical procedures) and tests of control. Also in this phase, BPK implements those further audit procedures, performs audit supervision, prepares audit findings, and reviews working papers.

3. Reporting

In this phase, BPK evaluates the audit evidence obtained and determines if it is sufficient and appropriate to reduce audit risk to acceptably low level. Also in this phase, BPK reports audit findings to management and those in charged with governance and form audit opinion based on those findings.

BPK will deliver three types of audit reports to IAEA: Management Letters, Short Form Report or the Opinion on Financial Statements, and Long Form Report or Annual Audit Report.

BPK will immediately communicate to IAEA the conditions that have been observed before completion of the audit, such as incompliance to laws and regulations, deficiencies, weaknesses and ineffectiveness of the internal control that affect the organization's ability to record, process, summarize and report financial data. The final report will be issued after discussing with IAEA's top management.

BPK will ensure that Audit Report delivered to IAEA will be balanced, fair, accurate, and having constructive recommendations.

Audit tools including ACL Software, Smart Audit application, and other computer assisted software will be used to facilitate and ensure sufficient audit procedures. The use of audit tools is a complementary in nature to the professional judgment

and scepticism of the auditors.

IV. Utilization of Internal Audit

Our audit approach recognizes the importance of having an effective internal audit function that meets the operational needs of the Agency. To mitigate duplication of effort, we will work with the Office of Internal Oversight Services (OIOS) to achieve maximum reliance on internal audit coverage which falls within our audit scope.

If the methodology utilized by the internal auditors is not acceptable for external audit purposes, no reliance will be placed on the work performed by the unit.

V. Communication with those in Charge of Governance

Communication between BPK and those in charge of governance – management, audit committee, internal audit, and other concerned parties are very critical for the success of the audit.

BPK will collaborate closely with the Internal Auditor function within IAEA as well as with the Office of Internal Oversight Services. An IAE-EAI approach, standing for Internal Assisting External Audit and External Assisting Internal Audit will be used to provide optimum benefits of the work of BPK to the governance of IAEA. By doing so, the external audit work could also promote an efficient and effective audit.

This model is also in line with INTOSAI Governance on the relationship between Internal Auditor and External Auditor.

VI. Performance Audit Approach

We propose previously the main audit objective: *“to assess results-based management effectiveness at the level of selected IAEA projects in respect of planning, monitoring & evaluation, and the achievement of cost-effectiveness; and to provide foresight so as to strengthen the Agency’s management effectiveness, thus streamlining its services to Member States”*.

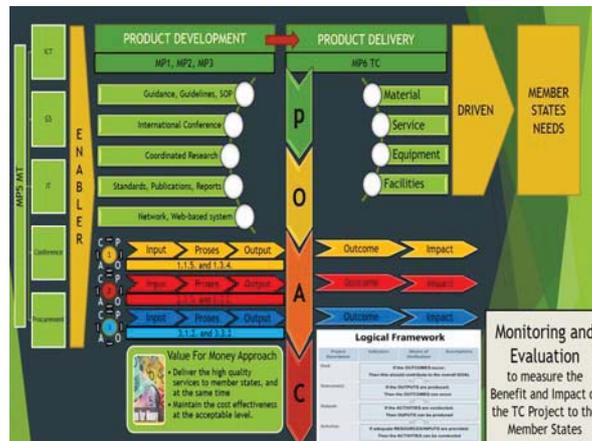
In order to observe the implementation and short-term outcome or impact of BPK’s Audit Result, another two-year tenure as IAEA’s External Auditor is necessary.

Based on our understanding and analysis, the business process of IAEA comprises two main stages. First, product development is conducted by MP1, MP2, and MP3, on a regular basis through projects within the sub program.

Second, Product delivery is delivered through a specific project to a specific member state within a region by MP6. Along these stages, MP5 will provide supports in terms of resources such as Human Resources, General Services, IT, Conference Arrangement, Procurements, Oversights, etc. It can be illustrated in the following depiction.

The audit approach uses an integrated framework among MPs especially MP1, MP2

and MP3 with its respective programs and sub programs so that it would be able to give recommendations underlining added values to IAEA.



As stated in the Programme and Budget 2016-17 and to some extent continued to 2018-2019, the main challenge of the Agency is the unbalanced situation between the available resources to develop the products and the demand of member states for the product delivery.

In this context, our two-year performance audit approach will use three kinds of framework: the concept and practice of POAC; Value for Money regarding cost effectiveness; and Performance Evaluation using Monitoring and Evaluation Reports of TC Programmes within a time range of 2016-2019.

VII. Audit Teams

The Audit Board will supervise directly the work of BPK audit teams on IAEA.

At operational level, BPK will assign two Principal Auditors/Director Generals of audit in many other SAIs, to lead the audit and provide the audit quality controls.

The audit staffs to be assigned to the audit fall in to the following categories:

- Supervisors who hold Post Graduate Degrees in Economics including Accountancy and Auditing, ISSAI Certifications/Facilitators, International Community Practices, and International Audit Certifications;
- Team Leaders and Team Members who also hold Post Graduate Degrees in Economics including Accountancy and Auditing, and other majors namely Engineering, Laws, and Social Sciences, International Secondment Recognition, and International Audit Certifications, such as CISA, CFE, CertIPSAS, CertIA and Certified Practicing Accountant (CPA); and
- Senior IT Auditors who hold Post Graduate Degrees in Information System and having international certification, such as CISA.

BPK also highly considers a gender balance on its audit work in all position based on merit system and equal opportunity.

VIII. Estimates of Auditor – work – months

We have assessed the audit effort that would be required for auditing operation at headquarter, including the regional offices, liaisons offices, and research laboratories. As mentioned earlier in this proposal, we propose to have an officer (Director of External Auditor) at IAEA Headquarter.

The audit at Headquarter will be periodically supplemented by interim audit and the final audit. The audit of the regional offices, liaisons offices, and research laboratories will be conducted at least once during the biennium. Based on this, we estimate that 47 auditor-work- months will be spent in conducting the audit of IAEA per biennium.

IX. Audit Fees

BPK proposes an audit fee of €476,200 for two years or €238.100 each year for the financial year of 2020 and 2021.

The fee quoted are based on the full recovery of the cost incurred on audit, including all traveling, secretarial and other ancillary costs as well as living expense/per diem of the auditors sent for audit work.

Annual fees of €238,100 covers an audit fee amounting at €126,500 per year and €111,600 to cover fixed, air fare and supplies expenditure.

Average fee per man per month is €2,530 for each 50 auditors.
(See Appendix 1 for details).

Appendix 1. AUDIT FEE

No.	Description	Location	Number Person involved	Month	Auditor	Auditor / month	Fixed, airfare and office supplies expenses (In EURO)			
							FC	Airfare	Office Supplies	Total
1	HQ	Vienna	Dir/Manager, Auditor/Team Leader	4	10	40		66,000	2,000	68,000
			Supervisor	1	2	2		13,200	-	13,200
2	Liaison Office Geneva	Geneva	Auditor/Team Leader	1	3	3		9,900	2,000	11,900
			Supervisor	1	1	1		3,300	-	3,300
3	Research Labs, Seibersdorf, Austria	Seibersdorf, Austria	Auditor/Team Leader	1	3	3		9,900	2,000	11,900
			Supervisor	1	1	1		3,300	-	3,300
	Total					50				111,600

Note to audit fee table (in EURO)

Annual Bidding value	238,100	EURO
Fixed, airfare and supplies expenditures	111,600	EURO
Amount allocated for audit fee	126,500	EURO
Total projected man/months	50	EURO
Average fee per man/month	2,530	EURO

Summary of the Nomination of the Audit Board of the Republic of Indonesia
for Appointment of the External Auditor of the Agency for Financial Years 2020 and 2021

Information requested ¹	Audit Board of the Republic of Indonesia
Curriculum vitae of nominee	Provided profile of the Chairman, Vice-Chairman and Members of the Audit Board of the Republic of Indonesia
Details of national and international activities of Auditor General's Office	Included details of national and international auditing activities.
Indication of the range of audit activities envisaged	Included both scope of audit as well as range of audit activities.
Audit specialities to be available	Described a number of audit specialties that are available.
Proposed audit fee covering audit related salaries, secretarial and other support costs, travel costs and living expenses of external auditor and staff	Provided an audit fee of €238,100 per annum (€476,200 in aggregate) for 2020 and 2021.
Number of auditor-months to be devoted to the audit	Estimated at 100 auditor months for the assignment for 2020 and 2021

¹ Note by the Secretariat dated 16 November 2018.